

# NOVATO SANITARY DISTRICT

Meeting Date: July 10, 2017

**The Board of Directors of Novato Sanitary District will hold a regular meeting at 5:30 p.m., Monday, July 10, 2017, at the District Offices, 500 Davidson Street, Novato.**

*Materials related to items on this agenda that are public records, 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](http://www.novatosan.com). Note: All times and order of consideration for agenda items are for reference only. The Board of Directors may consider item(s) in a different order than set forth herein.*

## AGENDA

1. **PLEDGE OF ALLEGIANCE:**
2. **AGENDA APPROVAL:**
3. **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.*

4. **SPECIAL ANNOUNCEMENT:**
  - a. Receive report - Novato Sanitary District's Novato Wastewater Treatment Plant receives Platinum5 Peak Performance Award from the National Association of Clean Water Agencies (NACWA) for five years of 100% compliance.

5. **REVIEW OF MINUTES:**
  - a. Consider approval of minutes of the June 26, 2017 regular meeting.

6. **CONSENT CALENDAR:**

*The General Manager-Chief Engineer has reviewed the following items. To his 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 regular disbursements, June 26 – July 10, 2017.
  - b. Receive Deposit Summary, June 2017.
  - c. Approve the Board President and the General Manager-Chief Engineer to attend the NACWA Utility Leadership Conference and Awards Ceremony in St. Louis, Missouri, July 23 - 26, 2017.
7. **SOLID WASTE OPERATIONS:**
    - a. Receive Novato Disposal Service 1<sup>st</sup> Quarter 2017 report.
    - b. Receive verbal report on Marin County JPA and Local Task Force.

- c. Receive Disposal/Diversion reports for 2016, and 1<sup>st</sup> Quarter 2017.
- d. Receive verbal update on schools recycling program.
- e. Household Hazardous Waste (HHW) programs:
  - i. Receive 2017 HHW report;
  - ii. Receive report from April 2017 E-Waste event.
- f. Approve contract with DLJ Associates to provide AB939, household hazardous waste (HHW), and related services for FY2017-18 in the not-to-exceed amount of \$103,118, & authorize the General Manager-Chief Engineer to execute it.

**8. WASTEWATER OPERATIONS:**

- a. Receive Wastewater Operations Report, June 2017.

**9. GRAND JURY REPORTS:**

- a. Receive draft response to 2016-17 Marin County Civil Grand Jury report titled “Marin’s Retirement Health Care Benefits – The Money Still Isn’t There” dated May 17, 2017, and subject to changes or edits, authorize the Board President to provide the response to the Grand Jury.
- b. Receive draft response to 2016-17 Marin County Civil Grand Jury report titled “The Budget Squeeze – How Will Marin Fund Its Public Employee Pensions?” dated June 5, 2017, and subject to changes or edits, authorize the Board President to provide the response to the Grand Jury.

**10. ADMINISTRATION:**

- a. Receive report on District participation in Operating Engineers Local 3 (OE3) trust fund for post-retirement medical expenses for employees hired after July 1, 2008.
- b. Approve change of trust fund service provider to International City/County Management Association – Retirement Corporation (ICMA-RC).
- c. Authorize the General Manager-Chief Engineer to execute an agreement with ICMA-RC, and transfer existing funds from the OE3 Health and Welfare Trust Fund into a new ICMA-RC account.

**11. STAFF REPORTS: (INFORMATION ONLY)**

- a. Receive report on CalPERS Health Plan Premium Rates for 2017.
- b. Receive report on Uniform Public Construction Cost Accounting Act (UPCCAA) implementation for Fiscal Year (FY)2016-17.

**12. NORTH BAY WATER REUSE AUTHORITY (NBWRA): (INFORMATION ONLY)**

- a. Receive report on refund of \$179,458 to District from Sonoma County Water Agency (SCWA) as the District’s share of cost savings to NBWRA’s three year (FY14-15, FY15-16, and FY16-17) Phase 2 Feasibility Study program budget from new members joining the program.

**13. BOARD OF DIRECTORS: (INFORMATION ONLY)**

- a. Receive copy of e-mail (and attachment) - City of Novato, Draft 2017 Urban Growth Boundary (UGB) ordinance.
- b. Receive copy of Marin LAFCO staff response to the City on the draft UGB ordinance.
- c. Receive copy of District response to the City on the draft UGB ordinance.
- d. Receive copy of North Marin Water District (NMWD) response to the City on the draft UGB ordinance.
- e. Receive copy of article published in the Novato Advance newspaper for the week of July 5, 2017 – “Details of growth boundary ordinance examined”.

**14. BOARD MEMBER REPORTS AND REQUESTS:**

- a. North Bay Watershed Association (NBWA) Board meeting, July 7, 2017.

**15. GENERAL MANAGER’S REPORT AND ANNOUNCEMENTS:**

**16. ADJOURNMENT:**

Next Resolution No. 3109.

**Next regular meeting date: Monday, August 14, 2017, 5:30 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.*

# NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

<b>TITLE:</b> National Association of Clean Water Agencies (NACWA) Peak Platinum Award - Information only.	<b>MEETING DATE:</b> July 10, 2017.  <b>AGENDA ITEM NO.:</b> 4.a.
<b>RECOMMENDED ACTION:</b> Receive report - Novato Sanitary District's Novato Wastewater Treatment Plant receives Platinum5 Peak Performance Award from the National Association of Clean Water Agencies (NACWA) for five years of 100% compliance (information only).	
<b>SUMMARY AND DISCUSSION:</b>  <p>The National Association of Clean Water Agencies (NACWA) has informed the District that the Novato Treatment Plant (NTP) has received NACWA's 2016 Platinum5 Peak Performance Award. NACWA awards this honor only to wastewater treatment facilities that have perfect permit performance records for five or more consecutive calendar years.</p> <p>In general, NACWA's Peak Performance Awards program recognizes NACWA-member agency facilities for excellence in wastewater treatment as measured by their compliance with their National Pollutant Discharge Elimination System (NPDES) permits. The performance levels range from Silver, to Gold, and Platinum. Each year about 125-150 treatment facilities earn these exceptional honors out of more than 16,000 publicly owned wastewater treatment plants operating in the United States. For comparison purposes, in 2015, seventeen (17) plants earned the Platinum5 honor.</p>	
<b>ATTACHMENTS:</b> 1. NACWA letter notifying the District of the award.	
<b>STRATEGIC PLAN INFORMATION:</b> This item addresses Goal 1 (Operational Excellence), Goal 2 (Build and Maintain Safe, Reliable, and Efficient Facilities), and Goal 3 (Board District and Community, Alignment and Communications) of the latest Strategic Plan Update.	
<b>DEPT. MGR.:</b> ssk	<b>GENERAL MANAGER:</b> SSK

EXECUTIVE COMMITTEE  
PRESIDENT

**Raymond J. Marshall**  
Executive Director  
Narragansett Bay  
Commission  
Providence, RI

VICE PRESIDENT

**Cathy Gerali**  
District Manager  
Metro Wastewater  
Reclamation District  
Denver, CO

TREASURER

**David St. Pierre**  
Executive Director  
Metropolitan Water  
Reclamation District of  
Greater Chicago  
Chicago, IL

SECRETARY

**Mark S. Sanchez**  
Executive Director  
Albuquerque-Bernalillo  
County Water  
Utility Authority  
Albuquerque, NM

PAST PRESIDENT

**Adel H. Hagekhalil**  
Assistant Director  
City of Los Angeles -  
LA Sanitation  
Los Angeles, CA

CHIEF EXECUTIVE OFFICER

**Adam Krantz**

July 6, 2017

**Erik Brown**  
Technical Services Manager  
Novato Sanitary District  
500 Davidson St.  
Novato, CA 94945-3399

Dear Erik:

It gives us immense pleasure to inform you that the Novato Sanitary District's *Novato Wastewater Treatment Plant* has earned its first *Platinum Peak Performance Award* for five years of 100% compliance. Congratulations on this great accomplishment!

As a first-time *Platinum Peak Performance* honoree, this facility will be recognized with a formal presentation of its *Platinum Award* at an evening Awards Ceremony on Tuesday, July 25, 2017 during NACWA's Utility Leadership Conference & 47<sup>th</sup> Annual Meeting, *Peer-to-Peer Partnership...Solving Today's Utility Challenges Together*, in St. Louis. We sincerely hope that you, or your designee, will be able to attend and be recognized by your peers in the clean water community.

Please pay special attention to the *Essential Information for Award Recipients* (included with this correspondence), as well as the following key deadlines described in detail in the accompanying materials:

July 17, 2017: Deadline to return your *Peak Performance Award Response Form* to NACWA

Deadline to send photos of your team to NACWA for our multi-media presentation showcasing *Platinum Award* honorees

Additional honors that your utility may have been awarded, such as *Gold or Silver Awards*, will be mailed to you following the Utility Leadership Conference.

July 6, 2017  
Page 2 of 2

Again, congratulations on a job well done. We look forward to presenting your *Platinum Award* in St. Louis!

Sincerely,



Edward G. Henifin  
Chair, NACWA Awards Committee  
General Manager  
Hampton Roads Sanitation District, VA



Adam Krantz  
NACWA Chief Executive Officer

Enclosures:    *Essential Information for Award Recipients*  
                  *Peak Performance Award Response Form*

## NOVATO SANITARY DISTRICT

Board Meeting Minutes

Meeting Date: July 26, 2017

A regular meeting of the Board of Directors of the Novato Sanitary District was held at 5:30 p.m., Monday, July 26, 2017, at the District Office, 500 Davidson Street, Novato.

BOARD MEMBERS PRESENT: President Jerry Peters, Directors Carole Dillon-Knutson, William Long, Jean Mariani, and Brant Miller.

STAFF PRESENT: General Manager-Secretary Sandeep Karkal and Administrative Secretary Julie Hoover.

ALSO PRESENT: Robin Merrill, Information Systems Specialist, Novato Sanitary District  
Erik Brown, Technical Services Manager, Novato Sanitary District  
Steve Krautheim, Field Services Manager, Novato Sanitary District  
Dale Thrasher, Administrative Services Officer, Novato Sanitary District  
John Bailey, Project Manager, Veolia Water  
Brian Exberger, Assistant Project Manager, Veolia Water  
Laura Creamer, Finance Officer, Novato Sanitary District

PLEDGE OF ALLEGIANCE:

AGENDA APPROVAL: The agenda was approved as presented.

PUBLIC COMMENT: None.

REVIEW OF MINUTES:

Consider approval of minutes of the June 12, 2017 regular meeting. Director Long requested a modification to the minutes on page 5, paragraph 1, as follows: **Director Long stated that *NBWRA members have discussed forming an executive committee to expedite matters between regular NBWRA meetings.***

*On motion of Director Mariani, seconded by Director Dillon-Knutson, and carried unanimously, the June 12, 2017 Board meeting minutes were approved as modified.*

PUBLIC HEARING PURSUANT TO SECTION 5471 ET SEQ. AND 6520.5 OF THE CALIFORNIA HEALTH AND SAFETY CODE – FY2017-18 SEWER SERVICE CHARGE REPORT, AND ELECTING TO COLLECT ON COUNTY TAX ROLLS:

- Sewer Service Charge Report. The General Manager noted that items 5.a.b.c.d., and 6.a. would be considered together. He stated that the District Board, at its June 13, 2016 meeting, held a public hearing on, and thereafter adopted, Ordinance No. 120, which established sewer service charges for fiscal years 2016/17 through 2020/21. He stated that this public hearing of June 26, 2017, was to conduct the Hearing on the FY2017/18 Sewer Service Charge report, and receive protests on individual sewer service charges on the sewer service charge report. He noted that at the close of the public hearing, the Board would consider adopting Resolution No. 3108, to collect the FY2017/18 Sewer Service Charges on the Marin County tax rolls.

- Open public hearing. President Peters opened the public hearing at 5:34 p.m.

- Consider protests regarding sewer service charge report. There was no public comment, and the General Manager reported that no written protests were received at the District.

- Close public hearing. President Peters closed the public hearing at 5:35 p.m.

RESOLUTION CONFIRMING FY2017-18 SEWER SERVICE CHARGE REPORT AND ELECTING TO COLLECT ON COUNTY TAX ROLLS:

- Adoption of Resolution No. 3108 – A Resolution Confirming Sewer Service Charge Report and Collection of Sewer Service Charges for Novato Sanitary District on the County of Marin Tax Rolls for Fiscal Year 2017-18. The General Manager stated that Information Systems Specialist Robin Merrill was present at the Board meeting with the computerized database and the Sewer Service Charge report so that anyone may request their individual sewer service rate information for the coming year, and have an opportunity to protest.

There were no requests for sewer service rate information.

The General Manager stated that this public hearing of June 26, 2017 was 'noticed' twice in the Marin Independent Journal, on June 12<sup>th</sup> and June 19<sup>th</sup>. He requested that the Board adopt Resolution No. 3108.

*On motion of Director Miller, seconded by Director Long and carried unanimously, the Board adopted Resolution No. 3108 - A Resolution Confirming Sewer Service Charge Report and Collection of Sewer Service Charges for Novato Sanitary District on the County of Marin Tax Rolls for Fiscal Year 2017-18.*

CONSENT CALENDAR:

President Peters called for a motion on the Consent Calendar items as follows:

- a. Approve capital project disbursements in the amount of \$93,702.87, and regular disbursements in the amount of \$156,779.00.
- b. Approve payroll and payroll related disbursements for the month of June in the amount of \$336,945.62.

*On motion of Director Mariani, seconded by Director Dillon-Knutson, and carried unanimously, the above listed Consent Calendar items were approved.*

COMMITTEE REPORTS.

- Solid Waste: Receive report and recommendation to adopt preliminary Solid and Household Hazardous Waste (S&HHW) budget for FY17-19. The General Manager stated that the Solid Waste Committee met on June 19, 2017, to review the preliminary FY17-19 Solid and Household Hazardous Waste (HHW) operating budget with the Committee. Members Mariani and Dillon-Knutson were present along with the District's Solid and HHW Coordinator, Ms. Dee Johnson. He noted that the agenda materials from this committee meeting were included in the Board agenda packet.

He stated that Ms. Johnson reviewed the preliminary FY17-19 Solid and HHW operating budget and discussion followed with the Committee members. Upon close of discussion, the Committee unanimously agreed on a recommendation to the full Board of Directors to adopt the preliminary FY17-19 Solid and HHW operating budget at the Board's June 26<sup>th</sup> regular meeting.

- Wastewater Operations: Receive report and recommendation to adopt preliminary Operating Budget for FY17-19. The General Manager stated that the Wastewater Operations Committee met on June 13, 2017, to review the preliminary FY17-19 Operating Budget with the Committee. Members Peter and Miller attended. He noted that the agenda materials from this committee meeting were included in the Board agenda packet.

He stated that staff reviewed the preliminary FY17-19 Operating Budget and discussion followed with the Committee members. Upon close of discussion, the Committee unanimously agreed on a recommendation to the full Board of Directors to adopt the preliminary FY17-19 Operating Budget at the Board's June 26<sup>th</sup> regular meeting.

- Strategic Planning and New Facilities: Receive report and recommendation to adopt preliminary Capital Improvements Program (CIP) budget for FY17-19. The General Manager stated that the Strategic Planning and New Facilities (SPNF) Committee met on June 14, 2017, to review the preliminary FY17-19 Capital Improvements Program (CIP) Budget with the Committee. Members Long and Dillon-Knutson attended. He noted that the agenda materials from this committee meeting were included in the Board agenda packet.

He stated that staff reviewed the preliminary FY17-19 Capital Budget and discussion followed with the Committee members. Upon close of discussion, the Committee unanimously agreed on a recommendation to the full Board of Directors to adopt the preliminary FY17-19 Capital Budget at the Board's June 26<sup>th</sup> regular meeting.

#### ANNUAL BUDGET:

- Approve and adopt the FY2017-19 Preliminary Budget. The General Manager stated that at the May 22<sup>nd</sup> Board meeting, staff presented the District's Preliminary Budget for FY2017-19 to the Board of Directors. He noted that the Solid Waste Committee, the Wastewater Operations Committee, and the Strategic Planning and New Facilities Committee have all recommended adoption of their respective budgets to the full Board. He stated that, accordingly, staff recommends that the Board approve and adopt the Preliminary Budget for FY17-19.

*On motion of Director Long, seconded by Director Miller, and carried unanimously, the Board approved and adopted the FY2017-19 Preliminary Budget.*

#### CAPITAL PROJECTS:

- NTP Corrosion Control, Account No. 73006: Primary Clarifier No. 1 Coating Project (Project) – Grant Final Acceptance of the Project, and authorize staff to file the Notice of Completion. The General Manager introduced Technical Services Manager Erik Brown, who provided an overview of the Project. The Technical Services Manager stated that the Project was awarded on March 10, 2017 to F.D. Thomas, Inc. for a low bid of \$172,000, which included two optional items totaling \$60,000. He noted that during construction, it was determined that the optional items did not need to be performed, which resulted in a revised base bid amount of \$112,000.

The Technical Services Manager stated that two Owner generated change orders resulted in a final project cost of \$126,000. He stated that, at this time, the Contractor had completed the work and recommended that final acceptance be granted, and that staff be authorized to file the Notice of Completion.

*On motion of Director Mariani, seconded by Director Miller, and carried unanimously, the Board granted Final Acceptance of the Primary Clarifier No. 1 Coating Project and authorized staff to file the Notice of Completion.*

#### GRAND JURY REPORT:

- Receive 2016-17 Marin County Civil Grand Jury report titled "The Big Picture – Funding Marin's Public Employee Pensions & Retirement Health Care Benefits", dated June 19, 2017. The General Manager stated that the attached report was for informational purposes only, and that no response was being required from the District.

#### ADMINISTRATION:

- Review cost-of-living increase, Represented Employees group, effective July 1, 2017 – informational item. The General Manager stated that in 2014, the District negotiated a four-year Memorandum of Understanding (MOU) with its represented employee group, the Teamsters Bargaining Unit (TBU). He stated that the MOU has a provision for a cost-of-living increase effective July 1, 2017, as determined by the April 2016 to April 2017 Consumer Price Index (SF Bay Area 82-100) movement plus 0.5 percent. He stated that the April-April CPI change was +3.7%, therefore the corresponding increase would be 4.2%. The General Manager stated that the represented employee group would therefore receive a 4.2% cost-of-living salary increase, effective July 1, 2017.

The General Manager then requested (and received) the Board President's approval to review the following agenda items, i.e. 12b. and 12c., together.

- Approve cost-of-living increase, Management and Confidential Employees group, effective July 1, 2017.

- Review cost-of-living increase, General Manager-Chief Engineer, effective July 1, 2017.

The General Manager stated that the Management and Confidential (M&C) group had agreed to the same terms as the represented employee group in terms of a cost-of-living salary increase. Therefore, it is recommended that the Board approve a 4.2% salary increase for the Management and Confidential group, effective July 1, 2017.

The General Manager stated that as per the terms of the General Manager-Chief Engineer's agreement, he shall be eligible for cost-of-living increases which shall be no greater than that authorized for the Management and Confidential staff. He stated therefore, if a 4.2% increase is approved for the M&C Group, it is requested that the Board also approve a 4.2% salary increase for the General Manager-Chief Engineer, effective July 1, 2017.

*On motion of Director Mariani, seconded by Director Long, and carried unanimously, the Board approved a 4.2% cost-of-living salary increase for the Management and Confidential group, as well as a 4.2% cost-of-living salary increase for the General Manager-Chief Engineer, effective July 1, 2017.*

## BOARD OF DIRECTORS:

- Presidential appointment of members to Board Committees for FY2017-18. The General Manager stated that the Board President traditionally appoints committee members at the second Board meeting in June. He noted that, at the President's option, the assignments may be modified at this meeting, remain the same, or be modified at a subsequent Board meeting.

President Peters stated that the Strategic Planning and New Facilities Committee would be renamed to the Capital Improvements Committee. President Peters then stated that he would make Committee assignments as follows:

### **Standing Committees:**

1. Joint City/District Solid Waste Committee:  
Jean Mariani  
Jerry Peters  
Brant Miller, Alternate
2. Wastewater Operations Committee:  
Brant Miller  
Carole Dillon-Knutson  
Jean Mariani, Alternate
3. Capital Improvements Committee (Formerly: Strategic Planning and New Facilities Committee)  
Carole Dillon-Knutson  
William C. Long  
Brant Miller, Alternate
4. Finance Committee:  
William C. Long  
Jean Mariani  
Carole Dillon-Knutson, Alternate

### **Regular Committees:**

1. California Association of Sanitation Agencies:  
Jerry Peters, Delegate  
Carole Dillon-Knutson, Alternate
2. California Sanitation Risk Management Authority:  
Sandeep Karkal, Delegate  
Brant Miller, Alternate
3. North Bay Water Reuse Authority:  
William C. Long, Delegate  
Jerry Peters, Alternate
4. North Bay Watershed Association:  
Brant Miller, Delegate  
Sandeep Karkal, Alternate

### **Ad Hoc Committee Assignments:**

(None assigned at June 26, 2017 Board meeting.)

The Board members agreed with their respective assignments; there was no further discussion.

*On motion of Director Mariani, seconded by Director Dillon-Knutson, and carried unanimously, the above Committee appointments were ratified.*

BOARD MEMBER REPORTS AND REQUESTS:

Director Long stated that he has been the representative on the Watershed Policy Committee along with the General Manager-Chief Engineer Sandeep Karkal. He stated that the committee met the week of June 19<sup>th</sup> to discuss the Novato Flood Control Zone ballot measure and he stated that the Marin County Board of Supervisors would be placing this measure on the November 2017 ballot. He discussed details of the measure.

The General Manager stated that Marin County Flood County District staff is tentatively scheduled to present a report on the Novato Watershed Program at the August 14<sup>th</sup> Board meeting.

GENERAL MANAGER'S REPORT AND ANNOUNCEMENTS:

- Memorial services for Dietrich Stroeh scheduled for June 29, 2017, at Pioneer Park.
- Retirements: The following three employees have announced their retirements: Kevin Craig, Construction Inspector (retiring in July); Craig Deasy, Senior Engineer (retiring in August); and Steve Krautheim, Field Services Manager (retiring in October. Planning process is underway to fill positions. Congratulated all three in reaching their retirement goals.
- California Association of Sanitation Agencies (CASA), Annual Conference, San Diego, August 22-24, 2017: availability of flights on Virgin America or Southwest Airlines departing from San Francisco, coordinate with Secretary Pro-tem Julie Hoover on flight schedules.
- The next regular Board meeting will be held Monday, July 10<sup>th</sup> at 5:30 p.m.
- The District office will closed for the July 4<sup>th</sup> holiday.
- Director Miller has announced he will be absent at the July 10<sup>th</sup> meeting.

ADJOURNMENT: There being no further business to come before the Board, President Peters adjourned the meeting at 6:17 p.m.

Respectfully submitted,

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Sandeep Karkal  
Secretary

Julie Hoover, Recording

**Novato Sanitary District  
Board Check Register for June 2017**

Item 6.a.  
(Pages 13-15)

July 7, 2017

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Date	Num	Name	Credit
<b>Jul 7, 17</b>			
07/07/2017	5023	Dillon-Knutson-, Carole	794.15
07/07/2017	5024	Long, William C	729.36
07/07/2017	5025	Mariani, Jean M	675.36
07/07/2017	5027	Peters, Arthur Gerald	575.36
07/07/2017	5026	Miller, Brant	
<b>Jul 7, 17</b>			<b>2,774.23</b>

Novato Sanitary District  
Capital Projects Check Register

July 10, 2017

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<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Credit</u>
Jul 10, 17			
07/10/2017	3188	Bank of New York Mellon	369,773.75
07/10/2017	3190	Nute Engineering Inc.	7,184.00
07/10/2017	3191	W.R. Forde	6,156.15
07/10/2017	3189	Miller Pacific Engineering, Inc.	407.00
			<hr/>
Jul 10, 17			383,520.90
			<hr/> <hr/>

# Novato San itary District Operating Ch eck Register

July 10, 2017

Date	Num	Name	Credit
Jul 10, 17			
07/10/2017	60799	Veolia Water North America, Inc.	170,746.40
07/10/2017	60800	Veolia Water North America, Lab	27,458.66
07/10/2017	60783	Marin County Tax Collector	14,570.30
07/10/2017	60769	CDW Government, Inc.	12,227.98
07/10/2017	60797	U.S. Bank Corporate	8,514.46
07/10/2017	60780	Johnson, Dee	8,010.00
07/10/2017	60801	Veolia Water Recycled Water Oper.	6,522.65
07/10/2017	60796	U.S. Bank Card (3)Craig	6,333.02
07/10/2017	60776	Grainger	6,006.08
07/10/2017	60761	Aqua Science	5,650.00
07/10/2017	60760	Alliant Insurance Services, Inc	3,355.00
07/10/2017	60767	Cagwin & Dorward Inc.	2,413.00
07/10/2017	60784	Meyers, Nave, Riback, Silver & Wilson	2,325.50
07/10/2017	60768	Calcon Systems, Inc.	2,168.49
07/10/2017	60781	K & K Systems	1,978.55
07/10/2017	60793	Steven Engineering Inc.	1,843.55
07/10/2017	60786	North Marin Water District - Lab	1,705.00
07/10/2017	60770	Cintas Corporation	1,053.31
07/10/2017	60792	Siemens Industry	1,020.65
07/10/2017	60779	Jan-Pro Cleaning Systems	1,005.00
07/10/2017	60787	North Marin Water District Payroll	945.00
07/10/2017	60794	T & B Sports, Inc	930.74
07/10/2017	60774	Environmental Products and Accessories	904.63
07/10/2017	60772	CSRMA-	834.00
07/10/2017	60785	North Marin Water District	722.22
07/10/2017	60759	Able Tire & Brake Inc.	689.57
07/10/2017	60802	Vision Service Plan	611.79
07/10/2017	60765	BoundTree Medical, LLC	578.10
07/10/2017	60782	Lightning Services, Inc.	525.00
07/10/2017	60803	VWR International Inc.	444.84
07/10/2017	60775	Evoqua Water Technologies - Lab	362.40
07/10/2017	60773	Dearborn National	348.98
07/10/2017	60778	Interstate Batteries	268.28
07/10/2017	60788	Novato Disposal-	254.44
07/10/2017	60771	Claremont EAP, Inc.	250.00
07/10/2017	60791	Pini Hardware	227.90
07/10/2017	60764	Beecher Engineering, Inc	185.00
07/10/2017	60763	Batteries Plus Inc	175.44
07/10/2017	60790	Orkin Pest Control, Inc.	150.34
07/10/2017	60777	Honey Bucket	93.18
07/10/2017	60762	AT&T Mobility	63.31
07/10/2017	60766	Buck's Saw Service, Inc.	17.25
07/10/2017	60789	O'Reilly Auto Parts	16.26
07/10/2017	60798	United Parcel Service	13.44
07/10/2017	60795	U.S. Bank (Sandeep)	7.00
Jul 10, 17			294,526.71

Type	Num	Date	Name	Account	Amount
<b>Deposit</b>		<b>06/05/2017</b>		<b>11113 · Westamerica - Operations</b>	<b>31,267.33</b>
			Hardiman Construction	41040 · Permit & Inspection Fee	40.00
			County of Marin	51015 · Property Taxes	26,004.54
			County of Marin	51060 · Interest	33.10
Payment	66722	06/01/2017	Roto Rooter	41140 · Septic Dumping Fees	1,429.69
Payment	5185	06/02/2017	Ghilotti Construction	11200 · Accounts Receivable	3,500.00
Payment	1054	06/02/2017	Foged, Larry	11200 · Accounts Receivable	260.00
TOTAL					31,267.33
<b>Deposit</b>		<b>06/07/2017</b>		<b>11113 · Westamerica - Operations</b>	<b>11,513.10</b>
			Gopher It	41040 · Permit & Inspection Fee	40.00
			County of Marin	51015-1 · Property Tax - RDA Funds	11,365.90
			County of Marin	51015 · Property Taxes	107.20
TOTAL					11,513.10
<b>Deposit</b>		<b>06/08/2017</b>		<b>11113 · Westamerica - Operations</b>	<b>16,030.78</b>
			County of Marin	51015-1 · Property Tax - RDA Funds	15,990.78
			Sewer Connection	41040 · Permit & Inspection Fee	40.00
TOTAL					16,030.78
<b>Deposit</b>		<b>06/09/2017</b>		<b>11113 · Westamerica - Operations</b>	<b>14,798.45</b>
Payment		06/09/2017	USCG	11200 · Accounts Receivable	14,608.10
Payment		06/09/2017	USCG-Finance Center	11200 · Accounts Receivable	190.35
TOTAL					14,798.45
<b>Deposit</b>		<b>06/13/2017</b>		<b>11113 · Westamerica - Operations</b>	<b>6,944.99</b>
			Ben Franklin Plumbing	41040 · Permit & Inspection Fee	40.00
			Ben Franklin Plumbing	41040 · Permit & Inspection Fee	40.00
			County of Marin	51015 · Property Taxes	1,516.60
			County of Marin	51015 · Property Taxes	38.04
			County of Marin	51015 · Property Taxes	88.48
Payment	200044475	06/09/2017	Department of Public Works	11200 · Accounts Receivable	5,221.87
TOTAL					6,944.99

Type	Num	Date	Name	Account	Amount
<b>Deposit</b>		<b>06/20/2017</b>		<b>11113 · Westamerica - Operations</b>	<b>858,244.04</b>
			Advanced Trenchless	41040 · Permit & Inspection Fee	40.00
			Hamilton Cottages LLC	41030 · Plan Check & Inspection Fee	10,727.00
			Hamilton Cottages LLC	51020 · Connection Charges	34,752.00
			Hamilton Cottages LLC	51040 · Special Equalization Charge	1,440.00
			Biomarin	41040 · Permit & Inspection Fee	25.00
			Biomarin	51030 · Collector Sewer Charges	6,516.00
			Biomarin	51040 · Special Equalization Charge	54.00
			County of Marin	51015 · Property Taxes	83,658.35
			County of Marin	21045 · Novato Heights Debt Service	7,546.85
			County of Marin	51010 · Sewer Service Charges	319,560.01
			County of Marin	41010 · Sewer Service Charges	390,573.35
Payment	66789	06/20/2017	Roto Rooter	41140 · Septic Dumping Fees	219.91
Payment	2000897062	06/20/2017	ETIC Engineering	11200 · Accounts Receivable	1,963.28
Payment	53224	06/20/2017	North Marin Water District	11200 · Accounts Receivable	1,168.29
TOTAL					<u>858,244.04</u>
<b>Deposit</b>		<b>06/22/2017</b>		<b>11113 · Westamerica - Operations</b>	<b>10,900.00</b>
		06/21/2017	Frank Rebelo	51020 · Connection Charges	10,860.00
		06/21/2017	Frank Rebelo	41040 · Permit & Inspection Fee	40.00
TOTAL					<u>10,900.00</u>
<b>Deposit</b>		<b>06/23/2017</b>		<b>11113 · Westamerica - Operations</b>	<b>26,521.28</b>
		06/22/2017	Sonoma Co Water Agency	51072 · Grant ReimbursementNBWRA	26,521.28
TOTAL					<u>26,521.28</u>
TOTAL					<u><u>976,219.97</u></u>

# NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

<b>TITLE:</b> Consent Calendar: National Association of Clean Water Agencies (NACWA) Utility Leadership Conference and Awards Ceremony, St. Louis, MO.	<b>MEETING DATE:</b> July 10, 2017  <b>AGENDA ITEM NO.:</b> 6.c.
<b>RECOMMENDED ACTION:</b> Approve the Board President and the General Manager-Chief Engineer to attend the NACWA Utility Leadership Conference and Awards Ceremony in St. Louis, Missouri, July 23 - 26, 2017.	
<b>SUMMARY AND DISCUSSION:</b>  <p>As discussed in item 4.a. of this agenda packet, The National Association of Clean Water Agencies (NACWA) has informed the District that the Novato Treatment Plant (NTP) has received NACWA's 2016 Platinum5 Peak Performance Award. As a first time winner of this award, the District has been invited to receive its award at NACWA's Utility Leadership Conference and Awards Ceremony in St. Louis, Missouri, July 23 - 26, 2017.</p> <p>Staff recommends that the Board authorize the Board President and the General Manager-Chief Engineer to attend the event and receive the award.</p>	
<b>BUDGET INFORMATION:</b> The costs for attendance would be funded from Account No. 66170 – Travel, Meetings and Training, which has a preliminary FY17-18 budget of \$55,000, with no outstanding encumbrances.	
<b>STRATEGIC PLAN INFORMATION:</b> This item addresses Goal 1 (Operational Excellence) and Goal 5 (Effective Governance and Administration) of the latest Strategic Plan Update.	
<b>DEPT. MGR.:</b> ssk	<b>GENERAL MANAGER:</b> SSK

**CITY OF NOVATO**  
**1<sup>st</sup> Quarterly Report**  
**January- March 2017**

Submitted by Novato Disposal Service

## A. Solid Waste Data

### A. Tons Delivered to Disposal Site

		<b>This Quarter</b>	<b>Same Quarter One Year Ago</b>
<b>Residential</b>	*	3,163.01	3,097.49
<b>Commercial</b>	**	4,025.65	3,942.25
<b>TOTAL:</b>		<b>7,188.66</b>	<b>7,039.74</b>

\*includes commercial/multifamily locations served with carts

\*\*includes multifamily accounts service with bins

## B. Recycling Data

### Tons Collected and Processed

**This Quarter: 3,486.28**

**Same Quarter One Year Ago 2,713.02**

<b>Commodity</b>	<b>Curbside</b>	<b>Buyback</b>	<b>Total</b>
	Commercial Multifamily Residential		
<b>Cardboard</b>	297.66	0	297.66
<b>Paper (News &amp; Mixed)</b>	42.19	0	42.19
<b>Paper (Overages)*</b>	3,015.92	0	3,015.92
<b>Aluminum Cans &amp; Foil</b>	0	14.03	14.03
<b>Metal Cans</b>	0.1	0	0.1
<b>**Glass</b>	21.58	37.88	59.46
<b>Plastic PET</b>	1.71	15.99	17.70
<b>Plastic NHDPE</b>	0.27	0.30	0.57
<b>Plastic All Other</b>	6.23	0	6.23
<b>Other diverted materials</b>	33.42	0	33.42
<b>Total</b>	<b>3,418.08</b>	<b>68.20</b>	<b>3,486.28</b>

\* Please note this number was included in Mixed Paper in past reports.

\*\*This includes glass overages

## **C. Greenwaste Data**

### **Tons Collected and Processed**

This Quarter:	3,823.34
Same Quarter One Year Ago:	3,462.51
Food Waste:	92.82
Wood Waste:	11.63

### **Final Disposition:**

All green waste was used as compost.

## **D. Construction and Demolition Data, including inert solids**

### **Tons Collected and Processed**

This Quarter:	379.64
Same Quarter One Year Ago:	493.71

## **E. Service Accounts**

Residential Cart Weekly		Same Quarter One Year Ago
Can size	Number of Customers	Number of Customers
20 gallon	2,437	2,330
32 gallon	10,963	11,071
68 gallon	3,064	3,044
95 gallon	304	328
Non-Auto	6	6

Multifamily Cart Customers**			Cart Amt. ,Same Quarter One Year Ago**	
Can size	Weekly	2 or more times weekly	Weekly	2 or more times weekly
20 gallon	9	0	13	0
32 gallon	294	0	299	0
68 gallon	118	0	111	0
95 gallon	26	0	26	0

Multifamily Bin Customers				Same Quarter One Year Ago		
Bin size	Weekly	2 times weekly	3 or more times weekly	Weekly	2 times weekly	3 or more times weekly
2 yd.	12	3	2	11	4	2
3 yd.	37	37	53	38	38	53
4 yd.	0	0	4	0	0	4
6 yd.	0	1	9	0	1	9

Commercial Cart Weekly		Same Quarter One Year Ago
Can size	Number of Customers	Number of Customers
20 gallon	1	0
32 gallon	230	230
68 gallon	158	171
95 gallon	132	121

Commercial Bin Customers				Same Quarter One Year Ago		
Bin size	Weekly	2 times weekly	3 or more times weekly	Weekly	2 times weekly	3 or more times weekly
2 yd.	103	9	2	106	10	4
3 yd.	156	100	82	160	98	78
4 yd.	13	12	13	14	14	11
6 yd.	6	3	14	7	2	10

Commercial Special Service*		Same Quarter One Year Ago
Bin Size	Number of Customers	Number of Customers
3 yd.	9	9
15 yd.	2	2
20 yd.	3	1
30 yd.	5	2
Compactor	10	12

\*Special service is bimonthly, monthly, on-call or other irregular service

## **F. Holiday Tree Collection**

Novato Disposal Service collected holiday trees from residents during the week of January 2<sup>nd</sup> - 6<sup>th</sup>. Novato Disposal also provided boxes and tree removal service to San Marin High School's tree drop-off Project Safe Grad Fundraiser. Over 23 tons of holiday trees were collected and disposed of as compost.

## **G. E-Waste Event**

Novato Disposal Service will be participating in the Novato Sanitary District's E-Waste Drop-off event April 22<sup>nd</sup> – 23<sup>rd</sup>.

## **Community Education/Outreach**

- Novato Disposal staff left recycling and composting information with staff at Teeny Cake.
- Novato Disposal Staff delivered recycle information to Sutter Health Inc.
- Novato Disposal staff spoke to cashier at Redwood Bagel. Staff left recycle outreach information with a contact number to our department to get started on some staff education.
- Novato Disposal staff dropped off recycling information at Mountain Mikes.
- Novato Disposal Outreach staff visited Redwood Credit Union spoke with teller in regards to increasing recycling efforts and possible presentations for employees.
- Novato Disposal staff spoke with Jack in the Box in regards to recycling and food scrap on site. Staff offered presentations and left food scraps signage.
- Novato Disposal Outreach Staff left recycling information in drop off box and did a visual site audit for Best Western Inn. A follow-up phone call has been provided for education.
- Novato Disposal Outreach staff dropped off recycling and composting information at the Dragon Cafe
- Novato Disposal staff dropped off recycling and composting information to staff at Taqueria Real.
- Novato Disposal staff left recycle information with staff at North Bay Children Center.
- Novato Disposal staff has reached out to all of the hospitals to increase recycle efforts and is in the process of providing presentation to staff members, results will be presented on next report.
- Novato Disposal Service along with Novato Sanitary district tabled at the Seniors Health Service Day. Compost countertop pails were handed out to 25 lucky Novato residential members. Recycle, compost, and hazardous information was available to interested guest as well as a thermometer exchange was available.

## Schools

- During the 1<sup>st</sup> quarter of 2017, various contacts at each school in Novato were sent a quarterly recycle update letter about Earth Day highlighting the importance of recycling and the free recycle services/education available to them.
- Novato Disposal Outreach staff & Novato Sanitary District joined forces and visited various locations, provided walk through audits and changed services where needed.

## I. Additional Information

### Mailers

Please find attached:

- New start post cards
- Novato E-waste Billing insert
- Selected multi-family units were sent a business packet describing services available through Novato Disposal. We have since received a response from a few complexes in terms of outreach on site to tenants with our recycling signage and recycling guide. Also provide site visits with property owners or managers to assess and increase recycle efforts.  
Customers contacted:

Multi-Family Mailer				
Customer Contacted	Responded	# of units	RRY Serv.	Yard Waste
Posada West	Yes	38	3yd bin	-
Rowland Apartments	Yes	36	3-64gal carts	-
Cornerstone	No	-	-	-
Quail Hollow Homeowners	Yes	43	3yd bin	-
Scottsdale Lake	Yes	Waiting	6-96gal carts	-
Cowbarn Apartments	No	-	-	-
Madera Marin	No	-	-	-
Edgewater Condominiums	Yes	36	4YD RRY	-
Romar Apartments	Yes	58	Dropped promo letter	-

### Donations

- Novato Disposal Service donated (8) 30 cubic yard, yard waste boxes to the City of Novato for the Annual Holiday Tree Drop off.

- Novato Disposal Service donated (4) 4 yard garbage bins to Idesi for the Crab Feed.
- Novato Disposal Service donated (1) 4 yard garbage bin to Novato High School Baseball for the Novato High Baseball and Novato High Softball.
- Novato Disposal Service donated (1) 3 yard garbage bin to Idesi for the Fado Dinner Show.
- Novato Disposal Service donated (1) 3 yard garbage bin, (1) 3 yard recycle bin to Knights of Columbus for the KC St. Patrick's Day Dinner Dance.

# Great Program for Novato Disposal Residential Customers

## Bulky Item Collection

Novato Disposal now provides collection of bulky items for single family residential garbage customers up to 4 times a year at no additional cost. Additional items or items with Freon (such as a freezer) can be collected throughout the year for an additional fee.

Each pickup can include up to 3 items or the equivalent of 3 cubic yards. This service includes the collection of household appliances and other items too large to be placed in collection carts.

Examples of items eligible for this free bulky item collection program include:

- small sofas
- washers, dryers & other appliances
- exercise equipment
- bags of multiple small items
- tables and chairs

Please direct usable items to a donation center, such as Goodwill or Salvation Army.

To schedule a pickup, call customer service at 897-4177.

For more info, visit [www.unicycler.com](http://www.unicycler.com).





Dear Business Owner or Manager,

Businesses in Novato have a valuable resource when it comes to cutting down on waste. Novato Disposal Service Coordinators can provide assistance to businesses to decrease their solid waste through education and good recycling practices. Recycling Coordinators will look at your business specific needs and can provide resources and information as needed. Some of the benefits of Novato Disposal Outreach Services to businesses include:

- **Recycling Service is included in solid waste costs.**
- **Recycling Coordinators provide free outreach and education about recycling and composting to help reduce waste.**
- **Good recycling habits can help decrease solid waste disposal costs and save you money!**
- **Recycling and composting enables businesses to promote themselves as responsible stewards of the environment.**

Recycling and Composting is a respected practice for the community, and customers appreciate this dedication. Please find the enclosed Business Recycling Guide, which can be posted for employee education, as well as some helpful Recycling Resources for businesses. Visit our website at [www.unicycler.com](http://www.unicycler.com), and take the “Go Green” Business Pledge to receive a free window sticker advertising your organization’s commitment to the environment!

To request a Recycling Outreach consultation, call your Recycling Coordinator at (707) 585-5273 or email at [bessie@unicycler.com](mailto:bessie@unicycler.com)

Thank you,

Bessie Martinez  
Novato Disposal  
Recycling Outreach Coordinator



# Novato Disposal Service

unicycler.com

Dear Onsite Manager or Property Owner,

This letter is provided to summarize the no-cost materials available to you through our Multifamily Recycling Outreach Program as well as to inform you about additional free resources available to you. Recycling outreach staff is available to provide the following to you and your tenants:

- **Site Visit:** Recycling outreach staff is available to meet on-site with your property manager to discuss current waste and diversion programs and offer suggestions for expanding solid waste programs programs.
- **Single-Stream Recycling Door Hanger or sheets:** An easy resource available in English and Spanish listing what is recyclable can be provided to all tenants.
- **Bi-annual Recycling Newsletter:** Tenants receive helpful recycling tips and are informed about local recycling efforts and waste reduction issues. We can add your unit addresses to our mailing list so tenants can receive this helpful resource.
- **Recycle and Compost Guides for Common Areas:** If your site has a laundry room and/or other common area, posting recycling and compost guides can be very effective for ongoing community education.

Multifamily recycling and compost programs can **decrease waste disposal costs** for building owners. Recycling service is included with the cost of refuse service and compost service is set at a lower rate, than the refuse service cost. Multifamily recycling and composting also helps to achieve local and state recycling goals for our community. If you want to learn more about how to increase your efforts please contact your recycling coordinator Bessie Martinez at (707) 585-5273 or [bessie@unicycler.com](mailto:bessie@unicycler.com) and visit our website at [www.unicycler.com](http://www.unicycler.com)

Thank you,

Novato Disposal  
Recycling Outreach Coordinator

# Welcome to Novato Disposal!

Please visit our website at [www.unicycler.com](http://www.unicycler.com) to find information such as:

- Recycling Guides
- Online Bill Pay
- Newsletters
- Holiday Schedules
- Hazardous Waste Disposal
- Resources and Opportunities for Schools and Businesses
- Composting Guides
- Cart and Bin Placement
- Go Green Section
- Debris Boxes
- Fun Videos



Phone Hours: Monday - Friday 7am-6pm  
Saturday - Sunday 7am-3pm

Please call **897-4177** if you have additional questions, or need materials mailed to you. **Se habla español.**

**We look forward to serving all your solid waste and recycling needs!**

Novato Disposal Service  
P.O. Box 3849  
Santa Rosa, CA 95402



Printed on 100% Recycled Content Paper



NSD Board Agenda Packet  
July 10, 2017 (Page 30 of 222)



March 2017

Hello Teachers, Principals and Educators,

With Earth Day right around the corner and the school year slowly coming to a close, Novato Disposal would like to remind you that Recycle Outreach Coordinators are available to you at no charge with multiple resources to help implement or enhance your recycling or composting program. Since taking care of the earth and “going green” is on the mind with Earth Day coming up, now is a great time to educate your students on the benefits of recycling and how it helps both the environment and our local community. The following resources are available to you free of charge at any time:

- **Site Visit:** Outreach staff is available to visit your school to start or enhance your current recycling program. We can provide recommendations for sizes, update signage on indoor cans or outdoor bins so they’re clearly marked and work with staff to determine the most effective way to reach your students and make recycling as easy to do as possible.
- **Presentations:** To teach your students about what happens to garbage and recycling once it leaves school, our staff can provide grade-appropriate presentations or school wide assemblies where we can provide information, activities and answer students questions.

We also have various resources available to you such as recycling guides and updated signage for recycle receptacles, as well as other valuable information on our website, [www.unicycler.com](http://www.unicycler.com). Feel free to contact me at 707-585-5273 or email me at [bessie@unicycler.com](mailto:bessie@unicycler.com) for any recycling material resources, questions or if you’re interested in any of the outlined services.

Help empower your staff and students to make choices as simple as recycling every day to help the environment and make our community a cleaner, healthier place to live.

Best,  
Bessie Martinez  
Novato Disposal Service  
Recycling Outreach Coordinator

<b>CITY OF NOVATO &amp; DISTRICT AB939 DISPOSAL AND DIVERSION MONITORING</b>					
Haulers: Novato Disposal Self Haulers		Reporting period: January - December 2016			
<b>A. 2016 DIVERSION</b>	<b>1st Qtr.</b>	<b>2nd Qtr</b>	<b>3rd Qtr.</b>	<b>4th Qtr.</b>	<b>TOTAL 2016</b>
Novato Disposal Recycled (Curbside & Buyback)	2,712.08	3,140.00	2,775.81	2,146.69	10,774.58
MRRC recovery	366.44	555.94	427.16	802.33	2,151.87
Self haul Inerts Diverted Redwood Landfill	709.16	1,623.02	1,630.78	1,468.47	5,431.43
Redwood Landfill self haul C&D& wood waste recycled	58.79	100.33	99.72	52.29	311.13
City of Novato C&D diverted(included in Novato Disposal)	N/A	N/A	N/A	N/A	
ADC from MRRC	0.00	0.00	0.00	0.00	0.00
Compost from MRRC	64.44	43.68	57.19	41.08	206.39
Greenwaste From Redwood Landfill self haul/compost	77.82	108.62	81.82	76.38	344.64
Novato Disposal Inerts	505.88	744.00	606.00	584.32	2,440.20
Novato Disposal Green/Food Waste used for compost	3,462.51	3,577.00	3,172.29	3,616.68	13,828.48
Novato Disposal commercial food waste used for compost	75.80	92.00	90.00	104.00	361.80
North Marin Metal Recycling	N/A	N/A	N/A	N/A	N/A
<b>2016 TOTAL TONS DIVERTED</b>	<b>8,032.92</b>	<b>9,984.59</b>	<b>8,940.77</b>	<b>8,892.24</b>	<b>35,850.52</b>
<b>B. 2016 DISPOSAL</b>					
MSW& Debris Box/Novato Disposal	7,040.00	7,062.00	7,010.00	7,125.00	28,237.00
MRRC Residuals	346.07	476.97	464.15	306.24	1,593.43
MRRC Wood/Yard Waste incinerated/transformation	104.81	74.00	117.59	58.00	354.40
Redwood Landfill self haul C&D waste disposed	770.99	1,137.10	1,225.84	1,035.46	4,169.39
Novato waste disposed out-of-county	N/A	N/A	N/A	N/A	N/A
<b>2016 TOTAL TONS DISPOSED</b>	<b>8,261.87</b>	<b>8,750.07</b>	<b>8,817.58</b>	<b>8,524.70</b>	<b>34,354.22</b>
<b>C. 2016 TOTAL WASTE GENERATED(TONS)</b>	<b>16,294.79</b>	<b>18,734.66</b>	<b>17,758.35</b>	<b>17,416.94</b>	<b>70,204.74</b>
<b>D. COMPLIANCE WITH AB939 DIVERSION MANDATE</b>	<b>49.94%</b>	<b>53.69%</b>	<b>51.01%</b>	<b>51.39%</b>	<b>51.57%</b>
Percent Diverted Using Generation Based Calculation Method(includes 10% incineration waste)					
<b>Per Capita Disposal Rate</b>				<b>3.58 pounds per person per day</b>	
<b>Diversion % Based On CalRecycle Methodology for Calculating Per Capita Disposal</b>				<b>76% Diversion for 2016</b>	
<b>REDWOOD LANDFILL SELF HAUL BREAKDOWN (TONS)</b>					
	<b>1st Qtr.</b>	<b>2nd Qtr</b>	<b>3rd Qtr.</b>	<b>4th Qtr.</b>	<b>TOTAL 2016</b>
Inerts/ Diverted	709.16	1,623.02	1,630.78	1,468.47	5,431.43
Greenwaste Diverted/compost	77.82	108.62	81.82	76.38	344.64
C&D/ Disposed	770.99	1,137.10	1,225.84	1,035.46	4,169.39
C&D & Wood Waste Recycled	58.79	100.33	99.72	52.29	311.13
<b>Total</b>	<b>1,616.76</b>	<b>2,969.07</b>	<b>3,038.16</b>	<b>2,632.60</b>	<b>10,256.59</b>
<b>Percent Redwood self haul diverted</b>	<b>52.31%</b>	<b>61.70%</b>	<b>59.65%</b>	<b>60.67%</b>	<b>59.35%</b>

**NOVATO DISPOSAL SERVICES DISPOSAL/DIVERSION 2017**

<b>DIVERSION</b>	<b><u>1stQ</u></b>	<b><u>2ndQ</u></b>	<b><u>3rdQ</u></b>	<b><u>4thQ</u></b>	<b><u>TOTAL</u></b>
<b>Novato Disposal Recycled Shipped (Curbside &amp; Buyback)</b>	3,458				
Novato Disposal C&D, Wood, Inerts & Bulky waste	420				
Novato Disposal Green waste & residential food waste for compost	3,823				
Novato Disposal Commercial Food Waste for compost	93				
<b>TOTAL TONS DIVERTED</b>	<b>7,794</b>				
<b>DISPOSAL</b>					
MSW& Debris Box/Novato Disposal	7,189				
<b>TOTAL TONS DISPOSED</b>	<b>7,189</b>				
<b>TOTAL WASTE GENERATED(TONS)</b>	<b>14,982</b>				
<b>PERCENT DIVERTED</b>	<b>52.02%</b>				
<b>PERCENT DIVERTED WITH REDWOOD &amp; MRRC</b>					

**NOVATO DISPOSAL SERVICES DISPOSAL/DIVERSION 2016 vs. 2017**

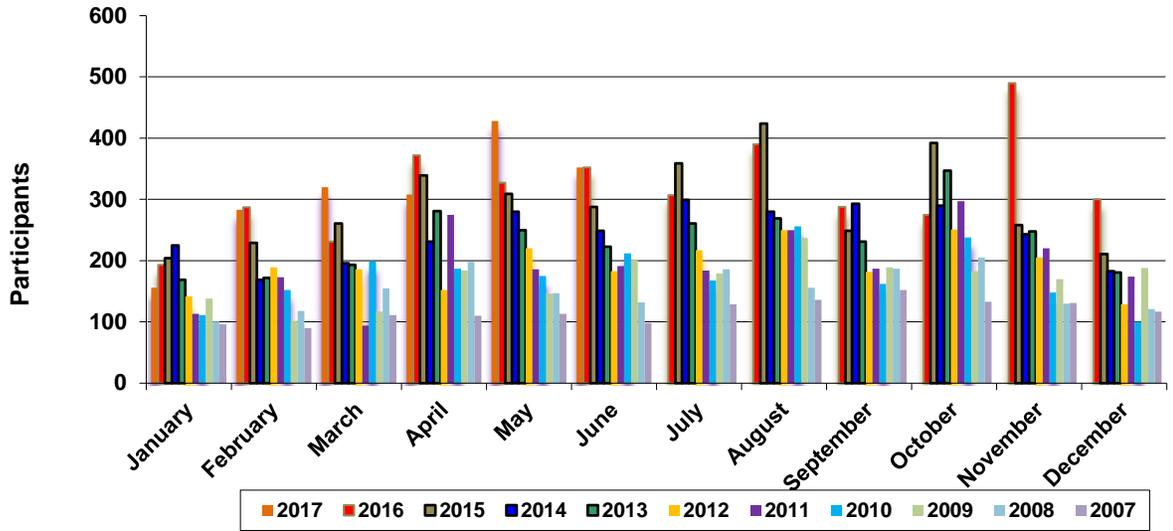
<b>DIVERSION</b>	<b>2016 <u>1stQ</u></b>	<b>2017 <u>1st Q</u></b>	<b>2016 <u>2ndQ</u></b>	<b>2017 <u>2nd Q</u></b>	<b>2016 <u>3rd Q</u></b>	<b>2017 <u>3rd Q</u></b>	<b>2016 <u>4th Q</u></b>	<b>2017 <u>4thQ</u></b>	<b>2016 <u>TOTAL</u></b>	<b>2017 <u>TOTAL</u></b>
Novato Disposal Recycled (Curbside & Buyback)	2,688	3,458	3,140		2,776		2,147		10,751	
Novato Disposal C&D, Wood, Inerts & Bulky waste	530	420	744		606		584		2,464	
Novato Disposal Green waste/residential food waste for compost	3,463	3,823	3,577		3,172		3,617		13,829	
Novato Disposal Commercial Food Waste for compost	76	93	92		90		104		361	
<b>TOTAL TONS DIVERTED</b>	<b>6,756</b>	<b>7,794</b>	<b>7,554</b>		<b>6,644</b>		<b>6,451</b>		<b>27,405</b>	
<b>DISPOSAL</b>										
MSW& Debris Box/Novato Disposal	7,040	7,189	7,062		7,010		7,125		28,236	
<b>TOTAL TONS DISPOSED</b>	<b>7,040</b>	<b>7,189</b>	<b>7,062</b>		<b>7,010</b>		<b>7,125</b>		<b>28,236</b>	
<b>TOTAL WASTE GENERATED(TONS)</b>	<b>13,796</b>	<b>14,982</b>	<b>14,616</b>		<b>13,653</b>		<b>13,576</b>		<b>55,641</b>	
<b>PERCENT DIVERTED</b>	<b>48.97%</b>	<b>52.02%</b>	<b>51.68%</b>		<b>48.66%</b>		<b>47.52%</b>		<b>49.25%</b>	
<b>PERCENT DIVERTED WITH REDWOOD &amp; MRRC</b>	<b>49.94%</b>		<b>53.69%</b>		<b>51.01%</b>		<b>51.39%</b>		<b>51.57%</b>	

HHW FACILITY SUMMARY 2017	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
<b>Total Participants</b>	<b>156</b>	<b>283</b>	<b>320</b>	<b>308</b>	<b>428</b>	<b>352</b>							
Been to events before?(Yes)	128	233	261	250	333	284							
Permanent facility?	107	206	234	226	296	245							
Temporary events?	26	42	41	36	58	61							
First time user?	28	40	59	58	95	68							
<b>Type of waste brought in?</b>													
Antifreeze	5	20	16	22	26	15							
Asbestos	0	5	2	0	2	1							
Auto products	20	36	47	44	66	44							
Car batteries	1	6	4	11	13	4							
<b>Computer monitors</b>	<b>9</b>	<b>22</b>	<b>16</b>	<b>19</b>	<b>17</b>	<b>22</b>							
Cements, sealers	20	29	45	39	53	41							
E-Waste(all types)	55	99	98	73	89	93							
Fluorescent tubes& bulbs	26	55	52	44	54	48							
Fuels(gas, kerosene, diesel)	6	19	28	41	40	26							
Household batteries	33	78	73	69	98	75							
Household cleaners, polishes	30	73	70	86	109	84							
<b>Latex paint</b>	<b>61</b>	<b>97</b>	<b>108</b>	<b>110</b>	<b>178</b>	<b>147</b>							
Motor oil/filters	15	31	36	37	56	53							
<b>Oil base paint</b>	<b>29</b>	<b>51</b>	<b>78</b>	<b>68</b>	<b>114</b>	<b>83</b>							
<b>Paint thinners, solvents</b>	<b>33</b>	<b>65</b>	<b>75</b>	<b>88</b>	<b>117</b>	<b>79</b>							
Pesticides, herbicides, insecticides	20	42	52	55	99	77							
Pet care products	4	6	11	8	11	13							
Photo chemicals	1	3	1	2	2	2							
Pool Chemicals	2	6	4	8	17	8							
Propane/helium tanks/fire extinguishers	10	20	20	26	56	38							
Sharps	1	4	5	5	4	4							
Spray paints	19	44	51	47	81	68							
<b>Television</b>	<b>22</b>	<b>42</b>	<b>48</b>	<b>29</b>	<b>26</b>	<b>40</b>							
Thermometers/Thermostats	3	7	5	4	6	6							
Wood preservatives, stains	12	27	45	35	68	44							
Other	1	9	7	3	9	3							
<b>Hear about program?</b>													
Recycling Center flier	70	113	127	113	165	131							
Sanitary District newsletter	31	54	62	66	103	90							
Sanitary District website	20	28	35	22	41	44							
Novato Disposal newsletter	63	111	141	126	182	149							
Word of mouth	25	38	48	33	46	45							
Other	7	20	24	15	24	9							
<b>Change your own motor oil?</b>													
<b>Yes</b>	<b>30</b>	<b>36</b>	<b>42</b>	<b>36</b>	<b>46</b>	<b>42</b>							
Novato Recycling Center	22	27	33	25	30	32							
O'Reilly's	9	10	12	12	11	11							
Pennzoil	0	1	1	0	1	1							
Other	1	0	5	1	4	0							
If yes, want curbside pickup?	10	15	13	9	13	11							
<b>No</b>	<b>149</b>	<b>247</b>	<b>278</b>	<b>272</b>	<b>382</b>	<b>310</b>							
<b>Comments</b>													
<b>Compliments/Good</b>	<b>51</b>	<b>94</b>	<b>117</b>	<b>98</b>	<b>137</b>	<b>118</b>							
<b>Complaints</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>4</b>							

**HHW PARTICIPANTS 2007 - 2017**

	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Totals</u>
2017	156	283	320	308	428	352							
2016	193	287	231	372	327	352	307	390	288	275	490	300	3,812
2015	204	229	261	339	309	288	359	424	249	392	258	211	3,523 open 3 days in April, 6 days in August
2014	225	169	196	231	280	249	299	280	293	290	262	183	2,957 open 3 days in April
2013	169	172	193	281	250	223	261	269	231	347	248	181	2,825
2012	142	189	186	152	220	183	217	250	182	251	205	129	2,306
2011	113	173	94	275	186	191	184	250	187	297	220	174	2,344
2010	111	152	199	187	175	212	168	256	162	238	148	100	2,108 August 6 days
2009	138	102	117	184	146	201	179	237	189	183	170	188	2,034 August 6 days
2008	101	118	155	198	147	132	186	156	187	205	130	121	1,836
2007	96	90	111	110	113	98	129	136	152	133	131	117	1,416
<b>% Change from 2016</b>	-19.17%	-1.39%	38.53%	-17.20%	30.89%	0.00%							

## HHW Facility Monthly Participation 2007- 2017





## NOVATO *E-WASTE* COLLECTION

Saturday, April 22 – Monday, April 24, 2017

**Number of Participants: 1,050 residents**

***E- Waste* Collected: 50,926 pounds**

### Background

Novato’s spring E-Waste collection event was held from Saturday, April 22 – Monday, April 24, 2017 at the Recycling Center. This special drop off event offers residents the opportunity to properly dispose of all electronic items.

Since 2003, at these events, we have collected over 1,489,986 pounds of E-waste, from over 23,360 Novato residents.

### Participation

A total of **1,050 residents** dropped off *E-Waste* during the three day event. This was the highest participation at our E-Waste events since fall of 2011. Average daily participation was **330**. Daily participation, based on actual surveys is listed below:

	SAT	SUN	MON
Daily Participation	434	329	287

A total of **50,926 pounds** of *E-Waste* was collected over the 3-day period. The chart below illustrates the total pounds and pounds per participant.

Number of participants	1,050
Total <i>E-Waste</i> Collected (lbs)	50,926
Pounds per participant	48.5

### Costs/reimbursements

Total reimbursement for CRT disposal totaled **\$211.65**. Costs totaled **\$865.00**. for ECS non-CRT material collected and fork lift rental.



### Publicity and Outreach

Outreach methods included:

- Article in Novato Disposal newsletter, mailed to all customers
- Article in Sanitary District newsletter and bill inserts, mailed to all residents
- Ads placed in Novato Advance
- Separate notice on Sanitary District website and Facebook page
- Fliers posted at Sanitary District, Recycling Center
- Notices on hotline
- Banner on Community House

**Next Event is scheduled for Sat., October 7 – Mon., October 9, 2017**

# NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

<b>TITLE: Solid Waste: Household Hazardous Waste (HHW) Management Contract</b>	<b>MEETING DATE: July 10, 2017.</b>  <b>AGENDA ITEM NO.: 7.f.</b>
<b>RECOMMENDED ACTION: Approve contract with DLJ Associates to provide AB939, household hazardous waste (HHW), and related services for FY2017-18 in the amount of \$103,118, and authorize the General Manager-Chief Engineer to execute it.</b>	
<b>SUMMARY AND DISCUSSION:</b>  <p>Dee Johnson of DLJ Associates has managed the District’s Household Hazardous Waste and AB 939 services for many years. For the past six years, she has also managed the Zero Waste outreach and AB 341 solid waste requirements. As in previous years, staff requested, and Ms. Johnson provided, a detailed proposal of her services for the upcoming year. In summary, she proposes to provide the following services on a time and materials basis for a total not-to-exceed amount of \$103,118.</p> <ul style="list-style-type: none"> <li>• HHW facility administering, promoting, and monitoring: \$75,500.</li> <li>• AB939 and 341 and Zero Waste Program administrative, technical support, outreach, monitoring &amp; reporting, and commercial and multi-family recycling: \$25,000.</li> <li>• Administering the Department of Conservation Beverage Container Recycling program: \$2,618.</li> </ul> <p>For comparison purposes, Ms. Johnson’s FY16-17 proposal was in the not-to-exceed amount of \$102,964.</p> <p>Staff recommends that the Board approve the contract with a not-to-exceed limit of \$103,118, and authorize the General Manager-Chief Engineer to execute it.</p>	
<b>STRATEGIC PLAN INFORMATION:</b> This item addresses Goal 1 (Operational Excellence), Goal 2 (Reliable and Efficient Facilities), and Goal 4 (Well Planned Finances with a Long Range Outlook) of the latest Strategic Plan Update.	
<b>BUDGET INFORMATION:</b> The preliminary FY2017-18 budget amount for Account No. 67400 - Management Services is \$138,118.	
<b>DEPT. MGR.:</b> ssk	<b>GENERAL MANAGER:</b> SSK

# NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

**TITLE:** Wastewater Operations Report, June 2017.

**MEETING DATE:** July 10, 2017

**AGENDA ITEM NO.:** 8.a.

**RECOMMENDED ACTION:** Receive Wastewater Operations Report for June 2017.

**SUMMARY AND DISCUSSION:**

The June 2017 Wastewater Operations Report incorporating operations reports for wastewater treatment operations, collection system operations, and the reclamation facilities is attached.

District and Veolia staff will be present at the meeting to provide overviews of the reports for their operational areas, and be available to discuss the reports or respond to any questions.

**ATTACHMENTS:** 1. Wastewater Operations Report for the month of June 2017.

**STRATEGIC PLAN INFORMATION:** This item addresses Goal 1 (Operational Excellence) and Goal 2 (Reliable and Efficient Facilities) of the latest Strategic Plan Update.

**DEPT. MGR.:** JB (Veolia), SRK, DD, EB

**GENERAL MANAGER:** SSK

## Novato Sanitary District Wastewater Operations - Collection System Operations Report June 2017

### 1.0 General:

An equivalent of about seven (7) full time employees (FTE) worked in the Collection System Department (Collections) during the month. The breakdown of staff time for the month in terms of equivalent full-time employee hours utilized, works out approximately as follows:

- 1.9 FTE field workers for sewer maintenance (main line cleaning)
- 1.2 FTE field workers for pump stations' maintenance
- 0.2 FTE field workers for closed circuit television (CCTV) work
- 1.9 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, pump station maintenance, or special activities (e.g. smoke testing of mainlines), and
- An equivalent of 1.8 FTE field workers for vacation, holiday or sick leave.

### 2.0 Collection System Maintenance:

Performance metrics for the department are presented in the attached graphs showing the length of line cleaned/month, footage cleaned/hour worked, overflows/month, and the CCTV footage achieved. A brief discussion is also provided below.

#### Line Cleaning Performance

The sewer system ICOM3 Computerized Maintenance Management System (CMMS) generated 380 work orders for the month. Collections staff completed 380 work orders, leaving zero work orders outstanding. The 380 maintenance work orders completed resulted in 72,866 feet of sewer pipelines cleaned by staff.

#### Root Treatment:

On an annual basis, the District foam treats selected sewer mains and manholes to inhibit root growth to prevent sewer overflows. With assistance from District staff, an outside vendor foam-treated 166 line segments (work orders) totaling 33,500 feet. The remaining line segments will be treated in July as scheduled.



Root treatment activities

#### CCTV Performance:

The District's CCTV van was in the field for four working days and televised 27 line segments, totaling 5,414 feet of sewer main inspected. Staff also conducted 8 sewer main inspections, totaling 822 feet, using the push camera.

#### CCTV Findings:

- Infrastructure related: CCTV work did not identify any areas that require immediate spot repairs.
- O&M related: CCTV work did not identify any area that would require a change in sewer line maintenance operations.

**Novato Sanitary District  
Wastewater Operations - Collection System Operations Report  
June 2017**

**3.0 Pump Station Maintenance:**

Collections staff conducted 218 lift station inspections this month, of which 98 inspections were generated through the District's JobsCal Plus CMMS system. There are zero (0) outstanding work orders for the month. A Collection Systems (Pump Stations) Work Order Statistics summary is attached.

**4.0 Air Relief/Vacuum Valves (ARVs):**

Staff completed maintenance inspections on four (4) air relief/vacuum valves.

**5.0 Safety and Training:**

General: Collections Department staff attended five (5) safety tailgate meetings this month.

Specialized training: All District staff attended a Defensive Driving Training class presented by an outside vendor, The Safety Center, Inc.

The Collection Systems Superintendent and Collection Systems Lead Worker attended a Supervisor 101 Seminar presented jointly by DKF Solutions and AM Consulting.

Collections Department staff held a Portable Generator Emergency Response exercise at the District's Redwood Blvd. Pump Station.

Safety performance: There were no lost time accidents this month, for a total of 2,301 accident free days since the last lost time accident.



**Portable generator exercise**

**6.0 Miscellaneous Projects:**

Diesel fuel in the fuel tanks for all of the emergency standby generators was tested and "polished", as necessary, by an outside vendor. The process uses an integrated fiber-optic scope and vacuum probe that visually inspects and cleans fuel at the same time to remove any water, sludge, microbial bacteria, and sediment that may have accumulated in the tanks. This is completed on an annual basis to ensure reliability of the fuel supply for the emergency standby generators.

An outside contractor began a minor improvement project at Vintage Oaks Pump Stations 1 & 2 this month. The work is necessary to correct some tripping hazards in the hardscape as well as installing conduits for future upgrades to the pump stations' control and telemetry systems.

**7.0 Sanitary Sewer Overflows (SSOs):**

There were zero (0) sanitary sewer overflows in June.

\*\*\*\*\*

Novato Sanitary District  
Collection System Monthly Report For June 2017 (as of June 30, 2017)

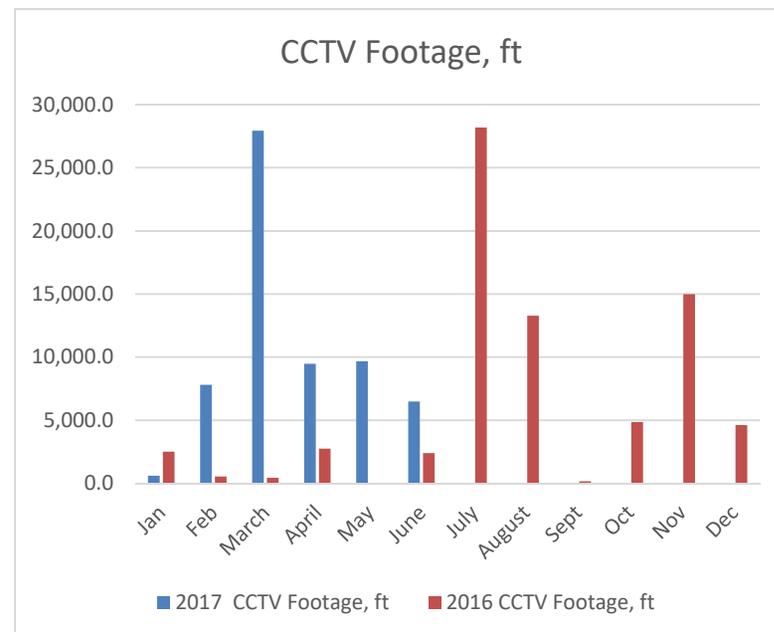
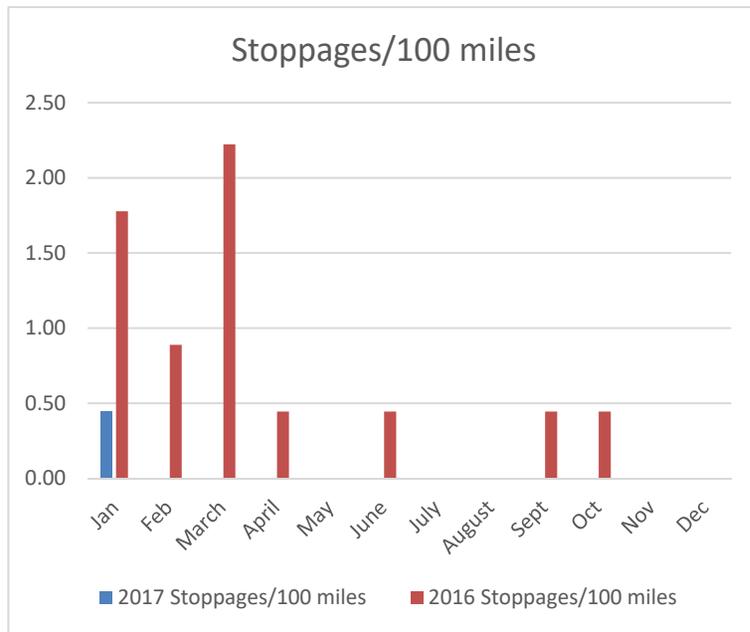
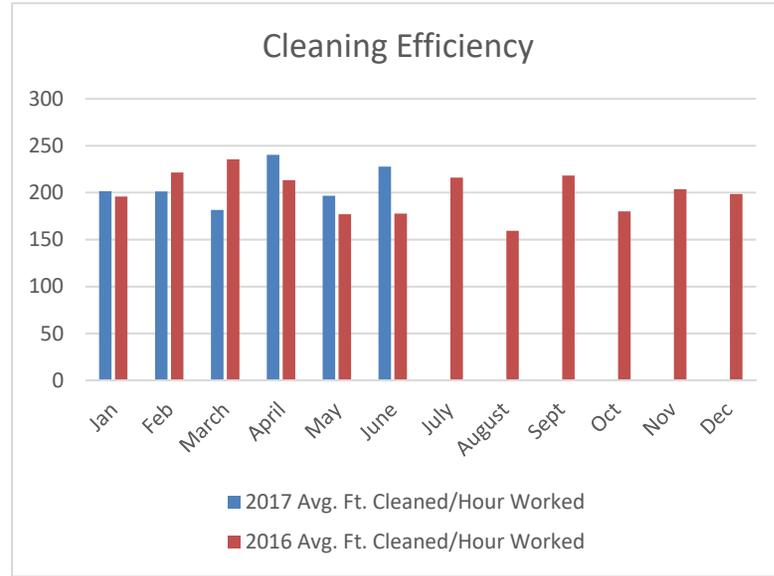
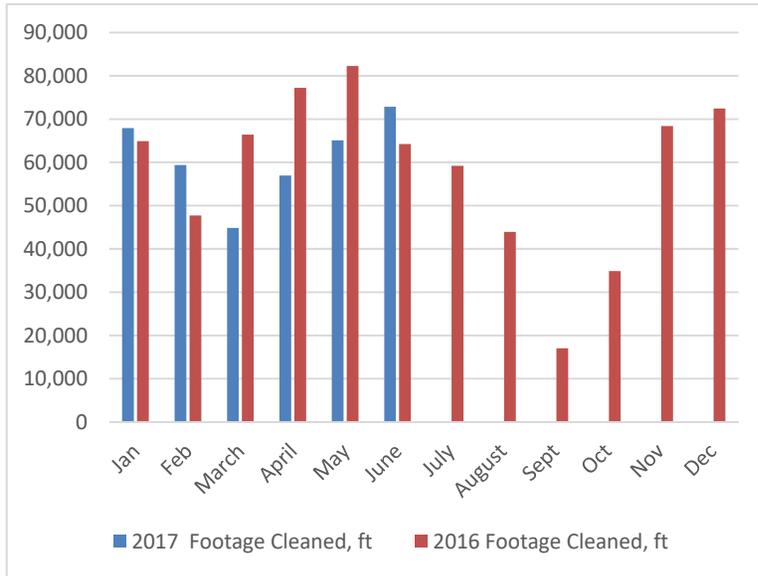
	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Total Year to Date	Average Year to Date
<b>A. Employee Hours Worked</b>														
Number of FTEs (main line cleaning), hrs.	1.9	1.8	1.4	1.5	1.8	1.9	0.0	0.0	0.0	0.0	0.0	0.0	NA	0.8
Number of FTEs (other)	2.0	1.7	2.0	1.5	2.2	1.9	0.0	0.0	0.0	0.0	0.0	0.0	NA	0.9
Number of FTEs (CCTV)	0.0	0.4	1.0	0.5	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	NA	0.2
Total, FTEs	3.9	3.9	4.3	3.5	4.3	4.0	0.0	0.0	0.0	0.0	0.0	0.0	NA	2.0
Regular Time Worked, (main line cleaning), hrs	337	295	247	237	331	320								
Regular Time Worked on Other, hrs (1)	360	270	362	247	415	331								
Regular Time Worked on CCTV (2)	2	57	182	75	58	41								
Total Regular time, worked, hrs	699	622	791	559	804	692	0	0	0	0	0	0	4,167	347
Total Vacation/Sick Leave/Holiday, hrs	359	295	254	391	300	310							1,909	318
Vacation/Sick Leave/Holiday, FTEs	2.0	1.8	1.4	2.4	1.6	1.8	0.0	0.0	0.0	0.0	0.0	0.0	11.1	0.9
Overtime Worked on Coll. Sys., hrs	0	0	0	0	0	0							0	0
Overtime Worked on Other, hrs (1)	74	11	4	4	20	20							133	22
Overtime Worked on CCTV (2)	0	5	0	0	0	0							5	1
Total Overtime, hrs	74	16	4	4	20	20	NA	NA	NA	NA	NA	NA	138	23
<b>B. Productivity</b>														
<b>1. Line Cleaning</b>														
Rodder Work Orders generated	39	28	6	15	66	34							188	31
Rodder 3208 ft. cleaned	8,884	5,385	1,145	3,310	11,176	6,466							36,366	6,061
Rodder - outside services, ft cleaned	0	0	0	0	0	0							0	0
Flusher Work Orders generated	277	278	214	266	280	346							1,661	277
Truck 3205V ft. cleaned	8,395	12,037	512	776	4,349	7,096							33,165	5,528
Truck 3206V ft. cleaned	50,644	41,951	43,188	52,869	49,549	59,020							297,221	49,537
Flusher - outside services, ft. cleaned	0	0	0	0	0	284							284	
Total Footage cleaned(3)	67,923	59,373	44,845	56,955	65,074	72,866	NA	NA	NA	NA	NA	NA	367,036	61,173
Work Orders completed	316	306	220	281	346	380							1,849	308
Work Orders backlog	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>2. Closed Circuit Television (CCTV)</b>														
Camera Work Orders generated	0	0	0	0	0	0							0	
CCTV Truck 3126T, ft. videoed	0	7,055	27,927	8,727	9,682	5,414							58,805	9,801
CCTV (hand cam), ft. videoed	612	757	0	749	0	822							2,940	
CCTV Inspection - outside services, ft. videoed	0	0	0	0	0	250							250	
Total CCTV footage(3)	612	7,812	27,927	9,476	9,682	6,486	NA	NA	NA	NA	NA	NA	61,995	
<b>C. Sanitary Sewer Overflows (SSOs)</b>														
Minor (Category III)	1	0	0	0	0	0							1	NA
Major (Category II)	1	0	0	0	0	0							1	NA
Major (Category I)	0	0	0	0	0	0							0	NA
Overflow Gallons	90	0	0	0	0	0							90	NA
Volume Recovered	0	0	0	0	0	0							0	NA
Percent Recovered	0%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	0%	NA
<b>D. Service Calls (non-SSO related)</b>														
Service calls, normal hours, #	9	9	6	3	2	3							26	5
Normal hours S.C. response time, mins (avg.)	10	12	18	15	23	10							88	15
Service Callouts, after hours, #	0	1	0	0	0	0							1	0
After Hours S.C. response time, mins (avg.)	NA	30	NA	NA	NA	NA							30	30
<b>E. Benchmarks</b>														
Average Ft. Cleaned/Hour Worked	202	201	182	240	197	228	NA	NA	NA	NA	NA	NA	NA	208
Total Stoppages/100 Miles	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	NA
Average spill response time (mins)	0	NA	NA	NA	NA	NA							NA	0
Callouts/100 Miles	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0
Overtime hours/100 Miles	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0
Overflow Gallons/100 Miles	39	0	0	0	0	0	0	0	0	0	0	-	39	3

(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.

(3) Does not include outside services (tracked separately)

# Collection System: 2017 & 2016 Graphs



Novato Sanitary District

Pump Station Monthly Report For June 2017 (as of June 30, 2017)

	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Total Year to Date	Average Year to Date
<b>Employee Hours Worked</b>	218	239	276	205	246	239	0	0	0	0	0	0	1,423	
Number of Employees (FTEs)	1.2	1.3	1.3	1.1	1.1	1.2	0.0	0.0	0.0	0.0	0.0	0.0		0.6
Regular Time Worked on Pump Sta	190	203	235	172	206	205							1,211	
Overtime Worked on Pump Sta	28	36	41	33	40	34							212	
After Hours Callouts	3	3	6	4	5	2							23	
Average Callout response time (mins)	23	28	30	13	24	17							135	23
<b>Work Orders</b>														
Number generated in month	99	95	87	91	117	98							587	98
Number closed in month	99	95	87	91	115	98							585	98
Backlog	0	0	0	0	2	0	0	0	0	0	0	0	2	0



July 5, 2017

Mr. Sandeep Karkal  
General Manager – Chief Engineer  
Novato Sanitary District  
500 Davidson Street  
Novato, CA 94545

**Subject: Veolia Water Operations Report – June 2017**

Dear Mr. Karkal:

I am pleased to provide the Monthly Operations report for June 2017.

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

Best regards,

A handwritten signature in blue ink that reads "John Bailey". The signature is stylized and cursive.

John Bailey  
Project Manager, Veolia



MONTHLY OPERATIONS REPORT  
June 2017

Prepared for

NOVATO SANITARY DISTRICT (NSD)  
WASTEWATER TREATMENT PLANT  
500 Davidson Street  
Novato, CA 94945

Prepared by

Veolia Water West Operating Services, Inc. (VWWOS)

**TABLE OF CONTENTS**

---

- A: TREATMENT PLANT PERFORMANCE SUMMARY
- B: SAFETY AND TRAINING
- C: OPERATIONS AND MAINTENANCE STATUS / REVIEW
- D: LABORATORY ACTIVITIES SUMMARY
- E: ADMINISTRATION
- F: ODORS & LANDSCAPING
- G: MISCELLANEOUS

**ATTACHMENTS**

- 1) Photos
  - 2) Laboratory Data
  - 3) Recycled Water Report
  - 4) Annual Performance Graphs
  - 5) Process Control Data / Graphs
  - 6) Neighborhood Contacts (Odor / Noise)
  - 7) Jerome Meter Readings and Locations
-

**A: TREATMENT PLANT PERFORMANCE SUMMARY: June 2017:**

Parameter	Value		Limit	
	Ave	Max	#1	#2
Flow, MGD (monthly ave/max)	3.81	4.29	N/A	N/A
<b>Influent</b>				
BOD <sub>5</sub> , lb/day (month ave/max)	*9,356	*9,634	N/A	N/A
TSS, lb/day (monthly ave/max)	8,546	9,254	N/A	N/A
<b>Effluent</b>				
BOD <sub>5</sub> , mg/L (monthly ave/max weekly ave)	*<5	*6	15	30
TSS, mg/L (monthly ave/max weekly ave)	<5	6	10	20
BOD <sub>5</sub> - % Removal, Average	*98	N/A	85	N/A
TSS - % Removal, Average	98	N/A	85	N/A
Ammonia, mg/L – (monthly ave/daily max)	0.45	0.45	5.9	21
pH, su (min / max)	6.8	7.1	6.0	9.0
Enterococcus, MPN/100 ml (30 day geo mean)	3.80	N/A	35	N/A
Fecal Coliform, MPN/100 ml (30 day median)	7.8	7.8	140	N/A
Fecal Coliform, MPN/100 ml (90 <sup>th</sup> percentile)	7.8	7.8	430	N/A
<b>Total Permit Exceedances (NPDES)</b>	0			

**Title 22 - Recycled Water Production and Quality**

Description	Units	Value	Limit
Volume Produced	Million Gallons	19.465	N/A
Average Turbidity	NTU	1.1	2.0
Turbidity > 5 NTU (in 24 hour)	Minutes	0	72
Minimum CT (disinfection)	mg-min/L	>450	450 minimum
Minimum Dissolved Oxygen (DO)	mg/L	6.2	2 mg/L minimum
Maximum Total Coliform	MPN/100 ml	<2	240
Maximum Total Coliform 2 Samples 30 d	MPN/100 ml	<2	23
Total Coliform 7 Sample Median	MPN/100 ml	<2	2.2

**Discussion of Violations / Excursions**

- Bay Discharge (NPDES, Dry Season Limits) – None
- Recycled Water – None

\* All BOD values are preliminary awaiting last sample result



**B: SAFETY AND TRAINING:**

- Monthly plant safety inspections for Novato WWTP and Ignacio Transfer Pump Station completed
- Five Minute Tailgate training is held daily with all staff.
- No safety incidents for the month of June
- Accident Free: 6/1/10 – 6/30/17: 2,593 days
- Celebrating 7 years no incidents
- Monthly Safety Topics and Training:
  - Hearing Conservation
  - Ladder Safety

**C: OPERATIONS & MAINTENANCE STATUS / REVIEW:****Key events for the period:****Novato**

- Routine rounds, readings and maintenance
- Annual Service/Combustion Testing on Boiler
- Blower Building HVAC Repair
- Annual Flow Meter Calibrations
- Annual Thermographic Imaging and Electrical Systems Maintenance (photo)

**Equipment Out of Service – Due to Planned Servicing, Maintenance, or Replacement**

- Aeration basin #1 & #3 (standby)
- Primary clarifier #1 (standby)

**Ignacio Transfer Pump Station**

- Routine rounds, readings and maintenance
- Annual Hazardous Materials Inspection - CUPA
- Control Building PLC HVAC repair
- Annual Flow Meter Calibration

**Equipment Out of Service – Due to Planned Servicing, Maintenance, or Replacement**

- None

**Recycled Water Plant (RWP)**

- Routine rounds, readings and maintenance
- Assisted Contractor as needed

**Equipment Out of Service – Due to Planned Servicing, Maintenance, or Replacement**

- None

**Sludge Lagoons (and Reclamation Area)**

- Performed routine rounds and inspection



**D: LABORATORY ACTIVITIES SUMMARY:****Discharge to Bay – Dry Season Permit Limits****Wildlife Pond and Reclamation Activities****Wildlife Pond**

Samples and weekly/monthly observations at the Wildlife pond were taken according to the WDR (Order No. 92-065).

**Irrigation Wetwell Sampling**

Monthly sampling of the irrigation wetwell began concurrent with pasture irrigation and will continue throughout the annual irrigation season. The data collected will be compiled and reported in the 2018 triennial Irrigated Pasture Report.

**Monitoring Wells**

Sampling of the NSD groundwater monitoring wells was conducted on June 1, 2017. This biannual monitoring is to assure the protection of groundwater around the Designated Land Disposal (DLD) site and the old sludge disposal site at the Ignacio Treatment Plant as part of the EPA Part 503 Biosolids requirements. Sampling and data collection was performed by Kurt Hawkyard and Liz Falejczyk. The weed clearing and pump down of the wells in preparation of the sampling was accomplished by Larry Milliken and Manny Arias.

**Whole Effluent Toxicity Testing**

Quarterly Acute and Chronic Toxicity is required during Bay Discharge. Testing began on June 13, 2017. Both analyses were performed by Aqua Science in Davis, CA. Acute Toxicity testing results yielded 100% survival. The Chronic Toxicity test results for survival and growth were very good at <1.0 TUc each.

**Public Education**

Kurt Hawkyard and Liz Falejczyk both staffed Wetlands Days at SASM. Kurt hosted the Bird station and Liz hosted "The Toilet is not a Trash Can" station. Approximately 300 3<sup>rd</sup> graders attended the 2 day event. Several observers from other districts attended Wetlands Days to determine if the program could be expanded to other areas in Marin.

Liz attended the Marin County Public Education Committee Meeting at Central Marin Sanitation Agency.

**Pretreatment****Permits**

- No new permits

**Inspections and Sampling**

- No inspections or sampling



**E: ADMINISTRATION:**

- May Electronic Self-Monitoring Report (SMR) submitted on June 23, 2017
- May Electronic Discharge Monitoring Report (DMR) submitted on June 23, 2017

**F: ODORS & LANDSCAPING:**

- No Contacts
- Jerome meter (H<sub>2</sub>S) readings performed in neighborhood and within treatment plant.
- All readings in neighborhood were at the minimum detection threshold of the Jerome meter.

**G: MISCELLANEOUS**

- Process Control Management Plan (PCMP) meetings held weekly.
- PG&E Peak Demand Event / Load Shedding - 6/20/17.
- NMWD Recycled Water Plant construction at the treatment plant.

**Veolia Support Staff On/Off Site (Various Times)**

John O'Hare (Veolia Corporate)

Technical Support, Pretreatment & Laboratory

# *PHOTOS*

SAMPLING MONITORING WELLS  
JUNE 2017



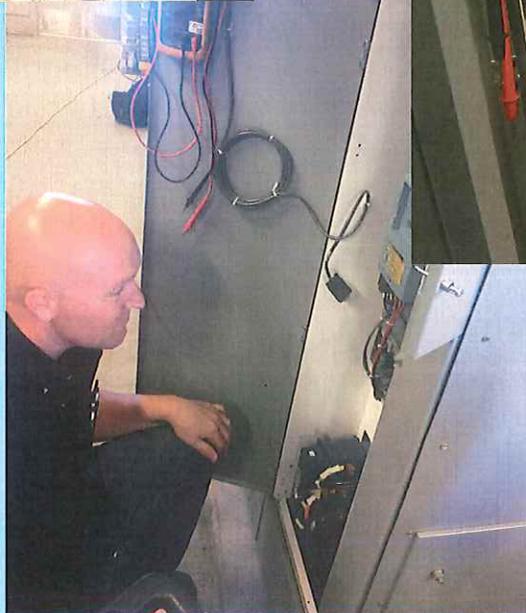
Top & Bottom – Liz Falejczyk and Kurt Hawkyard, Sample Collect Monitoring Well Samples at the Reclamation Area

WETLAND DAYS  
JUNE 2017



Top – Rich and Kurt Hawkyard Discuss the Importance of Wetlands to Bird Populations  
Bottom – Liz Falejczyk Instructs Students on Proper Disposal of Wipes

PREDICTIVE MAINTENANCE  
INSPECT CLEAN AND TIGHTEN MOTOR CONTROL CENTER  
JUNE 2017



Brandon Powell, Calcon Electric – Performs Maintenance on Variable Frequency Drives and Motor Control Centers. Inspects, Cleans, and Tightens Electrical Connections.

# ***LABORATORY DATA***

Novato Sanitary District  
BOD/TSS Report



June, 2017

Date	Flow MGD	Influent				Effluent				BOD % Removal PERCENT	TSS % Removal PERCENT
		BOD		TSS		BOD		TSS			
		mg/l	lb/d	mg/l	lb/d	mg/l	lb/d	mg/l	lb/d		
06/01/17	4.08										
06/02/17	3.85										
06/03/17	3.85										
06/04/17	4.02										
06/05/17	3.86	280	9,014	265	8,531	<5	<161	3	97	98.2	98.9
06/06/17	3.94					<5	<164	<3	<99		
06/07/17	4.29										
06/08/17	4.19										
06/09/17	3.81										
06/10/17	4.08										
06/11/17	4.13										
06/12/17	4.06										
06/13/17	3.61	320	9,634	267	8,039	5	151	6	181	98.4	97.8
06/14/17	3.78										
06/15/17	3.71										
06/16/17	3.77										
06/17/17	3.76										
06/18/17	3.69										
06/19/17	3.97										
06/20/17	3.59										
06/21/17	3.53	320	9,421	284	8,361						
06/22/17	3.64										
06/23/17	3.65										
06/24/17	3.65										
06/25/17	3.67										
06/26/17	3.26										
06/27/17	3.80			292	9,254			6	190		97.9
06/28/17	3.74										
06/29/17	3.65										
06/30/17	3.68										
<b>Weekly Averages</b>											
06/03/17	Week 1	260	9,324	260	9,324	6	215	5	179		
06/10/17	Week 2	280	9,014	265	8,531	5	163	3	98		
06/17/17	Week 3	320	9,634	267	8,039	5	151	6	181		
06/24/17	Week 4	320	9,421	284	8,361						
	Week 5										
<b>Monthly</b>											
Minimum	3.26	280	9,014	265	8,039	<5	151	<3	97	98	98
Maximum	4.29	320	9,634	292	9,254	5	<164	6	190	98	99
Total	114.31										
Average	3.81	307	9,356	277	8,546	<5	<159	<5	<141	98	98

Novato Sanitary District  
Conventional Pollutants Report



June, 2017

Date	INFLUENT - A001			Effluent - E002							
	Flow	pH	Ammonia	Coliform / Bacteria			pH	Ammonia	Oil & Grease	Temp	Rainfall
	Total			Fecal	Entero	Total					
MGD	su	mg/L	MPN/100 mL			su	mg/L	mg/L	Deg C	Inches	
06/01/17	4.08	7.2					6.9			4.0	
06/02/17	3.85						6.9			5.4	
06/03/17	3.85										
06/04/17	4.02										
06/05/17	3.86						7.0			4.2	
06/06/17	3.94			7.8	<1.0		7.0	0.45		4.2	
06/07/17	4.29				2.0		7.0			4.3	
06/08/17	4.19				1.0		7.0			4.1	
06/09/17	3.81	7.4					7.0			4.5	
06/10/17	4.08										
06/11/17	4.13										
06/12/17	4.06						7.0			3.9	
06/13/17	3.61				1.0		6.9			4.4	
06/14/17	3.78				1.0		6.8			3.6	
06/15/17	3.71				3.1		6.9			3.7	
06/16/17	3.77	7.2					6.9			4.1	
06/17/17	3.76										
06/18/17	3.69										
06/19/17	3.97				3.0		7.0			24.1	
06/20/17	3.59						7.1			24.2	
06/21/17	3.53				4.1		6.9			23.9	
06/22/17	3.64				<1.0		6.9			24.4	
06/23/17	3.65						6.9			24.0	
06/24/17	3.65										
06/25/17	3.67										
06/26/17	3.26						6.9			23.2	
06/27/17	3.80				<1.0		7.0			23.1	
06/28/17	3.74				2.0		7.0			23.1	
06/29/17	3.65				2.0		7.0			23.3	
06/30/17	3.68	7.3					7.0			23.3	
<b>Monthly</b>											
Minimum	3.26	7.2		7.8	<1.0		6.8	0.45		3.6	
Maximum	4.29	7.4		7.8	4.1		7.1	0.45		24.4	
Total	114.31										
Average	3.81	7.3					7.0	0.45		13.0	

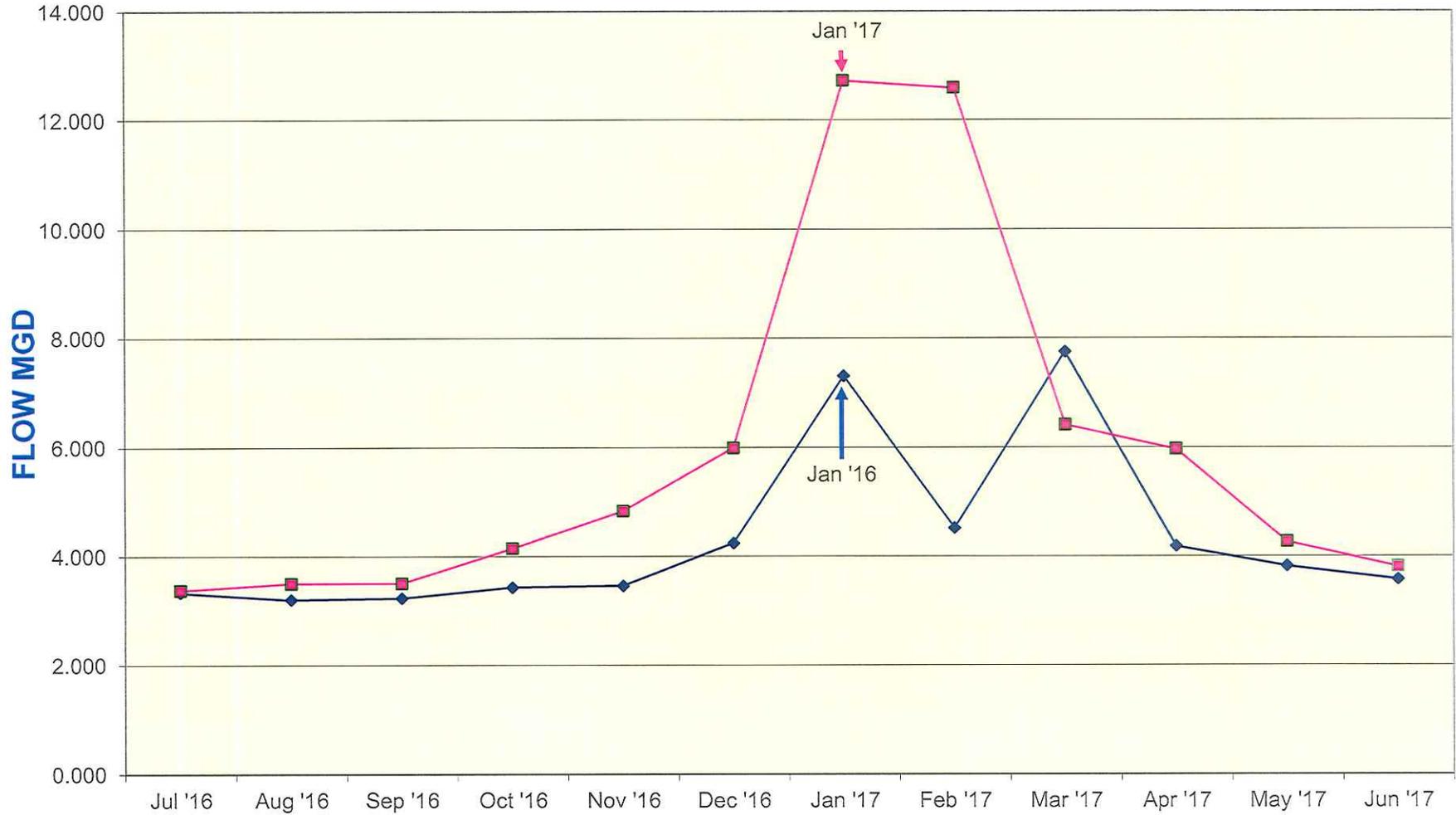
# ***RECYCLED WATER REPORT***

**NOVATO SANITARY DISTRICT  
RECYCLED WATER  
COMPLIANCE SUMMARY REPORT**

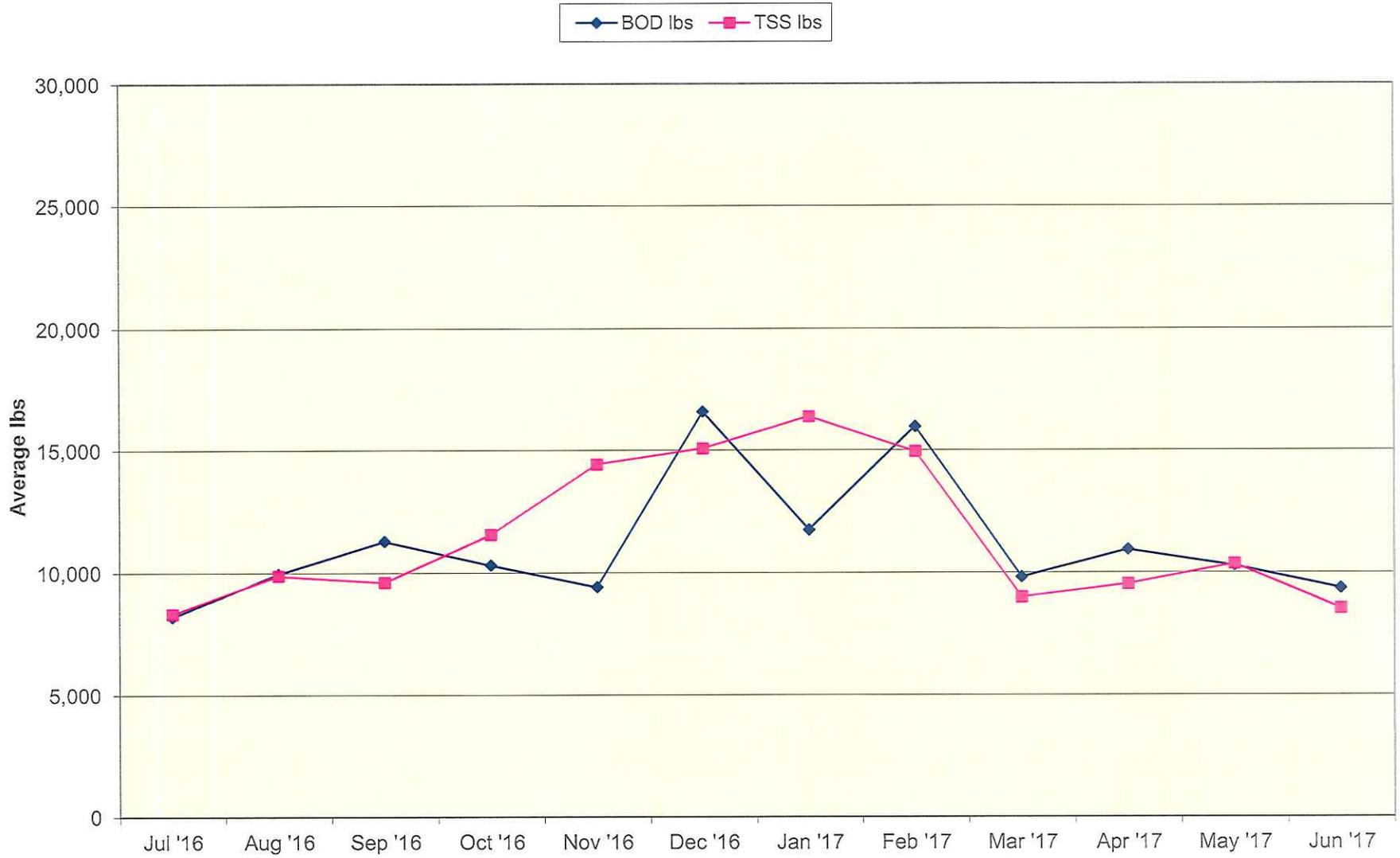
Date	Filter Influent Flow	Recycled Water Flow to Plum St.	Recycled Water Banked	Banked Water To Plum Street Tank	Potable Water To Plum St Tank	Recycled Water Influent Turbidity Max	Recycled Water Influent Turbidity Ave.	Minutes Over 5 NTU Turbidity	Filter Effluent 24 Hr Average Turbidity	Recycled Water Inf Chlorine Dose	Filter Effluent Dissolved Oxygen	Filter Effluent Total Coliform	Chlorint Contact Time
	MGD	MGD	MG	MGD	NTU	NTU	(m)	NTU	(mg/l)	(mg/l)	MPN/100m	Minutes	
6/1/2017	0.680	0.586				2.0	0	0.7			<2	>450.000	
6/2/2017	0.700	0.596				2.3	0	1.0			<2	>450.000	
6/3/2017	0.790	0.681				1.9	0	1.1			<2	>450.000	
6/4/2017	0.650	0.552				1.5	0	0.8		7.2	<2	>450.000	
6/5/2017	1.080	0.810				1.4	0	0.8		7.5	<2	>450.000	
6/6/2017	0.760	0.625				1.1	0	0.6		7.7	<2	>450.000	
6/7/2017	0.790	0.703				1.4	0	0.7			<2	>450.000	
6/8/2017	0.680	0.551				1.8	0	1.0			<2	>450.000	
6/9/2017	0.770	0.675				3.2	0	1.2			<2	>450.000	
6/10/2017	0.860	0.754				1.6	0	1.4			<2	>450.000	
6/11/2017	0.670	0.566				1.7	0	1.4		7.2	<2	>450.000	
6/12/2017	0.890	0.713				1.8	0	1.4		7.1	<2	>450.000	
6/13/2017	0.710	0.551				2.5	0	1.5		6.2	<2	>450.000	
6/14/2017	0.860	0.767				2.0	0	1.3			<2	>450.000	
6/15/2017	0.710	0.625				2.2	0	1.0			<2	>450.000	
6/16/2017	0.700	0.616				1.8	0	1.0			<2	>450.000	
6/17/2017	0.900	0.751				1.7	0	1.0			<2	>450.000	
6/18/2017	0.810	0.655				1.6	0	0.9		7.3	<2	>450.000	
6/19/2017	0.780	0.692				1.4	0	1.0		7.2	<2	>450.000	
6/20/2017	0.710	0.613				2.3	0	1.5		7.1	<2	>450.000	
6/21/2017	0.720	0.611				2.0	0	1.2			<2	>450.000	
6/22/2017	1.010	0.813				1.9	0	1.2			<2	>450.000	
6/23/2017	0.790	0.638				1.9	0	1.3			<2	>450.000	
6/24/2017	0.750	0.621				1.9	0	1.4			<2	>450.000	
6/25/2017	0.770	0.676				2.3	0	1.6		7.7	<2	>450.000	
6/26/2017	0.790	0.655				2.6	0	1.5		7.5	<2	>450.000	
6/27/2017	0.760	0.519				1.8	0	1.0		7.9	<2	>450.000	
6/28/2017	0.750	0.652				2.0	0	1.0			<2	>450.000	
6/29/2017	0.670	0.580				2.0	0	0.8			<2	>450.000	
6/30/2017	0.710	0.618				1.7	0	0.7			<2	>450.000	
<b>Total</b>	<b>23.220</b>	<b>19.465</b>											
<b>Minimum</b>	<b>0.650</b>	<b>0.519</b>				<b>1.1</b>	<b>0</b>	<b>0.6</b>		<b>6.2</b>	<b>&lt;2</b>	<b>&gt;450.0</b>	
<b>Maximum</b>	<b>1.080</b>	<b>0.813</b>				<b>3.2</b>	<b>0</b>	<b>1.6</b>		<b>7.9</b>	<b>&lt;2</b>	<b>&gt;450.0</b>	
<b>Average</b>	<b>0.774</b>	<b>0.649</b>				<b>1.9</b>	<b>0</b>	<b>1.1</b>		<b>7.3</b>	<b>&lt;2</b>	<b>&gt;450.0</b>	

# ***ANNUAL COMPLIANCE SUMMARY – GRAPHS***

## WASTEWATER INFLUENT FLOW COMPARISON



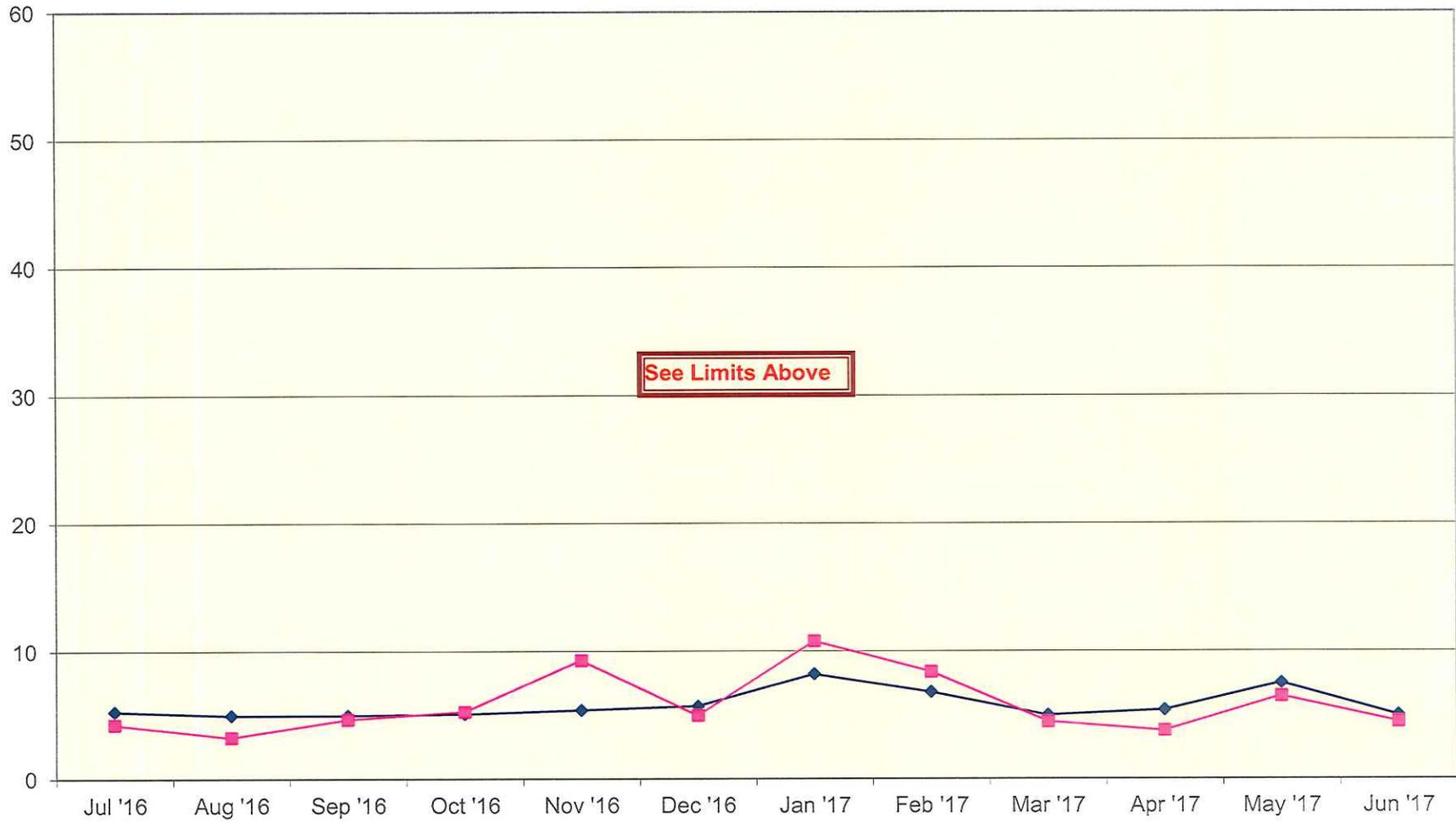
### Influent Load BOD / TSS lbs



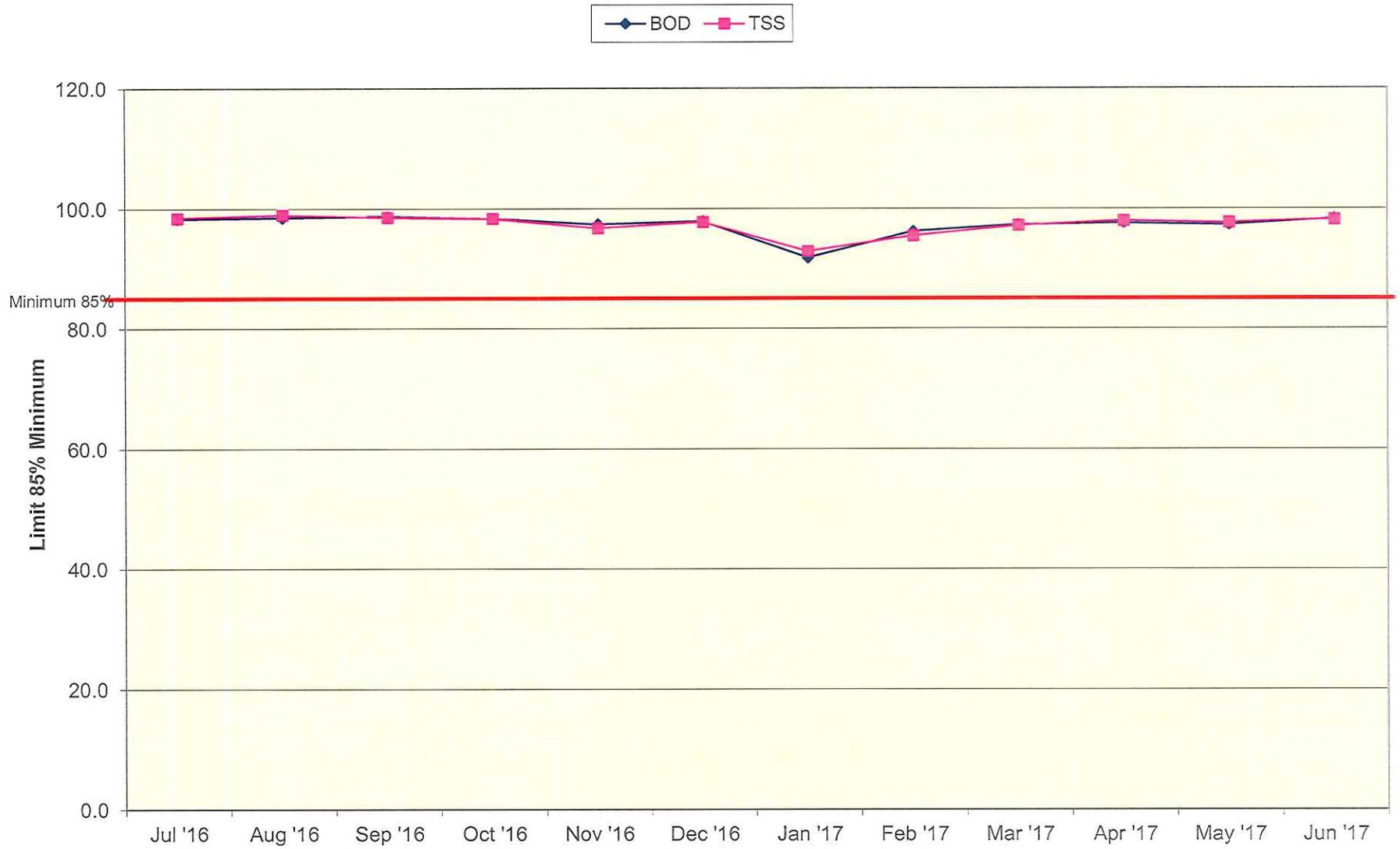
### Effluent BOD / TSS Concentration

**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

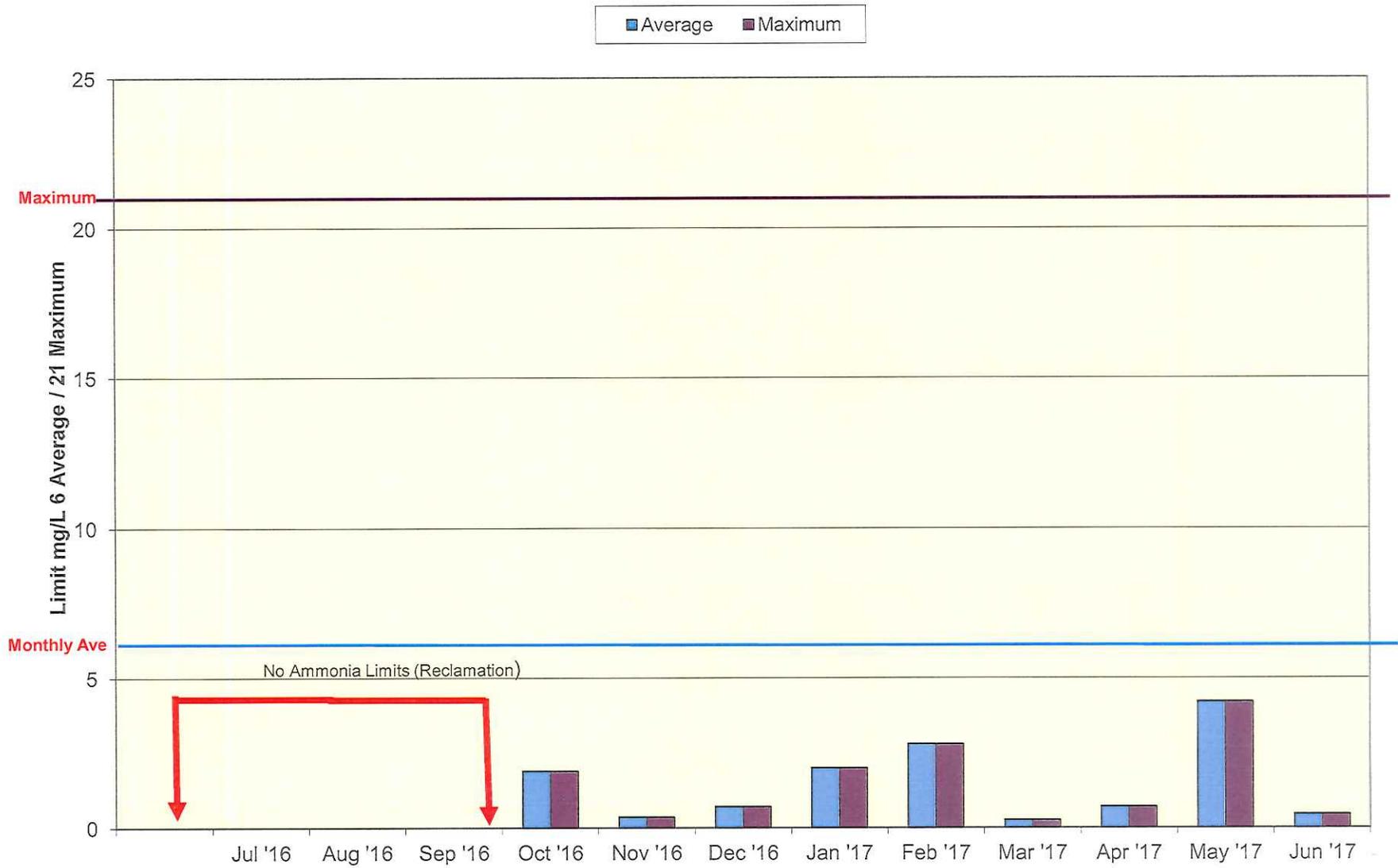
◆ BOD    ■ TSS



### BOD / TSS Percent Removal



# Effluent Ammonia



# Disinfection - Fecal Coliform

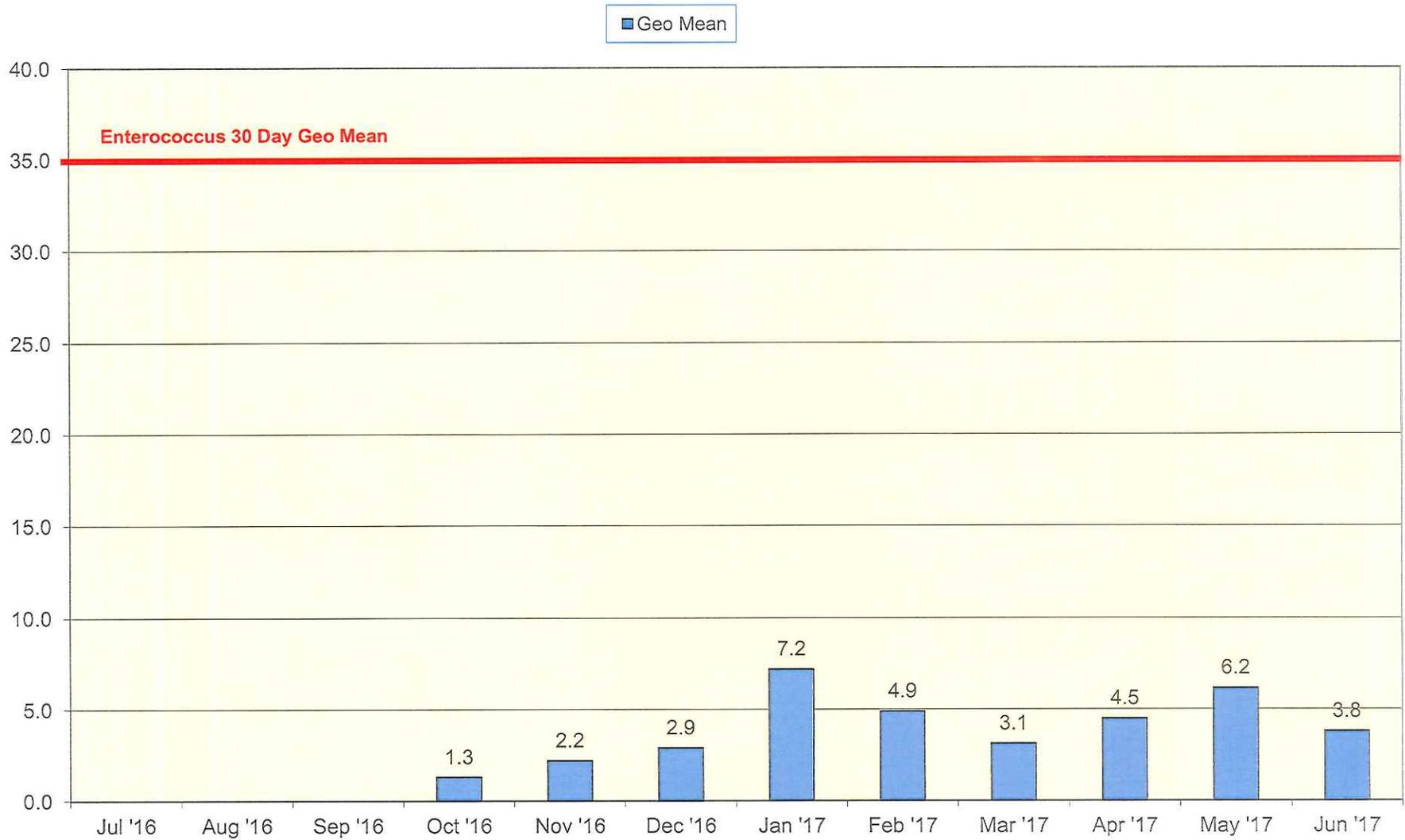
LIMITS - NPDES  
Fecal 140 mpn monthly median  
Fecal 430 mpn 90th percentile 30 day

■ 90th % ile ■ 30 day med



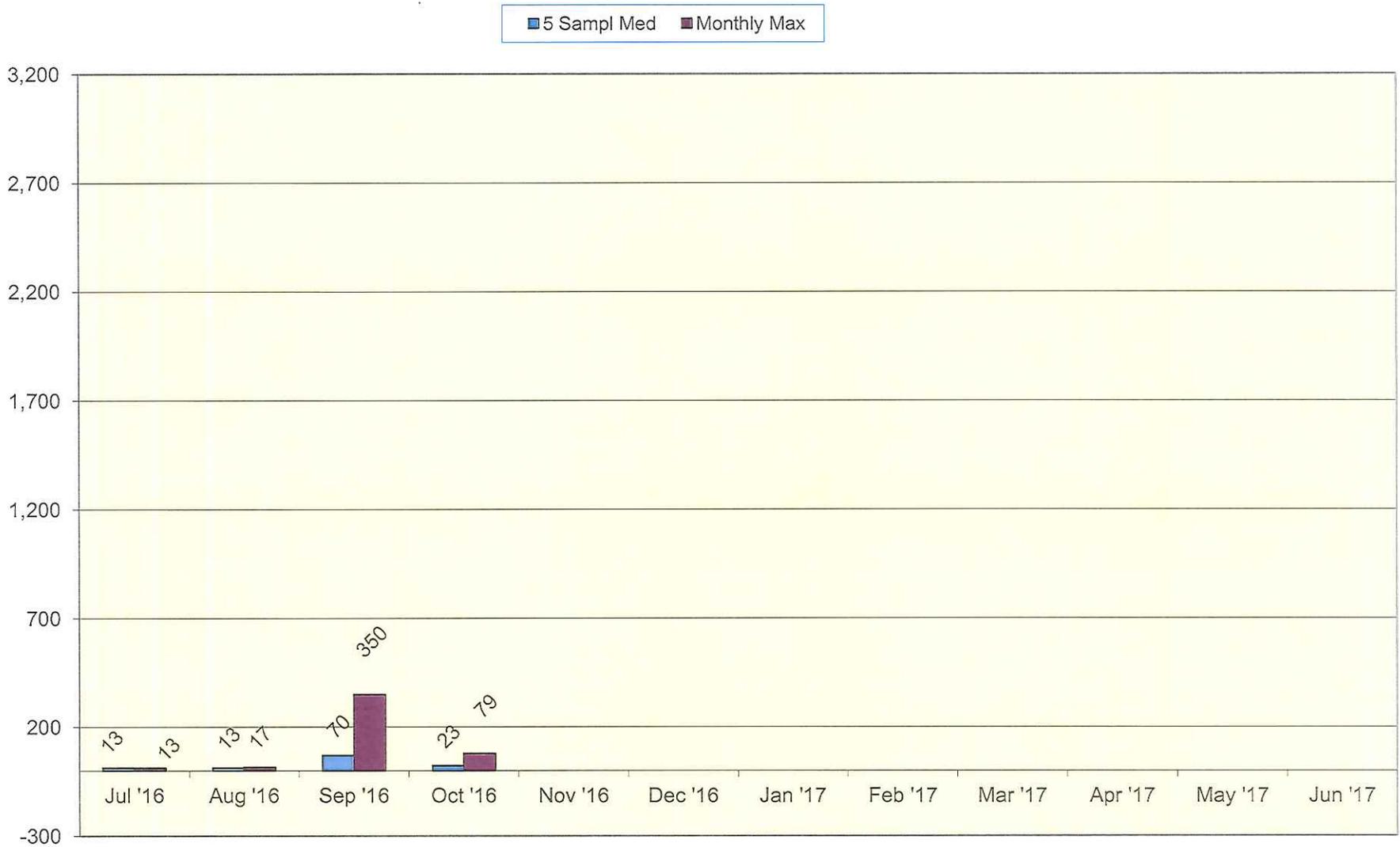
# Disinfection - Enterococcus

LIMITS - NPDES  
Entero 30 day geo mean 35 mpn /100ml

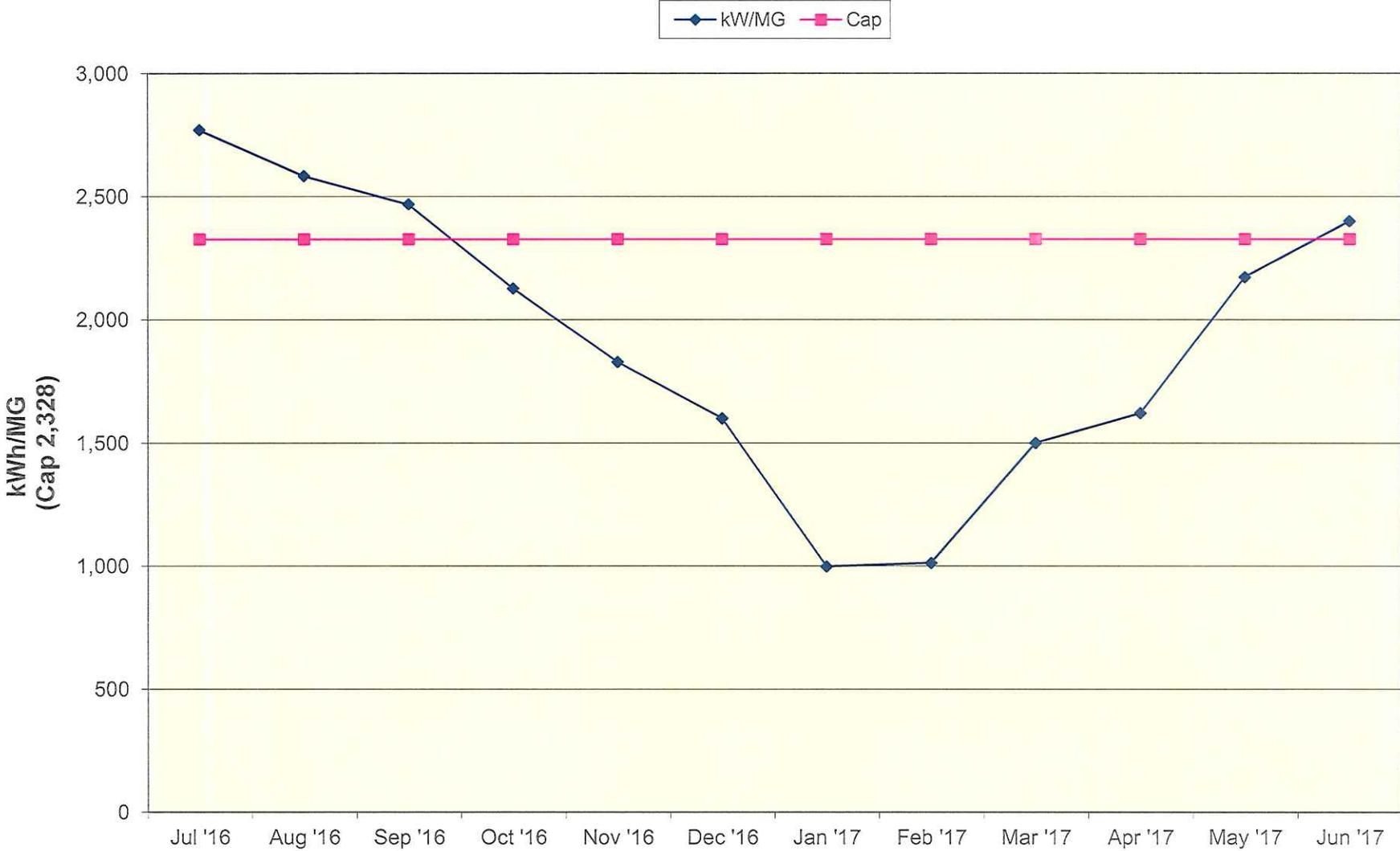


## Disinfection - Total Coliform

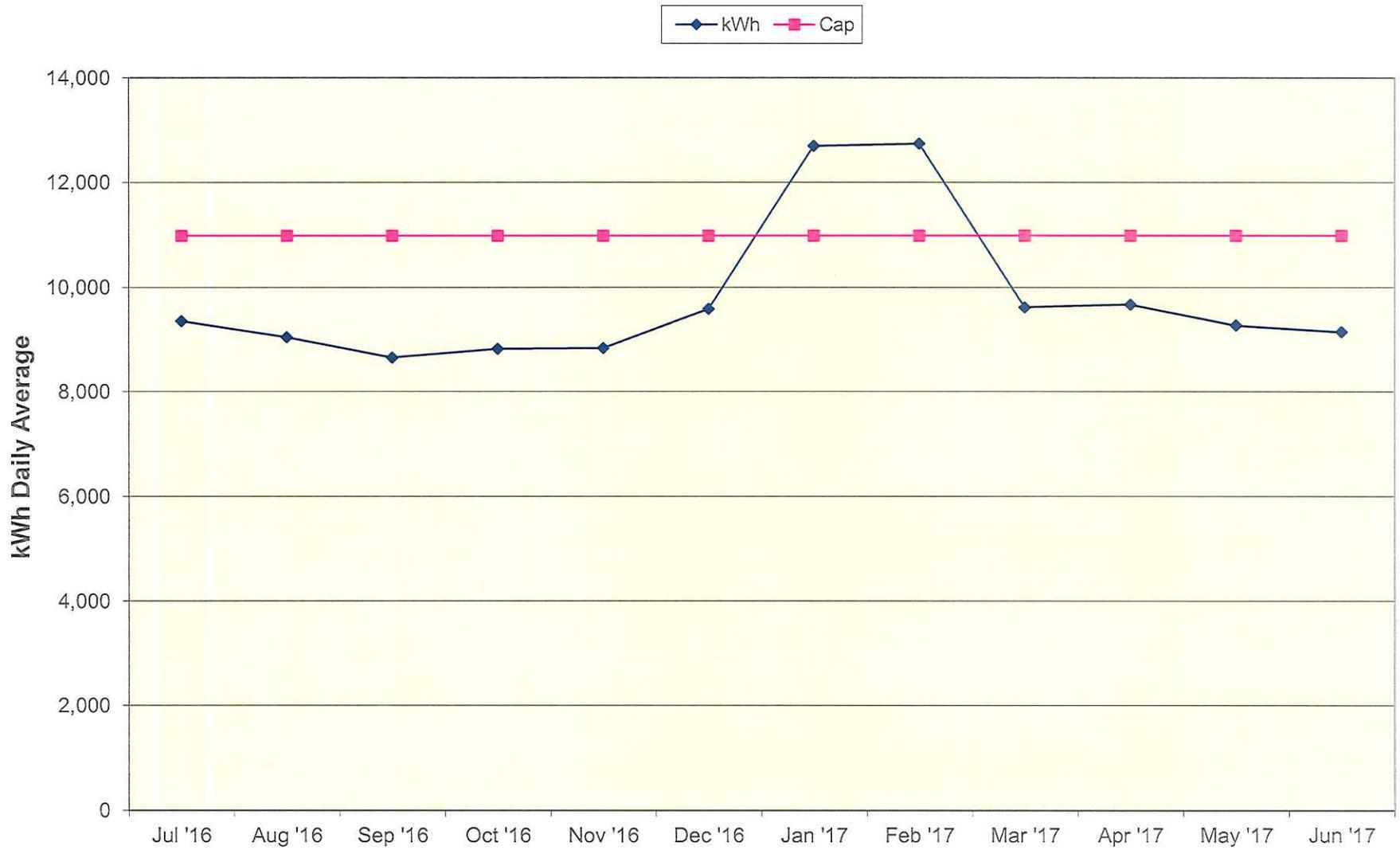
TOTAL COLIFORM LIMITS - WDR  
 5 Sample Median - 240 mpn /100 ml  
 Maximum - 10,000 mpn/100 ml



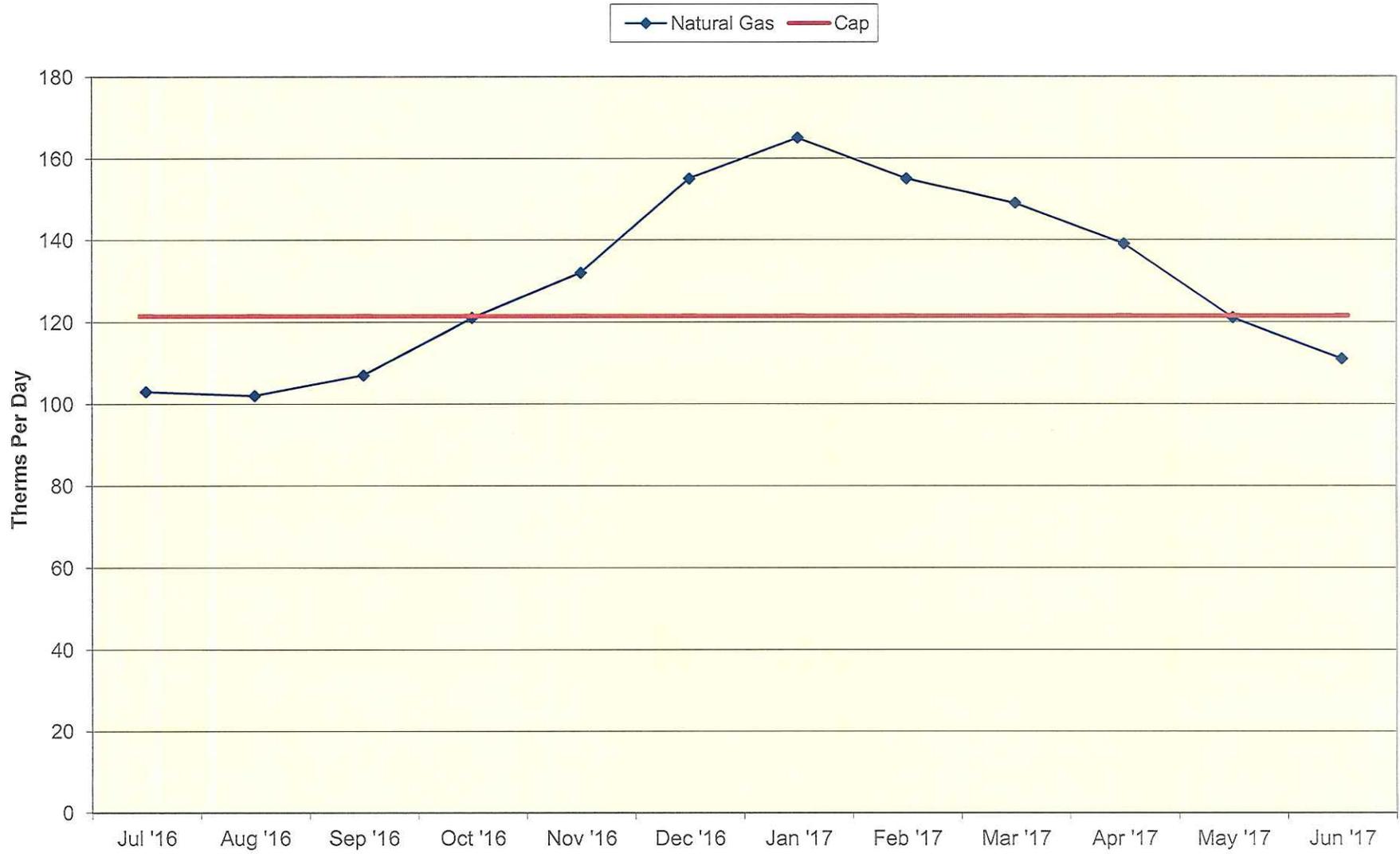
### Energy kWh/MG



# Energy kWh

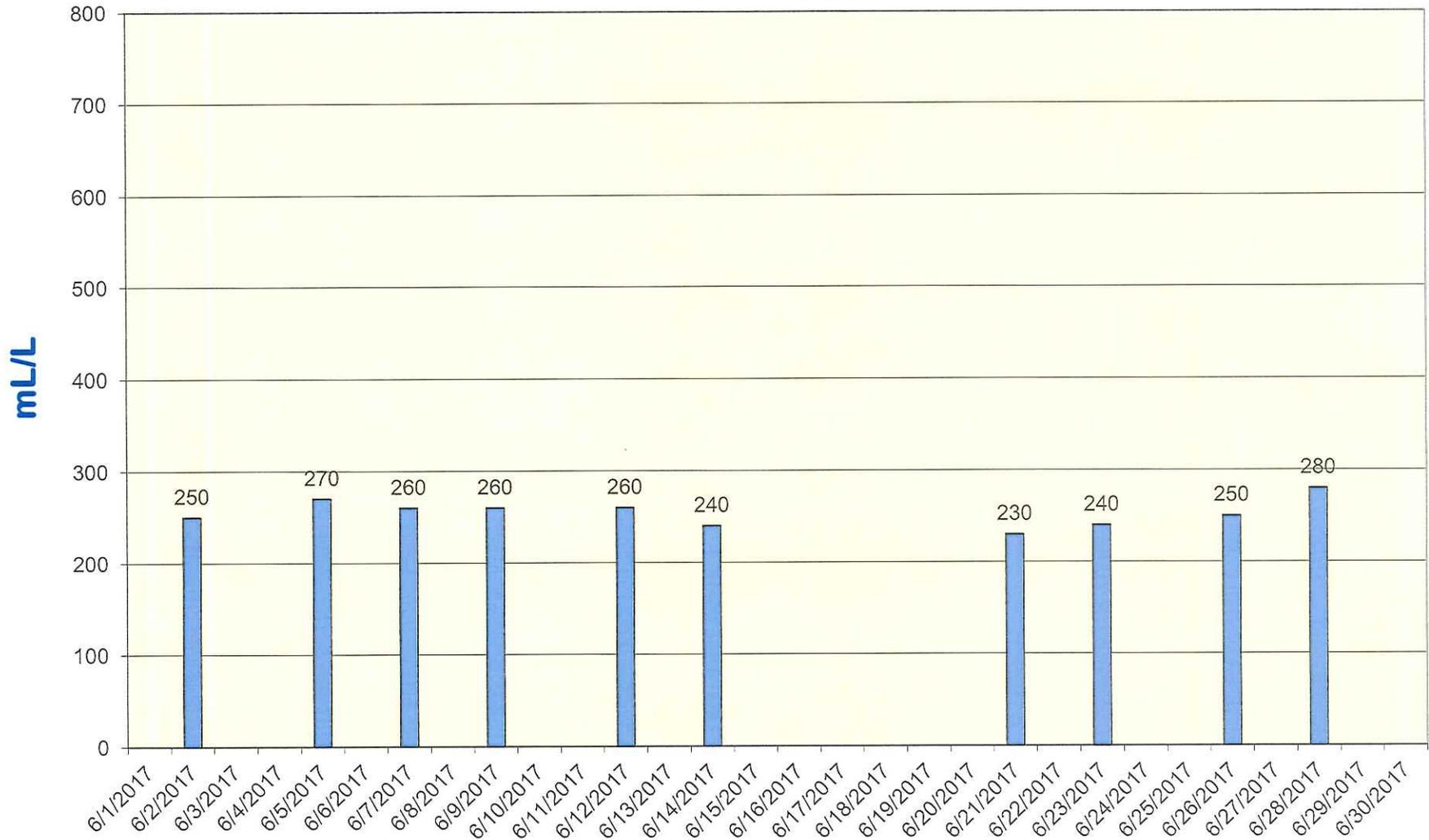


### Natural Gas Use

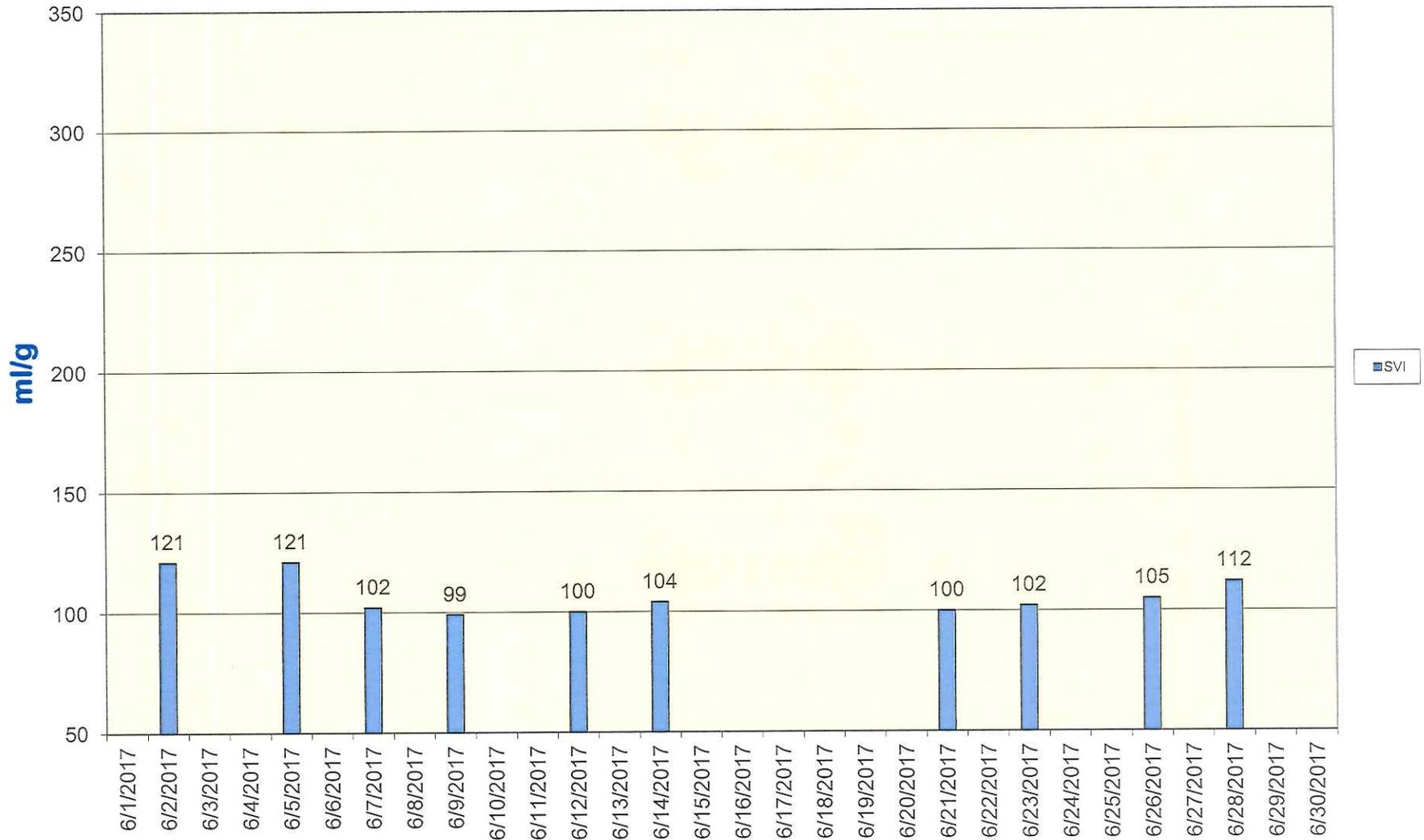


# ***PROCESS CONTROL DATA / GRAPHS***

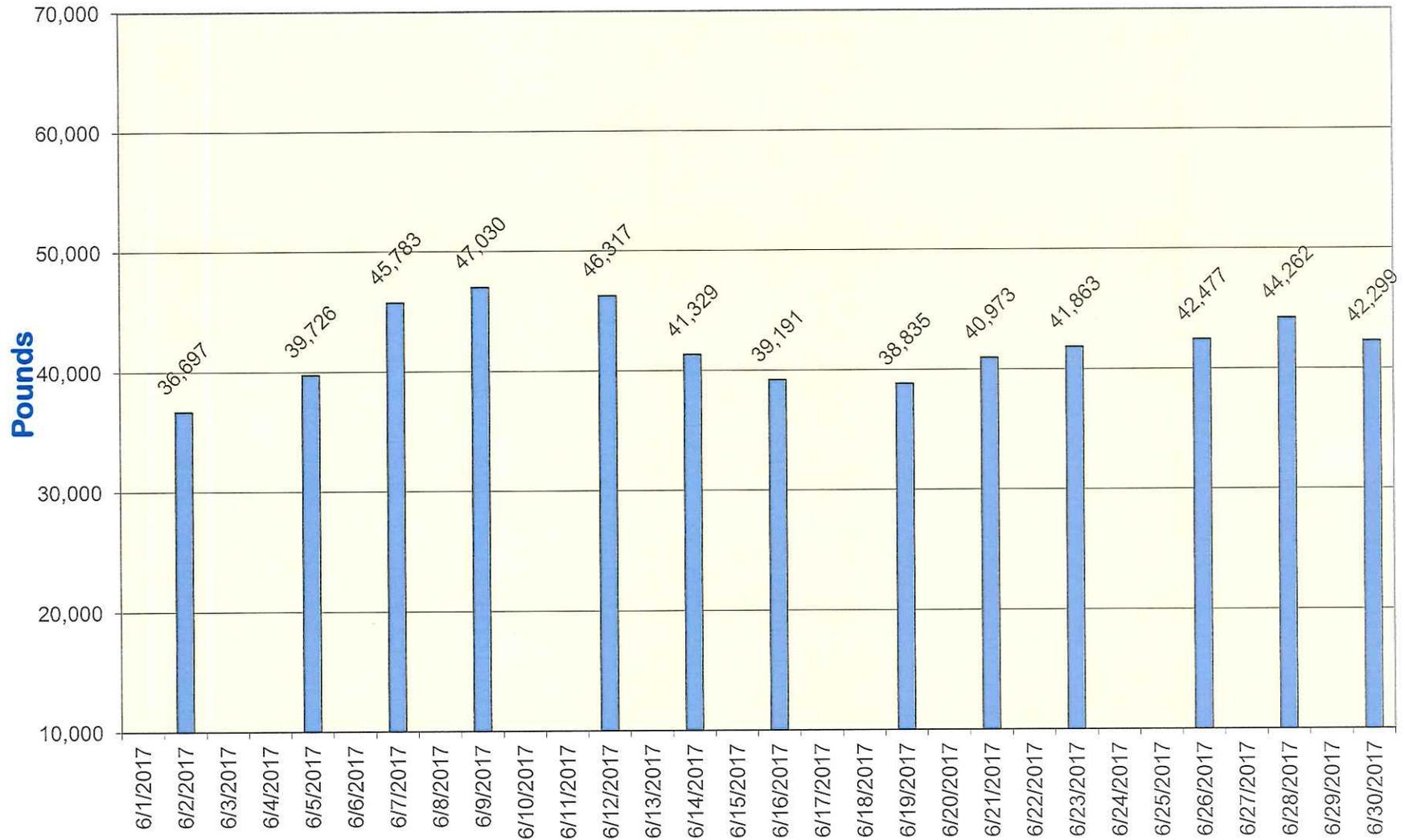
# Settleability



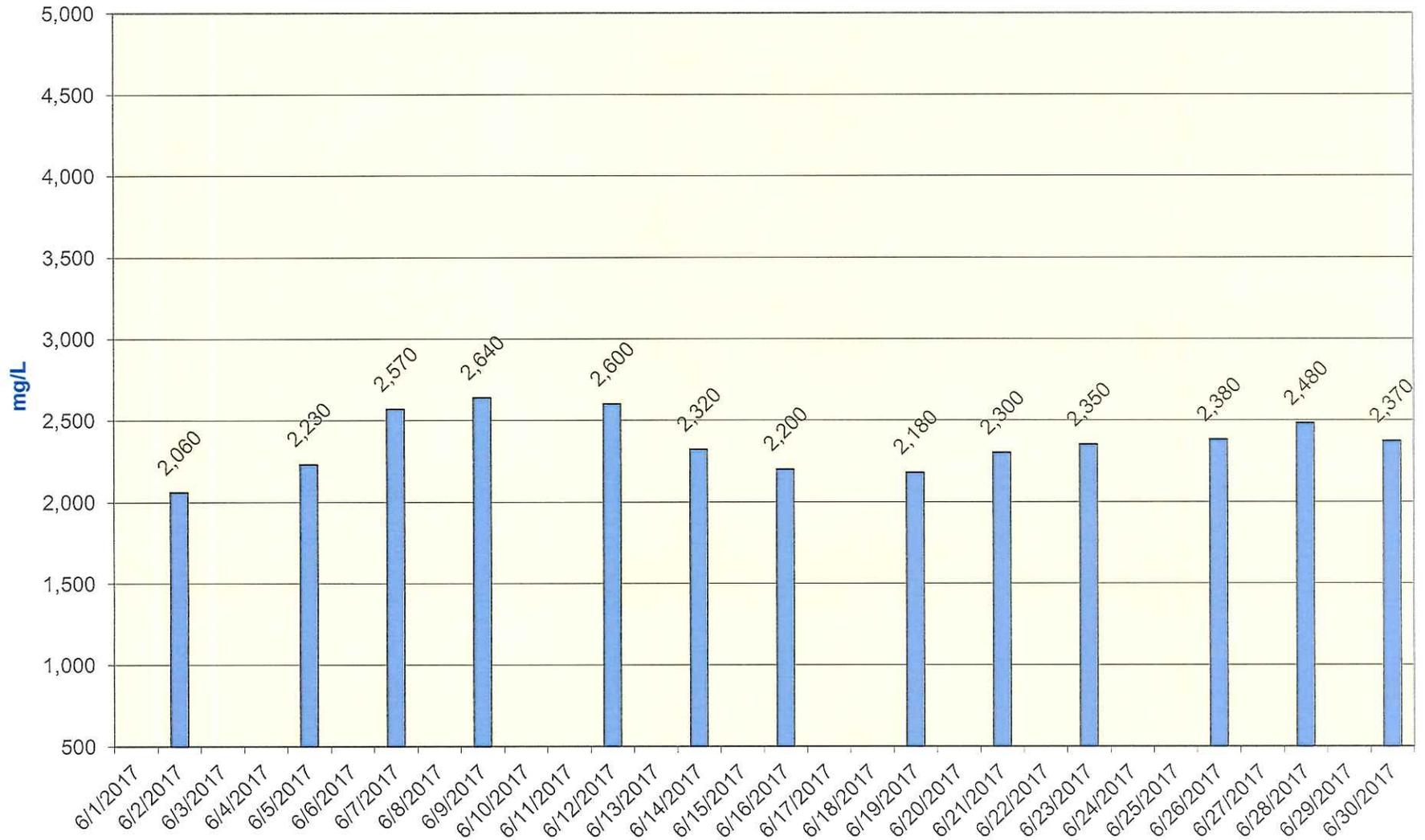
## Sludge Volume Index



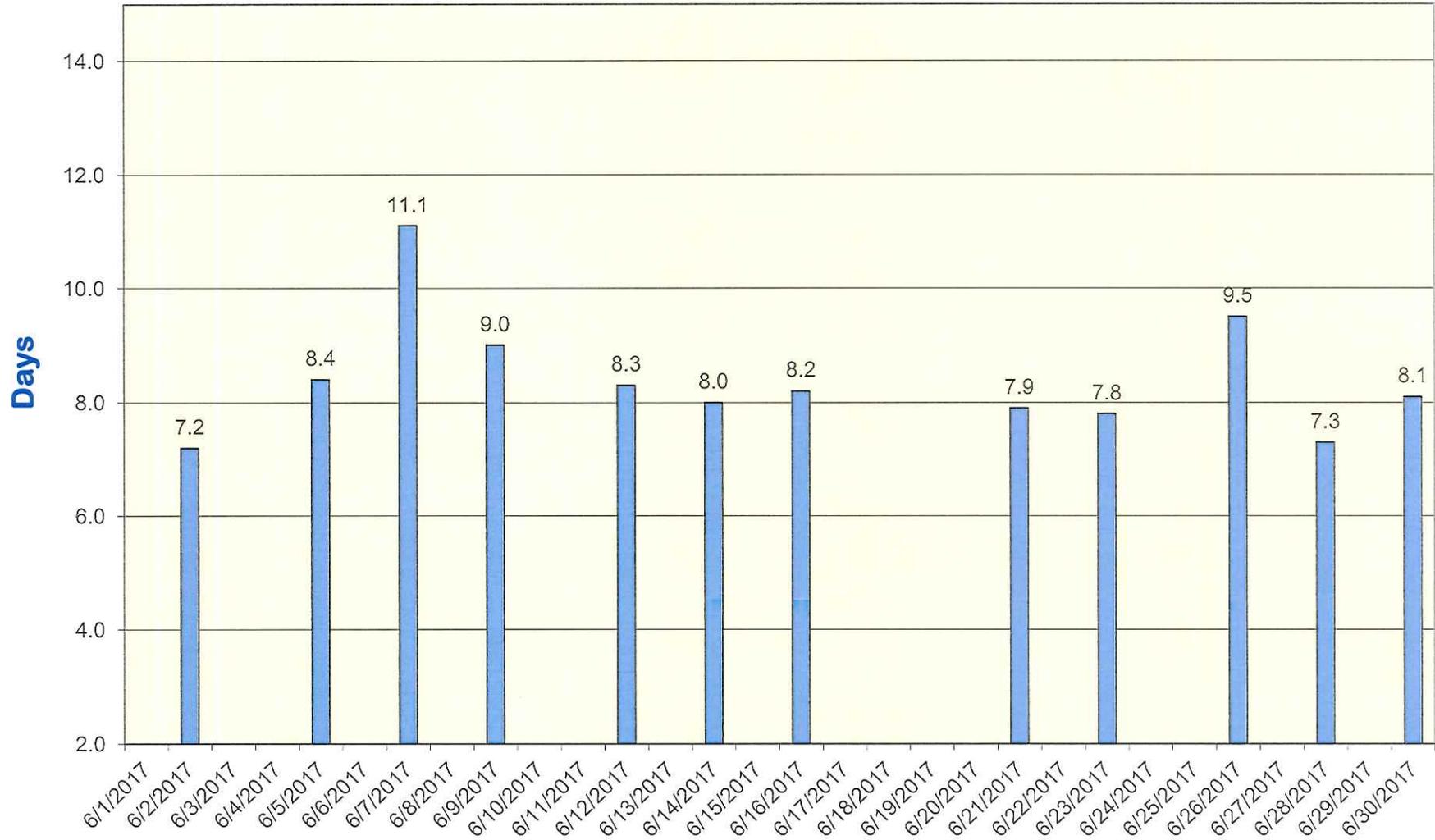
# MLSS Inventory



### MLSS Concentration



## Mean Cell Residence Time

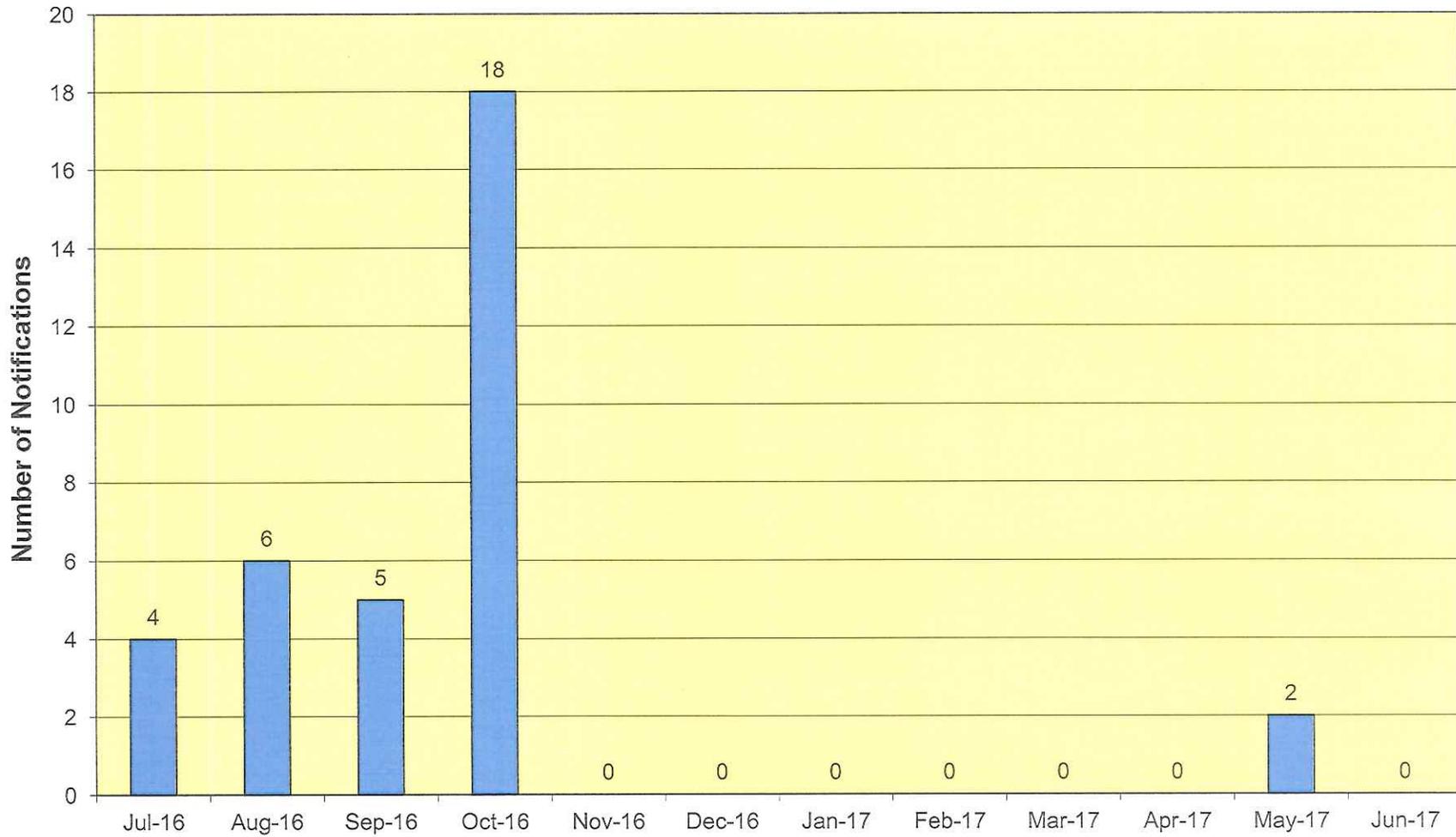


## Process Control Data

	Influent Flow	Settleability	MLSS Concentration	MLSS Inventory	F:M Ratio	MCRT	SVI
6/1/2017	4.08						
6/2/2017	3.85	250	2,060	36,697		7.2	121
6/3/2017	3.85						
6/4/2017	4.02						
6/5/2017	3.86	270	2,230	39,726		8.4	121
6/6/2017	3.94						
6/7/2017	4.29	260	2,570	45,783		11.1	102
6/8/2017	4.19						
6/9/2017	3.81	260	2,640	47,030		9.0	99
6/10/2017	4.08						
6/11/2017	4.13						
6/12/2017	4.06	260	2,600	46,317		8.3	100
6/13/2017	3.61						
6/14/2017	3.78	240	2,320	41,329		8.0	104
6/15/2017	3.71						
6/16/2017	3.77		2,200	39,191		8.2	
6/17/2017	3.76						
6/18/2017	3.69						
6/19/2017	3.97		2,180	38,835			
6/20/2017	3.59						
6/21/2017	3.53	230	2,300	40,973		7.9	100
6/22/2017	3.64						
6/23/2017	3.65	240	2,350	41,863		7.8	102
6/24/2017	3.65						
6/25/2017	3.67						
6/26/2017	3.26	250	2,380	42,477		9.5	105
6/27/2017	5.00						
6/28/2017	3.74	280	2,480	44,262		7.3	112
6/29/2017	3.65						
6/30/2017	3.68		2,370	42,299		8.1	
Minimum	3.26	230	2,060	36,697	0.00	7.2	99
Maximum	5.00	280	2,640	47,030	0.00	11.1	121
Total	115.51						
Average	3.85	254	2,360	42,060		8.4	107

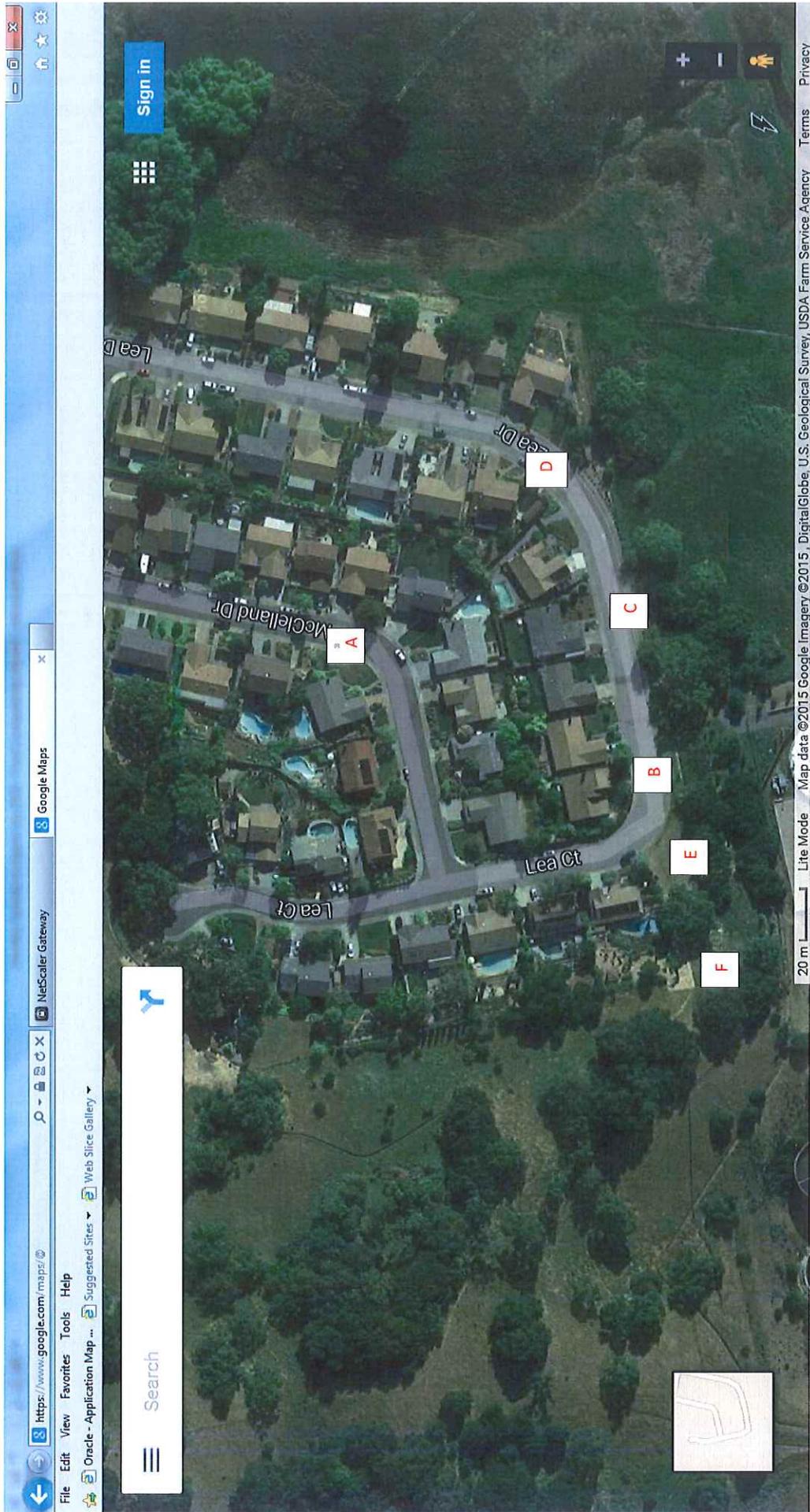
# ***NEIGHBORHOOD CONTACTS***

## Neighborhood Contacts Received



# ***JEROME METER READINGS & LOCATIONS***

# NEIGHBORHOOD JEROME METER LOCATIONS – LEA AND MCCLELLAND



JEROME METER READINGS - JUNE 2017

Sample Location	Min	Max	Ave	NOTES / COMMENTS
A: McLelland	0.000	0.000	0.0000	Neighborhood
B: Lea 1	0.000	0.000	0.0000	Neighborhood
C: Lea 2	0.000	0.000	0.0000	Neighborhood
D: Lea 3	0.000	0.000	0.0000	Neighborhood
E: Lea 4	0.000	0.000	0.0000	Neighborhood
F: Lea 5	0.000	0.000	0.0000	Neighborhood

**NOVATO SANITARY DISTRICT**  
**Wastewater Operations - Reclamation Facilities Report**  
**June 2017**

**1.0 Summary:**

The rancher completed harvesting pasture grass on Sites 3 & 7. Staff requested proposals to remove the fallen eucalyptus trees on Site 2. Irrigation was activated on all available Parcels. Irrigation water storage pond levels were dropped from historical levels.

**2.0 Ranch Operations:**

As reported last month, the harvesting of pasture grass was slow due to harvesting equipment breakdowns. Due to the breakdowns the rancher contracted with a harvesting contractor who moved in enough workers and equipment to complete pasture grass harvesting on Sites 3 & 7 by the third week of the month. The pasture grass will not be harvested on Site 2 due to a poor pasture grass mix. Livestock will be placed on Site 2 and allowed to feed on the unharvested pasture grass.

Livestock was delivered to Sites 3 & 7. The rancher was vetting the livestock after they were delivered and before they were released to graze.

After inventorying fallen eucalyptus trees last month, staff requested proposals from several local tree trimming companies to cut them up and when economical to do so, chip them into mulch.

**3.0 Irrigation Parcels:**

Irrigation began on June 5<sup>th</sup> on available Parcels and additional Parcels were added when they became available. 88.6 MG of irrigation water was applied to the pastures in June.

With the assistance of an outside contractor staff was able to troubleshoot the control system on Site 7 and found the short in the system that was tripping the breaker. The short was repaired and three additional parcels were activated for irrigation. There are enough Parcels available to irrigate to maintain storage pond levels.

**4.0 Irrigation Pump Station:**

The Irrigation Storage Pond levels dropped 5.4 feet to 3.2 feet, retaining 49 MG of stored irrigation water. 38 MG of water was recirculated through the Wildlife Pond.

**5.0 Sludge Handling & Disposal:**

There were no sludge handling activities this month.

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**NOVATO SANITARY DISTRICT**  
**Reclamation Facility - Monthly Statistics for Calendar Year 2017, as of June 2017**

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year to Date	Annualized Monthly Average
<b>Irrigation Pump Station</b>														
Plant flow to ponds (MG)		0	0	0	0	0	0						-	0.00
Irrigation (MG)		0	0	0.0	0	0	88.62						88.6	7.39
Irrigation Pump 1 Hours						131.2							131.2	10.93
Irrigation Pump 2 Hours						124.9							124.9	10.41
Irrigation Pump 3 Hours						122.2							122.2	10.18
Washdown Water Pump Hours													-	0.00
Wildlife Feed Pump Hours		0	0	0	734	601.1							1,335.1	111.26
Water Circulated through Wildlife Pond (MG)	0	0	0	0	46	38	0	0	0	0	0	0	84.1	7.01
Strainer No. 1 Hours						46.7							46.7	3.89
Strainer No. 2 Hours						47.5							47.5	3.96
Pond 1 Gauge @ Beginning of Month	8.1	9.5	9.4	9	9	8.6								
Pond 1 Gauge @ End of Month	9.5	9.4	9	9	8.6	3.2								
Pond 1 Gallons Stored @ End of Month(MG)	74	73	70	70	65	21.6								
Pond 2 Gauge @ Beginning of Month	8.1	9.5	9.4	9	9	8.6								
Pond 2 Gauge @ End of Month	9.5	9.4	9	9	8.6	3.2								
Pond 2 Gallons Stored @ End of Month(MG)	95	94	90	90	85	27.4								
Total Irrigation Water Stored	169	167	160	160	150	49	0	0	0	0	0	0		
<b>Drainage Pump Station No. 3</b>														
Drainage Pump No. 1 Hours	427.9	315.2	312.9	0	0.1	0								
Drainage Pump No. 2 Hours	69.3	123.5	0	0	9.8	0								
Drainage Pump No. 3 Hours	226.5	0	70.8	192.7	0	0								
Total Gallons Stormwater Pumped (MG)	217.11	131.61	115.11	57.81	2.97	0	0	0	0	0	0	0	524.61	43.72
<b>Drainage Pump Station No. 7</b>														
Drainage Pump No. 1 Hours	50.6	230.1	117.8	0	0	0								
Drainage Pump No. 2 Hours	380.8	532.8	0	0	17.7	0								
Drainage Pump No. 3 Hours	345.9	0	0	143.3	0.1	0								
Total Gallons Stormwater Pumped (MG)	349.79	343	53	64.49	8.01	0	0	0	0	0	0	0	818.60	68.22

# NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

<b>TITLE: Grand Jury Reports: Draft Responses for Board consideration.</b>	<b>MEETING DATE: July 10, 2017</b>  <b>AGENDA ITEM NO.: 9.a.&amp;b.</b>
<b>RECOMMENDED ACTION(S):</b> <p>a. Receive draft response to 2016-17 Marin County Civil Grand Jury report titled “Marin’s Retirement Health Care Benefits – The Money Still Isn’t There”, dated May 17, 2017, and subject to changes or edits, authorize the Board President to provide the response to the Grand Jury.</p> <p>b. Receive draft response to 2016-17 Marin County Civil Grand Jury report titled “The Budget Squeeze – How Will Marin Fund Its Public Employee Pensions?” dated June 5, 2017, and subject to changes or edits, authorize the Board President to provide the response to the Grand Jury.</p>	
<b>SUMMARY AND DISCUSSION:</b> <p>At its May 22, 2017 the District Board received the 2016-17 Marin County Civil Grand Jury’s second report titled “Marin’s Retirement Health Care Benefits – The Money Still Isn’t There”, dated May 17, 2017. A copy of the report is attached (Attachment 1). At that meeting, the Board directed staff to prepare a draft response for Board consideration. The Grand Jury is requesting that the District respond to Recommendations R1 - R9 of this report. A draft response is provided for the Board’s consideration (Attachment 2). A draft Grand Jury Response Form covering this potential response is also provided (Attachment 3).</p> <p>Also, at its June 12, 2017 meeting, the District Board received the 2016-17 Marin County Civil Grand Jury’s third report titled “The Budget Squeeze – How Will Marin Fund Its Public Employee Pensions”, dated June 5, 2017. A copy of the report is attached (Attachment 4). At that meeting, the Board directed staff to prepare a draft response for Board consideration. The Grand Jury is requesting that the District respond to Recommendations R3, R4, and R8 of this report. A draft response is provided for the Board’s consideration (Attachment 5). A draft Grand Jury Response Form covering this potential response is also provided (Attachment 6).</p> <p>Staff worked with District Counsel to prepare the draft responses. It is recommended that the Board review both sets of draft responses, and subject to changes or edits, authorize the Board President to provide the responses to the Grand Jury.</p>	
<b>ATTACHMENTS:</b> <ol style="list-style-type: none"> <li>1. 2016-17 Marin County Civil Grand Jury report titled “Marin’s Retirement Health Care Benefits – The Money Still Isn’t There”, dated May 17, 2017.</li> <li>2. Draft response - Marin’s Retirement Health Care Benefits.</li> <li>3. Draft completed Grand Jury Response Form - Marin’s Retirement Health Care Benefits.</li> <li>4. 2016-17 Marin County Civil Grand Jury report titled “The Budget Squeeze – How Will Marin Fund Its Public Employee Pensions?” dated June 5, 2017.</li> <li>5. Draft Response – The Budget Squeeze.</li> <li>6. Draft completed Grand Jury Response Form – The Budget Squeeze.</li> </ol>	
<b>STRATEGIC PLAN INFORMATION:</b> This item addresses Goal 1 (Operational Excellence), and Goal 3 (Alignment and Communications), of the latest Strategic Plan Update.	
<b>DEPT. MGR.:</b> ssk	<b>GENERAL MANAGER:</b> SSK

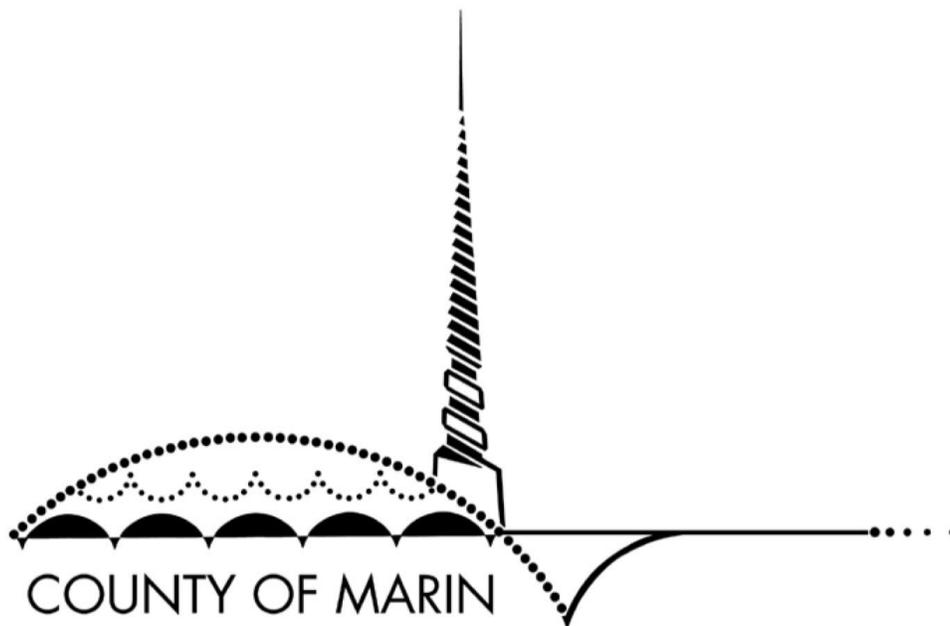
2016-2017 MARIN COUNTY CIVIL GRAND JURY

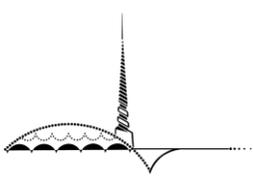
# Marin's Retirement Health Care Benefits

*The Money Still Isn't There*

Report Date: May 10, 2017

Public Release Date: May 17, 2017





## Marin's Retirement Health Care Benefits *The Money Still Isn't There*

### SUMMARY

Four years ago, the Grand Jury released a report titled *Marin's Retirement Health Care Benefits: The Money Isn't There*,<sup>1</sup> that discussed the funding of public agency liabilities for retiree health benefits. They discovered that most agencies were neither saving adequately nor implementing best practice cost containment strategies, and warned of the consequences.

Since then, some agencies have started paying more attention to their unfunded benefit liabilities and are choosing to prepay at least a portion of their liabilities, as financial advisors recommend. However, while 16 of the 39 agencies we studied in this report collectively *decreased* their unfunded liability by \$108.1 million (the County of Marin reduced its unfunded liability by \$88.3 million), the remaining 23 agencies collectively *increased* their unfunded liability by \$41.9 million. This problem has been escalating for years and will not be magically gone tomorrow. Left unchecked, the growing liabilities may eventually challenge agencies' fiscal health.

The Grand Jury recognizes that all agencies face day-to-day operational challenges and that retiree health liabilities are likely not top-of-mind for many agencies. Officials and board members may not be expert at interpreting financial documents nor aware of the long-term implications of retiree health liabilities for their agency's viability – but they need to be. In this report, we offer strategies to help Marin agencies deal with their Other Postemployment Benefits liability (primarily health benefits) and make it easier for the average person to understand the scope and potential effects of such liabilities on our communities.

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<sup>1</sup> ["Marin's Retirement Health Care Benefits: The Money Isn't There."](#) *Marin County Civil Grand Jury*. 3 June 2013.

## **BACKGROUND**

Public employees are typically granted two retirement benefits: a pension and “Other Postemployment Benefits” (OPEB) – primarily retiree health care. This report is a follow-up to previous OPEB-related Marin County Grand Jury Reports from: 2004-2005,<sup>2</sup> 2006-2007,<sup>3</sup> and 2012-2013.<sup>4</sup> We wanted to see how local public agencies’ OPEB liabilities have changed since the 2012-2013 Report, and examine the impact of OPEB on agencies' financial health.

## **METHODOLOGY**

The Grand Jury, in order to understand the financial and historical details of OPEB plans:

- Reviewed Marin County Civil Grand Jury OPEB-related reports and agency responses: 2004-2005, 2006-2007, and 2012-2013.
- Distributed detailed financial questionnaires (and analyzed responses) to the same public agencies surveyed in the 2012-2013 Grand Jury Report (see Appendix A: OPEB Questionnaire to Public Agencies).
- Researched OPEB legal issues.
- Reviewed OPEB-related Governmental Accounting Standards Board Statements 43, 45, 74, and 75 (GASB 43, GASB 45, GASB 74, and GASB 75) and related literature.
- Analyzed all Comprehensive Annual Financial Reports (CAFRs) and audits of public agencies since Fiscal Year 2012.
- Analyzed GASB 45 Actuarial Valuations of OPEB benefits and liabilities, prepared for public agencies.
- Watched city/town council audit and financial presentations.
- Interviewed agency staff and consultants involved with the actuarial process.
- Surveyed literature for examples and best practices of OPEB.

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<sup>2</sup> [“The Bloated Retirement Plans of Marin County, Its Cities and Towns.”](#) *Marin County Civil Grand Jury*. 9 May 2005.

<sup>3</sup> [“Retiree Health Care Costs: I Think I’m Gonna Be Sick.”](#) *Marin County Civil Grand Jury*. 19 March 2007.

<sup>4</sup> [“Marin’s Retirement Health Care Benefits: The Money Isn’t There.”](#) *Marin County Civil Grand Jury*. 3 June 2013.

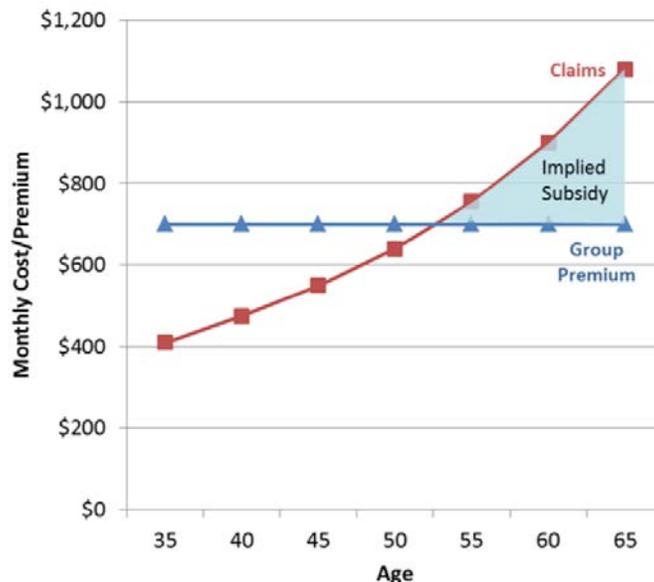
## DISCUSSION

If a public agency provides an employee with *Other Postemployment Benefits* (OPEB), and the employee meets specified periods of service and age, the agency will pay these benefits upon retirement to the employee (and to his/her spouse and/or dependents under some OPEB plans). The liability for providing these benefits is determined by an *actuary* and reported in an *actuarial valuation*. In accounting terminology, such a future financial obligation is called an *Actuarial Accrued Liability* (AAL). If an agency does not annually prepay their actuarial-determined *Annual Required Contribution* (ARC), the agency creates an *Unfunded Actuarial Accrued Liability* (UAAL).

### Retiree Health Care

OPEB “principally involve health care benefits, but also may include life insurance, disability, legal and other services.”<sup>5</sup>

Health care insurance costs continue to rise. These increased costs affect both the active employees and retirees. Public agencies blend employees and retirees into a single health care plan to calculate a premium that applies to both groups. The blending causes active employees, who are statistically healthier, to pay more for their health care to defray some of the additional costs of retiree health care. The additional cost of retiree claims is called an *implied rate subsidy*. If retiree health insurance costs rise, and employees are not charged sufficient premiums, then the public agency will have increased liabilities from the implied rate subsidy shortfall.



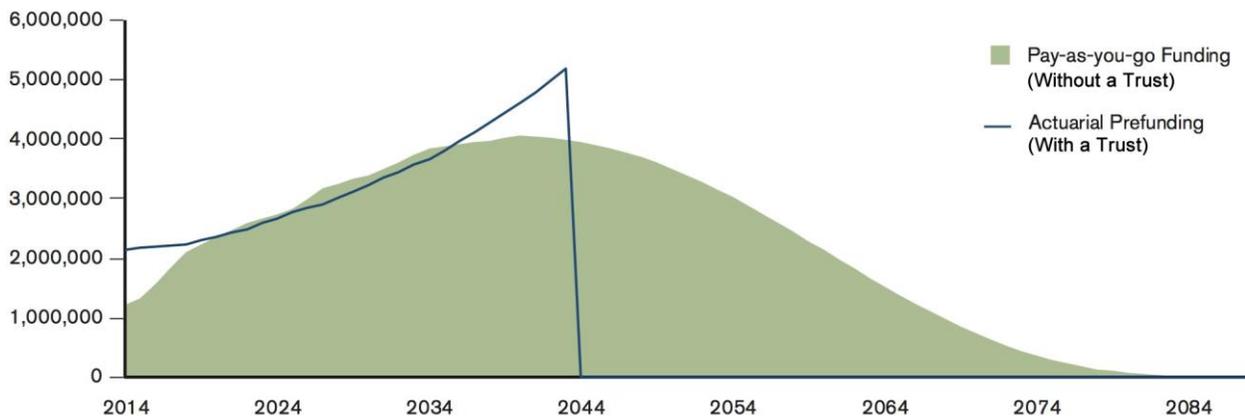
From: “[Retiree Health Care: A Cost Containment How-To Guide](#).” *League of California Cities*. Sep. 2016

<sup>5</sup> “[Other Postemployment Benefits \(OPEB\)](#).” *Governmental Accounting Standards Board*.

## Prefunding vs. Pay-As-You-Go

Public agencies can choose to either prefund their Actuarial Accrued Liability (AAL) or pay the annual retiree benefits as they come due (*pay-as-you-go* or *pay-go*). Prefunding into an OPEB trust fund allows the contributions to be invested, which can further reduce both the agency's AAL and Unfunded Actuarial Accrued Liability (UAAL). While prefunding is a smart long-term strategy, it may affect an agency's ability to pay its short-term bills. That is why some agencies choose pay-go – they do not have a sufficient budget or adequate cash flow. Basic aid school districts<sup>6</sup> for example, depend upon local property tax distribution to cover both their short-term and long-term obligations.

Nevertheless, prefunding OPEB liabilities is a widely accepted best practice. As the Government Finance Officers Association (GFOA) states, "It is widely acknowledged that the appropriate way to attain reasonable assurance that benefits will remain sustainable is for a government to accumulate resources for future benefit payments in a systematic and disciplined manner during the active service life of the benefitting employees."<sup>7</sup> The following graph shows a hypothetical example of the annual cost for an agency's OPEB payments<sup>8</sup> for a closed group (no new employees) and illustrates how prefunding could be less expensive than pay-go, using 7.25% as the assumed rate of return on investments:



	WITHOUT A TRUST	WITH A TRUST
Employer payments	\$160,000,000	\$98,000,000
Investment income (7.25%)	0	62,000,000
<b>Total cost of benefits</b>	<b>160,000,000</b>	<b>160,000,000</b>

<sup>6</sup> Weston, Margaret. "Basic Aid School Districts." *Public Policy Institute of California*. September 2013.

<sup>7</sup> "Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits (OPEB)." *Government Finance Officers Association*. January 2016.

<sup>8</sup> "Establishing an OPEB trust fund." *Milliman, Inc.* 2014.

## **The Actuarial Valuation Process**

Actuaries prepare their valuations using Actuarial Standards of Practice and applicable standards of the Governmental Accounting Standards Board (GASB). The accounting standards are issued as implementation guides. During the 2012-2016 time period, actuaries followed the GASB 45<sup>9</sup> implementation. The purposes of a GASB 45 actuarial valuation include:

- Informing an agency of its retiree benefits' financial future obligations,
- Determining how much an agency should consistently prefund to ensure there will be sufficient funding for the retirees' benefits, and
- Determining and measuring the funded status and funding progress of an OPEB plan.

The agency initiates the actuarial valuation process by providing basic data to the actuarial consultant, including:

- **Agency overview:** agency directions and intentions for the valuation.
- **Valuation data:** employee data, updates to health & welfare benefits and/or Memorandums of Understanding (MOUs), new resolutions about agency contributions, plan summaries and rates, and retiree benefits and other contributions paid recently.
- **Assumptions:** rates of retirement, termination, disability, mortality, prefunding, and discount rates.

Within a few months, the actuary arrives at a draft actuarial valuation report. The draft is shared with the finance or budget director, who can correct misunderstandings or misinterpretations. The final (GASB 45) valuation report is then used in the preparation of annual Comprehensive Annual Financial Reports (CAFRs) (See Appendix B: Example Actuarial Valuation Certification.) For agencies that have 200 or more employees, GASB 45 requires actuarial valuations at least biennially, and for smaller agencies at least triennially.

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<sup>9</sup> [Statement No. 45 of the Governmental Accounting Standards Board: Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.](#) Governmental Accounting Standards Board. June 2004.

## What Has Changed Since the 2012-2013 Report?

In the 2012-2013 report “Marin’s Retirement Health Care Benefits: *The Money Isn’t There*,”<sup>10</sup> the 2012-2013 Marin County Grand Jury reviewed the OPEB funding status of 40 local government agencies. Since one agency (Sewerage Agency of Southern Marin) responded that it was staffed by City of Mill Valley employees, only 39 agencies were examined. This year’s Grand Jury compared the financial information published in agencies’ Audits and Comprehensive Annual Financial Reports (CAFRs) for Fiscal Year 2012 (FY 2012) and FY 2016. (For an example of locating OPEB financial data, please see Appendix C: Finding Key OPEB Information in CAFRs or Audits.) By this comparison, the Grand Jury discovered:

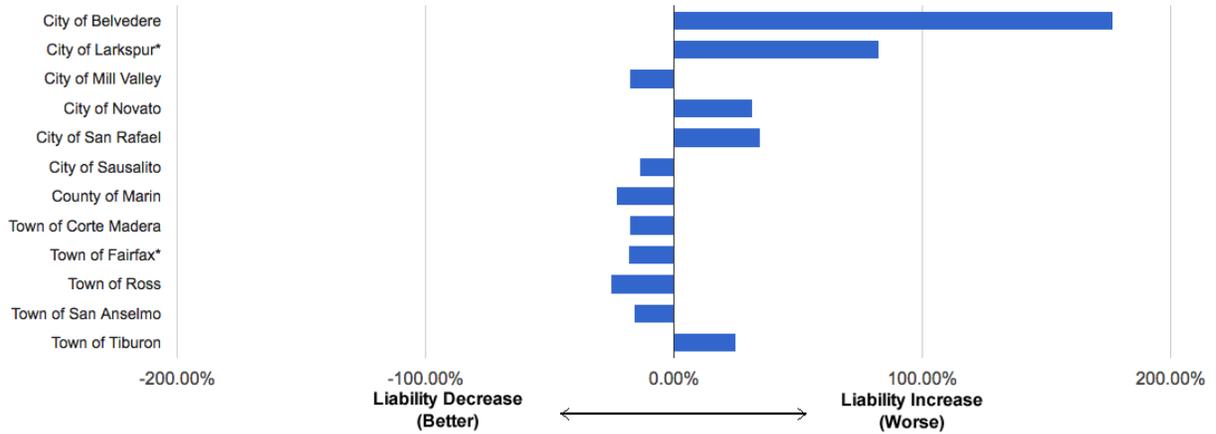
OPEB Highlights	FY2012	FY 2016
# of agencies that funded over 5% of their liability	11	18
# of agencies that funded between 1-5% of their liability	2	0
# of agencies that had not funded any of their liability	26	21
Collective 39-agency liability (AAL)	\$630.7 Million	\$650.2 Million
Collectively set aside (OPEB plan assets)	\$24.6 Million	\$110.2 Million
Collective Unfunded Actuarial Accrued Liability (UAAL)	\$606.1 Million	\$540.0 Million
Collective Unfunded Actuarial Accrued Liability (UAAL) excluding County of Marin	\$223.4 Million	\$245.7 Million

Because agencies have very different budgets, we chose to compare liabilities as the percentage Unfunded Actuarial Accrued Liability (UAAL) change from Fiscal Year FY 2012 to FY 2016. As of April 19, 2017, the City of Larkspur, the Town of Fairfax, and the Central Marin Police Authority had not released their FY 2016 CAFRs. For those agencies, we therefore needed to use their “older” FY 2015 financial data and applicable GASB 45 actuarial valuation data instead. Those agencies are indicated with an asterisk [\*] following their names throughout this report.

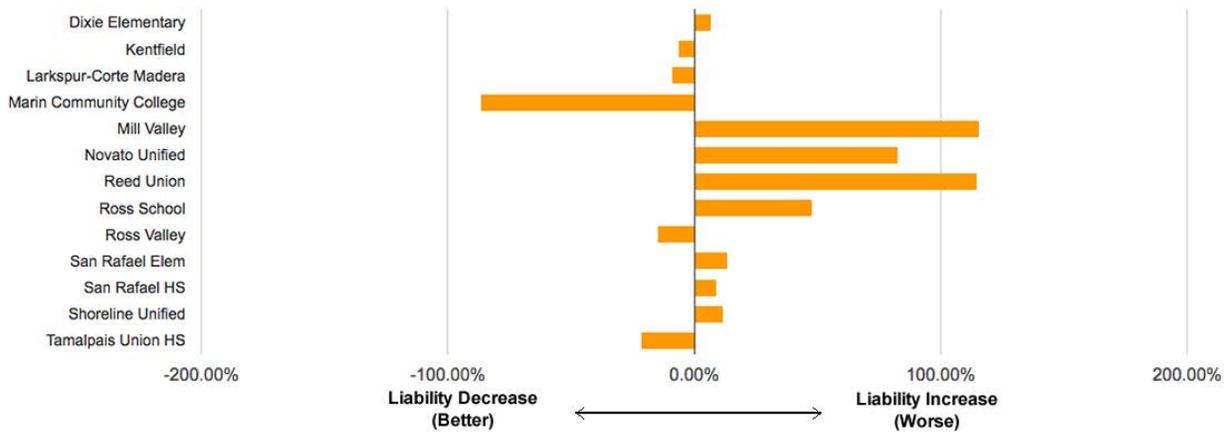
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<sup>10</sup> “[Marin’s Retirement Health Care Benefits: The Money Isn’t There](#).” *Marin County Civil Grand Jury*. 22 May 2013.

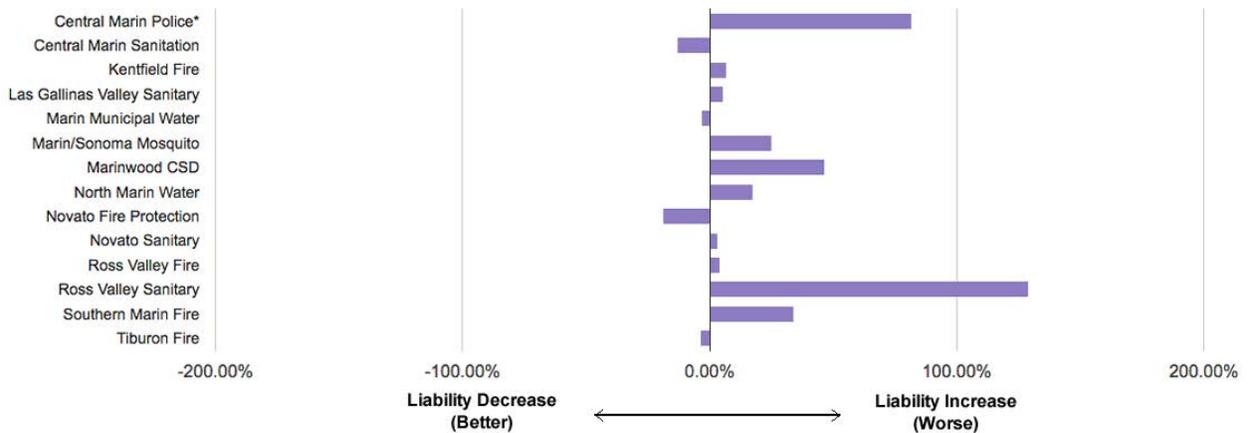
**% UAAL Change For Local Governments (FY 2012 to FY 2016)**



**% UAAL Change For School Districts (FY 2012 to FY 2016)**



**% UAAL Change For Special Districts (FY 2012 to FY 2016)**



By reviewing agencies' published financial documents, we were able to prove that the agencies reduced their unfunded liability by a combination of actions:

- **Fully contributing their Annual Required Contribution (ARC) and establishing an investment account.** By keeping up-to-date with actuarial payments, future financial obligations are kept in check.
- **Setting aside “substantial assets” for OPEB liability.** Putting aside more money into a trust account for future OPEB benefits reduces the unfunded liability.

Since FY 2012, the overall unfunded liability of \$606.1 million (UAAL) was *reduced* to \$540.0 million. However, for agencies that have *increased* their UAAL, we found two basic causes:

- **Underfunding the Annual Required Contribution (ARC).** Agencies that opt to use pay-go and not completely fund their ARC, compound their UAAL each year (i.e., it grows).
- **Not Reporting Implied Rate Subsidies.** As described previously, the implied rate subsidy effectively requires public agencies to calculate an implied liability whenever their retirees participate in group medical plans, but pay the same premiums as active employees. Effective March 31, 2015, all actuarial valuations must include the implicit subsidy liability.<sup>11</sup>

### The Liability Fear

Newspapers regularly cover the looming *unfunded* pension crisis across America. Where will the money come from to pay the retirees' pension? Less commonly reported is the looming *unfunded* OPEB crisis. “The logic has been that the OPEB funding problem is 25 years old, so it can wait another year or two — even though procrastinating simply makes the liabilities mushroom ... The problem of zero-funded OPEB plans is often ignored.”<sup>12</sup> In Marin County, for the 39 agencies we studied, the unfunded pension liability is \$956.3 Million and the unfunded OPEB liability (UAAL) is \$540.0 Million.

Agencies need to look at their future budgets to decide if they will be able to pay an increasingly larger UAAL obligation. If they can, then the unfunded liability is simply an anticipated expense. If they cannot, then the unfunded liability is a much more urgent issue. To give some insight into the agency's potential challenge paying off its UAAL obligation, we compared each agency's most recent Annual Required Contribution (ARC) with its most recent total revenue. See Appendices D (municipalities), E (school districts), and F (special districts) for details.

If an agency does not plan sufficiently for paying their OPEB liability, citizens may be asked to make hard choices:

- **Agencies may try to find the money.** Agencies may reduce services (“crowd-out”), increase fees, attempt to raise taxes or issue bonds (with voter approval). If an agency proposes new taxes or bonds which may be used to reduce OPEB debt, the Grand Jury

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<sup>11</sup> “[Actuarial Standard of Practice No. 6.](#)” *Actuarial Standards Board*. May 2014.

<sup>12</sup> Miller, Girard and Link, Jim. “[“New Normal” Retirement Plan Designs.](#)” *Government Finance Review*. Aug. 2009.

believes it should fully disclose that purpose, and not use language that is “virtually impenetrable, written by lawyers for lawyers who are also accountants.”<sup>13</sup>

- **Retiree benefits may be reduced.** “However, unlike pensions, OPEBs are typically not guaranteed or protected by state law. State and local governments have much more latitude to scale back OPEBs and share OPEB-related costs with retirees. Many have implemented several changes to that effect.”<sup>14</sup>

## Approaching Cost Containment

Over the years, many organizations have investigated reducing OPEB liabilities through cost containment strategies. Because of legal and political issues, these strategies may not be appropriate for every public agency. Rather than limit agencies to specific strategies, the Grand Jury wants to ensure that decision makers in the agencies are aware of the breadth and depth of these options to better inform any future liability-reducing actions.

In 2006, Governor Schwarzenegger established the *Public Employee Post-Employment Benefits Commission*<sup>15</sup> to identify the extent of unfunded OPEB liabilities and evaluate approaches for addressing the liabilities. The 34 recommendations contained in the Commission’s final report addressed both pension and OPEB funding. While some of these recommendations are now legally required or obsolete, the Grand Jury believes two recommendations are still warranted today:

- ✓ **Public agencies providing OPEB benefits should adopt prefunding as their policy.** As a policy, prefunding OPEB benefits is just as important as prefunding pensions. The ultimate goal of a prefunding policy should be to achieve full funding.
- ✓ **Any employer considering the use of OPEB bonds should fully understand, and make public, the potential risks they bring.** Such risks include: shifting costs to future generations and converting a future estimated OPEB liability into fixed indebtedness.

In 2015, Smart Business Magazine highlighted cost containment strategies<sup>16</sup> for company employee benefits, including:

- ✓ **Consumer-Directed Health Plans (CDHPs).** Combines a high-deductible plan with a health savings account.
- ✓ **Adding Voluntary Benefits.** Employees can add benefits as-needed with pre-tax dollars.
- ✓ **Self-Funding the Health Plan.** Employers directly pay for health care claims, and reduce their financial risk by purchasing stop loss insurance from an insurance carrier.

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<sup>13</sup> Herhold, Scott. “[How ballot questions for bonds mislead voters.](#)” *The Mercury News*. 22 Aug. 2016.

<sup>14</sup> “[Effective Advocacy & Key City Issues.](#)” *League of California Cities*. 20 Jan. 2016.

<sup>15</sup> “[Funding Pensions & Retiree Health Care for Public Employees.](#)” *Public Employee Post-Employment Benefits Commission*. Jan. 2008.

<sup>16</sup> Pritts, Craig. “[Benefit Renewals: Cost containment strategies that can control your health care costs.](#)” *Smart Business Pittsburgh*. Sep. 2015.

- ✓ **Expanding Wellness Programs.** Reportedly, 75% of health costs are preventable.
- ✓ **Reduce Spousal Subsidies or Add Spousal Surcharges.**

In 2016, the League of California Cities OPEB Task Force<sup>17</sup> listed a number of strategies that agencies could consider to reduce OPEB costs. The Grand Jury agrees that these strategies should be examined:

- ✓ **Benefit Changes for Future Employees.** Reduce benefits for new hires.
- ✓ **Benefit Changes for Existing Employees.** Reduce benefits for current employees (not retirees).
- ✓ **Change Contributions to Fixed Amounts.** Instead of paying a percentage of premiums, agencies would pay a fixed dollar amount as premiums increase.
- ✓ **Limit Duration of Retiree Medical Benefit.** Medical benefits would only extend until the retiree is eligible for Medicare.
- ✓ **Close the Benefit to New Employees.** Remove the benefit for new hires.
- ✓ **Adopt or Increase Tenure Requirements.** Require longer employment tenure before being eligible for benefits.
- ✓ **Cover Only Retirees.** Currently public agencies may cover the retiree's dependents as well.
- ✓ **Make Agency Insurance Secondary.** If the retiree has access to additional health care (from a spouse, previous employer, or veteran's program), use that primarily.
- ✓ **Eliminate Retiree Health Care for New Employees.** As pensions have become more generous, require retirees to pay for their own health care.
- ✓ **Buy Down/Buy Out Benefits.** Public agencies would pay a lump sum to reduce or eliminate their health care benefit.
- ✓ **Adjust Health Care Plans.** Changing the health care plans offered can reduce both employee and retiree health costs.
- ✓ **League Health Benefits Marketplace (Exchange).** This plan "provides cities the flexibility lacking in other group coverage medical plan designs to decouple and unbundle active employee and retiree costs, which is key to reducing OPEB liabilities."<sup>18</sup>
- ✓ **Audit Retiree Medical Benefits.** Ensure benefits are both compliant and not duplicative.
- ✓ **Enroll Retirees in Medicare Part A.** To the extent that some retirees are ineligible for full Medicare coverage and must pay for Medicare Part A, it may be more cost effective to pay for their enrollment in Part A.

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<sup>17</sup> "[Retiree Health Care: A Cost Containment How-To Guide.](#)" *League of California Cities*. Sep. 2016

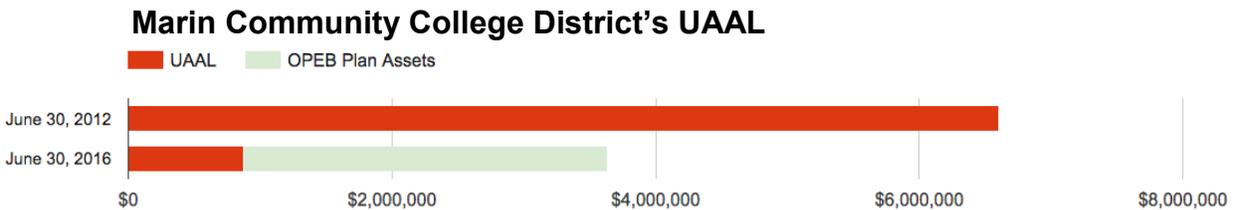
<sup>18</sup> "[Health Benefits Marketplace.](#)" *League of California Cities*. Accessed Feb 2017.

- ✓ **Utilize Federally Subsidized Prescription Plan for Medicare Retirees.** As possible, use available subsidies.

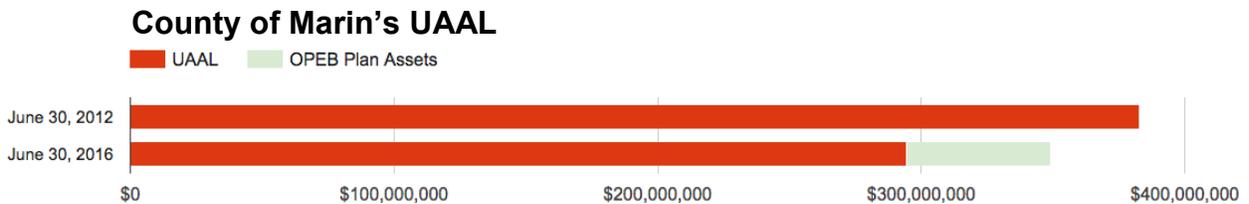
The Grand Jury recognizes that there is no one-size-fits-all acceptable solution to reduce unfunded OPEB liabilities, and that changing benefits requires a dialogue not only with agency staff but also union representatives. Therefore, we encourage agencies to clearly articulate the risk that the promised retiree benefits may not be able to be funded and to work with unions and staff to create a solution that is sustainable and fair for all parties, including the public.

### Making a Dent

The Grand Jury found that some agencies have made notable reductions in their unfunded liability (UAAL) and are implementing best practice cost containment strategies. Their efforts are highlighted below, as reported in their financial statements and actuarial valuations. The valuation dates shown in the charts are from the agencies' actual valuation reports.

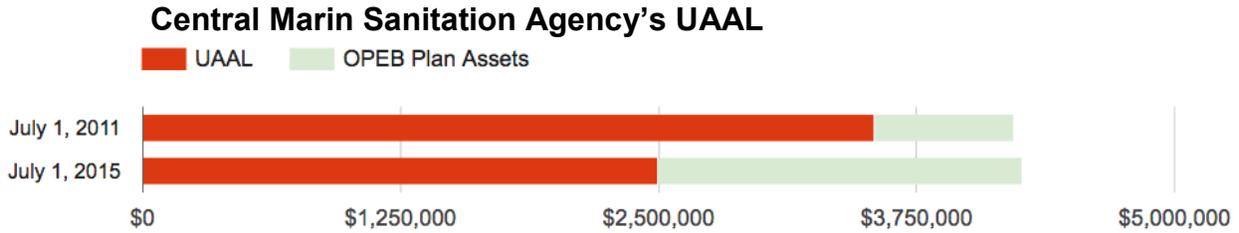


**Marin Community College District** (“College of Marin”) decreased its UAAL by changing its OPEB funding policy. Through FY 2012, the district operated its OPEB plan solely on a pay-as-you-go basis (“pay-go”). However, during FY 2013, it established an irrevocable trust with the California Employers’ Retiree Benefit Trust (CERBT) to prefund its OPEB costs through CalPERS, in addition to its regular pay-go costs.

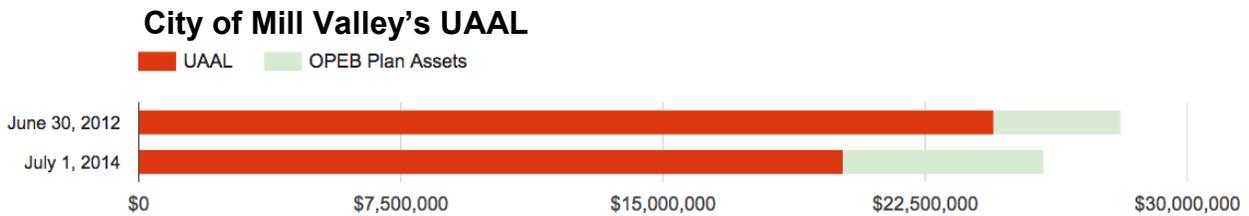


According to the CAFRs and actuarial valuations, the **County of Marin** accomplished its improvements primarily by changing its OPEB funding policy. Through FY 2012, the County was a pay-go funder but had also contributed to a reserve intended to be used to fund its OPEB plan. In February 2013, the County entered into an irrevocable trust agreement with the CERBT to prefund the County’s OPEB costs through CalPERS, in addition to the regular pay-go contributions. The County transferred the reserve balance to the CERBT and began prefunding its full ARC during FY 2013. From FY 2013 through FY 2016, the County contributed 103.57% of its total ARC for that period. The most recent actuarial valuation reflects that the County also

decreased its AAL by another factor within its control. It did not increase the maximum benefit for retirees eligible for its OPEB "Plan 3": retirees hired between October 1, 1993 and December 31, 2007 and those hired earlier who elect Plan 3.



Before FY 2012, the **Central Marin Sanitation Agency (CMSA)** contracted with CalPERS to administer its OPEB plan and entered into an irrevocable trust agreement with the CERBT to prefund future OPEB costs.



Through FY 2014, the **City of Mill Valley's** CAFRs reflect that the City was funding its OPEB on a pay-go basis, plus some amounts to its trust account to prefund future OPEB costs. The most recent actuarial valuation noted the City's increased trust account contributions and the City's intent to consistently make total OPEB contributions greater than or equal to ARC each year. During 2013, Mill Valley implemented two OPEB cost-containment methods for new employees: (1) it increased their length of service required to be eligible for OPEB from 15 years to 20 years; and (2) it restricted any OPEB benefit to the employee only. In March 2017, the City started public discussions to eliminate OPEB benefits for American Federation of State, County and Municipal Employees (AFSCME) union members hired after January 1, 2017 and establishing a Retiree Health Savings Account, which is estimated to save \$3,000/year for each employee.

### Novato Fire Protection District's UAAL

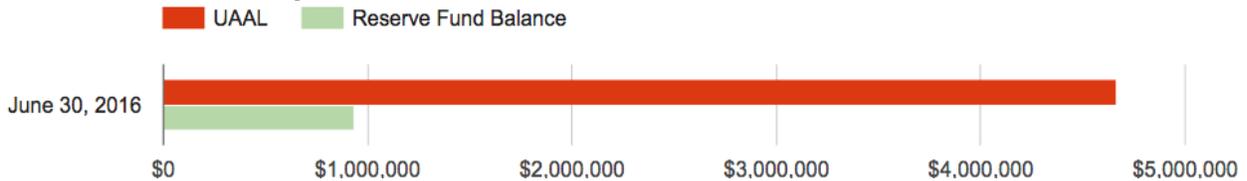


Starting in FY 2012, the **Novato Fire Protection District** (NFPD) has contributed 110.49% of its total ARC. The District implemented a cost-containment method providing that a retiree reaching age 65 must change to Medicare, pay its premiums, and has the option to select a Medicare supplement plan through the district. However, NFPD will only pay a maximum of 80% of the applicable Kaiser Medicare supplemental rate.

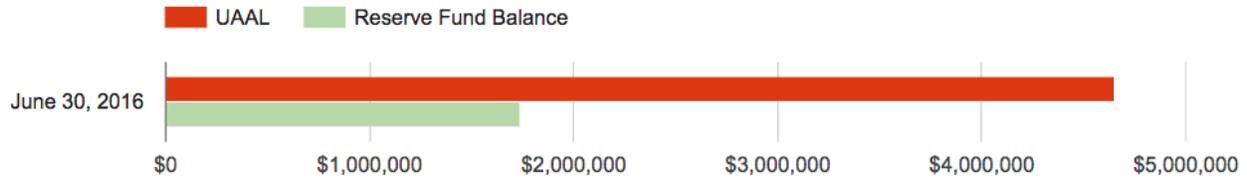
### A Fund Which Would Make a Dent

The Grand Jury also found that at least three school districts in Marin County have established *substantial* Special Reserve Funds for OPEB:

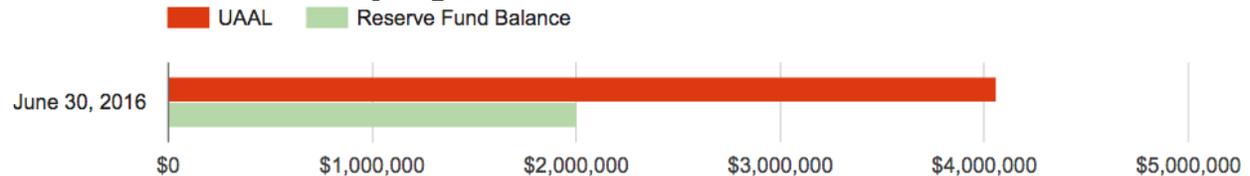
#### Mill Valley School District's UAAL



#### San Rafael Elementary School District's UAAL



#### San Rafael City High School School District's UAAL



California law authorizes these funds and many school districts throughout the state have them. They are commonly referred to as a *Fund 20, Special Reserve Fund for Postemployment Benefits*. Such Funds may be an important step in financing future benefits, and these school districts should be commended for establishing a Fund 20. However, funds set aside for future benefits (as opposed to pay-go costs) should be considered contributions to an OPEB plan only “if the vehicle established is one that is capable of building assets that are separate from and independent of the control of the employer and legally protected from its creditors. Furthermore, the sole purpose of the assets should be to provide benefits under the plan. These conditions

generally require the establishment of a legal trust.”<sup>19</sup> The Mill Valley School District should also be commended for establishing a trust with CERBT. Yet, if a school district deposits its Fund 20 balance into a trust, the district will reduce (or further reduce) its UAAL.

## **GASB 75**

Most Marin agencies began implementing Governmental Accounting Standards (GASB) Statement 45 for their OPEB financial reporting on July 1, 2009. Beginning July 1, 2017, agencies will switch to using GASB 75. The changes to OPEB reporting are similar to changes in the GASB reporting of net pension liability (GASB 67 and 68). It states, “Employers that participate in a defined benefit pension plan administered as a trust or equivalent arrangement are required to record the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position.”<sup>20</sup> These changes have increased financial scrutiny, and triggered public agencies across the United States to make changes to their pension funding strategies.<sup>21</sup> The primary objective of GASB 75 is to improve governmental accounting and financial reporting for OPEB, by improving the consistency, comparability and transparency of the information reported.<sup>22</sup> The new reporting standards will cause actuaries to change how they prepare their OPEB valuations and cause agencies to change their financial reporting. (See Appendix G: GASB 45 vs. 75 Overview for more details.) Three important changes are GASB 75’s requirements for *biennial actuarial valuations*, *balance sheet liability reporting*, and *single blended discount rate*.

**Biennial Actuarial Valuations.** GASB 75 requires all agencies to obtain OPEB actuarial valuations biennially. In contrast, GASB 45 allowed agencies having fewer than 200 OPEB plan members to obtain such valuations triennially. This change affects several Marin agencies.

**Balance Sheet Liability Reporting.** GASB 75 requires agencies to report their Net OPEB Liability (NOL) for agencies with an OPEB trust, or Total OPEB Liability (TOL) for agencies that do not have an OPEB trust, *upfront* on the face of their balance sheets. NOL and TOL are the equivalent of UAAL and AAL under GASB 45 with some technical differences. GASB 75 also requires disclosure of how and why OPEB liability changed from year to year.

**Single Blended Discount Rate.** The *discount rate* is the rate used to discount future benefit payments (i.e. actuarial accrued liability) to a present value. A lower rate *increases* that liability, and a higher rate *decreases* that liability. Both GASB 45 and GASB 75 permit having higher long-term discount rates with full prefunding over the amortization period and plan assets exist.

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<sup>19</sup> [“City of Mill Valley, Actuarial Valuation of Other Post-Employment Benefit Programs As of July 1, 2014”](#) Bickmore. Aug. 2015

<sup>20</sup> [“Notes to the Agent Multiple-Employer Defined Benefit Pension Plan GASB 68 Accounting Valuation Reports.”](#) California Public Employees Retirement System. 30 Jun. 2016.

<sup>21</sup> Farmer, Liz and Maciag, Mike. [“Why Some Public Pensions Could Soon Look Much Worse.”](#) *Governing*. 17 Mar. 2015.

<sup>22</sup> [“Summary of Statement No. 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.”](#) Governmental Accounting Standards Board. June 2015.

However, GASB 75 requires a single blended discount rate if the plan has some assets, but is projected to be insufficient to make benefit payments at some future point. The single rate combines the long-term rate when assets are projected to cover the payments and a municipal bond (lower) rate when assets are projected to be insufficient.

The Grand Jury also notes that actuaries determined an Annual Required Contribution (ARC) under GASB 45, while GASB 75 uses the term Actuarially Determined Contribution (ADC). However, both terms have a similar meaning. The ARC represents a target contribution required to ensure there are sufficient savings to finance and cover the promised OPEB.<sup>23</sup> GASB 75 similarly defines the ADC as also representing a target contribution to an OPEB plan, determined in conformity with Actuarial Standards of Practice (ASOP). ASOP No. 6, adopted in 2014, defines the ADC as a potential payment to prefund an OPEB plan, using a contribution allocation procedure that may include an amortization method.<sup>24</sup> The ARC method may be used for the ADC.<sup>25</sup>

The Grand Jury believes that GASB 75 will cause a local public agency's financial situation to look much worse. The agency "should expect a larger total OPEB liability because the single blended rate calculated under [GASB] 75 is likely to be lower than the discount rate under existing standards."<sup>26</sup> "The recognition of the Net OPEB Liability in the employer's financial statements will likely be a significant increase in the amount of liability that was reported under prior GASB standards."<sup>27</sup> This change will likely increase scrutiny of the agencies' balance sheet OPEB obligations, and force agencies to focus on addressing these liabilities. For example, the previous section ("Making a Dent") shows that agencies following full prefunding policies with plan assets achieve the goal of reducing their unfunded OPEB liabilities. Under GASB 75, an agency can reach that goal with a prefunding policy and practice supporting a projection that plan assets will be sufficient to make *all* projected benefit payments.

### **"It's Hard to Wrap Your Head Around This!"**

– Marin County Elected Official

"One of the most important responsibilities a local elected official has is oversight of the agency's spending."<sup>28</sup> However, understanding the ins-and-outs of financial and actuarial standards imposed on public agencies is not easy, as evidenced by the (above) official's exclamation. Even if an elected official has business financial expertise, the standards that guide public agencies differ significantly. If an elected official has trouble understanding these

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<sup>23</sup> "[Guide to Implementation of GASB Statements 43 and 45 on Other Postemployment Benefits](#)," *Governmental Accounting Standards Board*. 2005.

<sup>24</sup> "[Actuarial Standard of Practice No. 6](#)," *Actuarial Standards Board*. May 2014.

<sup>25</sup> "[GASB Approves New OPEB Employer Accounting Standard \(No. 75\)](#)," *Bartel Associates*. July 2015.

<sup>26</sup> McAllister, Brian and Spinelli, Connie and Belger, Diane. "[Getting familiar with OPEB](#)," *Journal of Accountancy*. 1 Aug. 2016.

<sup>27</sup> "[GASB Issues Two Other Postemployment Benefit \(OPEB\) Related Exposure Drafts](#)," *Milliman*. Aug. 2014.

<sup>28</sup> "[Budgeting and Finance](#)," *Institute for Local Government*. Accessed Feb. 2017.

concepts, how can the average citizen hope to understand the annual Comprehensive Annual Financial Reports (CAFRs), budgets, or Audits?

“Relatively few educational opportunities are provided to help trustees and policy makers understand how liabilities are calculated, in the role and sensitivity of actuarial assumptions, the impact that amortization periods and actuarial smoothing have on the retirement plan’s short-term and long-term contribution rates, and of the full meaning of a plan’s funded status.”<sup>29</sup>

Therefore, the Grand Jury recommends that public agencies improve both their financial literacy and transparency:

- Elected officials should take (and invite the public to attend) a financial literacy class such as one offered by: League of California Cities,<sup>30,31</sup> UC Davis,<sup>32</sup> ICMA University,<sup>33</sup> Government Finance Officers Association,<sup>34</sup> or the California State Association of Counties.<sup>35</sup>
- Financial documents issued by public agencies should be made easier to understand by the average resident.
- Public financial presentations both by and to public agencies should be easier to understand.

For example, the Government Finance Officers Association has established best practices for budget documents,<sup>36</sup> and annually recognizes agencies with “Distinguished Presentation Awards.” Governing Magazine’s “Guide to Financial Literacy: Connecting Money, Policy and Priorities,”<sup>37</sup> explains not only the terminology and purpose of various financial documents, it also offers essential questions that leaders should know to ask. Additional examples of classes and presentations can also be found in Appendix H (Example Financial Literacy Classes and Presentations).

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<sup>29</sup> Kehler, David. “[Public Pension Plan Financing: The Devil’s in the Actuarial Details](#).” *Society of Actuaries*. 2010.

<sup>30</sup> “[New Mayors & Council Members Academy](#).” *League of California Cities*. Accessed Mar. 2017.

<sup>31</sup> “[Municipal Finance Institute](#).” *League of California Cities*. Accessed Mar. 2017.

<sup>32</sup> Brinkley, Dr. Catherine. “[Community Governance](#).” *UC Davis*. Spring 2016.

<sup>33</sup> “[Local Government 101 Online Certificate Program](#).” *ICMA University*.

<sup>34</sup> “[Government Finance Officers Association Training](#).” *Government Finance Officers Association*.

<sup>35</sup> “[California State Association of Counties Upcoming Courses](#).” *California State Association of Counties*.

<sup>36</sup> “[Making the Budget Document Easier to Understand](#).” *Government Finance Officers Association*. Feb 2014.

<sup>37</sup> Marlowe, Justin. “[Guide to Financial Literacy: Connecting Money, Policy and Priorities](#).” *Governing*. 2014.

## We Are Not Alone

Marin County's public agencies are not unique in facing the challenges of OPEB liabilities.

"Total unfunded state other postemployment (OPEB) liabilities have increased, according to S&P Global Ratings' latest survey of U.S. states. For states that have completed new OPEB actuarial studies since our last survey (which used 2013 or prior studies), total liabilities increased \$59.4 billion, or 12% over a span of two years."<sup>38</sup>

In January 2016, California Controller Betty Yee "pegged the state's unfunded liability for other post-employment benefits (OPEB) at \$74.1 billion. That's how much it will cost to allow workers to stay on their health plans after they retire until they're eligible for Medicare, subsidize their premiums, and then provide them with supplemental benefits after Medicare kicks in. The benefit's value can exceed \$16,000 in the case of married couples and \$20,000 in the case of retirees with children."<sup>39</sup>

The City of San Luis Obispo (California) reduced their 2009 estimated \$5.9 million OPEB liability to \$4.2 million by changing their amortization period and changing from pay-go to prefunding their Annual Required Contribution (ARC). In January 2010, the City of Beverly Hills (California) eliminated OPEB liabilities for new non-safety hires by shifting from a defined *benefit* health plan to a defined *contribution* retiree health plan.<sup>40</sup> South Lake Tahoe (California) collaborated with its stakeholders to reduce OPEB liability by 73 percent by creating a new insurance plan.<sup>41</sup>

## Sharing Our Data

Despite the fact that agencies' OPEB financial documents are publicly available, the Grand Jury spent an enormous effort to gather the documents (not all of the documents were available online, nor text-searchable), extract the data, and analyze it. With the rise of the Open Data Movement (examples include: Data.gov, the Data Foundation, OpenGov, Marin County's Open Data Portal, and the City of Sausalito's Budget Transparency Tool), we wanted other organizations – including future Grand Juries – to be able to leverage our public data. Therefore, we have created a data portal consisting of all the Comprehensive Annual Financial Reports (CAFRs) and Audits for the 39 agencies we researched for FY 2011– FY 2016 along with a spreadsheet containing validated data extracted from those and other financial reports (including Annual Required Contributions (ARCs), discount rates, amortization periods, and the change of assets, liabilities, and unfunded liability). This information is available online, for free access here: <https://goo.gl/fSqOfX>.

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<sup>38</sup> Spain, Carol. "[Rising U.S. State Post-Employment Benefit Liabilities Signal An Unsustainable Trend.](#)" *Standard and Poors*. 7 Sep. 2016.

<sup>39</sup> Eide, Stephen and Disalvo, Daniel. "[Phase out costly perks for retired state workers.](#)" *San Diego Union Tribune*. 1 Apr 2016.

<sup>40</sup> "[Retiree Health Care: A Cost Containment How-To Guide.](#)" *League of California Cities*. Sep. 2016

<sup>41</sup> Kerry, Nancy. "[Reducing Unfunded Liabilities for Other Post-Employment Benefits.](#)" *Western City*. May 2015.

## CONCLUSION

Other Postemployment Benefits (OPEB) are just one of many financial obligations that public agencies face. Since the amount of the Annual Required Contribution (ARC) is a relatively small percentage for many agencies' annual total revenue, it is easy for them to not be too concerned (especially when faced by a much larger underfunded pension benefit). However, unlike pensions, agencies have more opportunities to reduce their OPEB obligations. The Grand Jury sees the delicate balance that agencies are facing: attracting new employees, negotiating with existing employees and retirees, and responsibly managing expenses in the public's interest. While some Marin agencies continue to reduce their unfunded OPEB liability, we are concerned that many agencies still have not yet done so. We hope that this report will give the agencies the additional reminders and tools to address this looming financial burden before more drastic measures need to be taken.

## FINDINGS

- F1. Many of the municipalities have *decreased* their UAAL obligation since FY 2012.
- F2. Some of the schools that have *increased* their UAAL obligation (since FY 2012) are setting aside OPEB contributions into reserve funds (rather than irrevocable trust funds).
- F3. Many of the special districts have *increased* their UAAL obligation since FY 2012.
- F4. Some of the agencies that stated they comply with their actuarial funding guidelines, are not in compliance as shown in their CAFRs.
- F5. GASB 45 has increased the agency's reporting transparency, but the information in these financial reports is difficult for the average person to understand.
- F6. GASB 45 permits an agency with a full ARC funding policy in its GASB 45 valuation to increase its discount rate, thereby decreasing its OPEB liability and ARC payments.
- F7. Upcoming GASB 75 reporting will further improve an agency's OPEB reporting transparency.

## RECOMMENDATIONS

- R1. Each agency should adopt a *formal, written policy* for contributions to its OPEB plan.
- R2. Each agency's standard practice should be to consistently satisfy its formal, written OPEB contribution policy.

- R3. Each agency's OPEB contribution policy and practice should support a projection under GASB 75 that its OPEB plan assets will be sufficient to make all projected OPEB benefit payments.
- R4. Each agency that uses special reserve funds for Postemployment Benefits should transition to a trust meeting the criteria of GASB 75.
- R5. Each term of service, elected or appointed officials of each agency should take a public agency financial class.
- R6. Each agency should make its CAFRs, Audits, and GASB valuations more readily understandable by the general public.
- R7. Each agency should ensure that all of its public financial *presentations* are more readily understandable and scheduled during hours convenient for the public.
- R8. Each agency should have the following downloadable and text-searchable documents readily accessible on their website: the last five years of CAFRs/Audits and the last three actuarial reports.
- R9. Before the next round of bargaining begins, each agency should prioritize the cost containment strategies to be used, including reducing or eliminating OPEB benefits for future employees.

## **REQUEST FOR RESPONSES**

Pursuant to Penal code section 933.05, the grand jury requests responses as follows:

From the following governing bodies:

### Municipalities

- City of Belvedere (R1-R9)
- City of Larkspur (R1-R9)
- City of Mill Valley (R1-R9)
- City of Novato (R1-R9)
- City of San Rafael (R1-R9)
- City of Sausalito (R1-R9)
- County of Marin (R1-R9)
- Town of Corte Madera (R1-R9)
- Town of Fairfax (R1-R9)
- Town of Ross (R1-R9)
- Town of San Anselmo (R1-R9)
- Town of Tiburon (R1-R9)

School Districts

- Dixie Elementary School District (R1-R9)
- Kentfield School District (R1-R9)
- Larkspur-Corte Madera School District (R1-R9)
- Marin Community College District (R1-R9)
- Mill Valley School District (R1-R9)
- Novato Unified School District (R1-R9)
- Reed Union School District (R1-R9)
- Ross School District (R1-R9)
- Ross Valley School District (R1-R9)
- San Rafael City Schools (R1-R9)
- Shoreline Unified School District (R1-R9)
- Tamalpais Union High School District (R1-R9)

Special Districts

- Central Marin Police Authority (R1-R9)
- Central Marin Sanitation Agency (R1-R9)
- Kentfield Fire Protection District (R1-R9)
- Las Gallinas Valley Sanitary District (R1-R9)
- Marin Municipal Water District (R1-R9)
- Marin/Sonoma Mosquito & Vector Control District (R1-R9)
- Marinwood Community Services District (R1-R9)
- North Marin Water District (R1-R9)
- Novato Fire Protection District (R1-R9)
- Novato Sanitary District (R1-R9)
- Ross Valley Fire Department (R1-R9)
- Ross Valley Sanitary District (R1-R9)
- Southern Marin Fire Protection District (R1-R9)
- Tiburon Fire Protection District (R1-R9)

The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted in accordance with Penal Code section 933 (c) and subject to the notice, agenda and open meeting requirements of the Brown Act.

Note: At the time this report was prepared information was available at the websites listed.

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Civil Grand Jury. The California State Legislature has stated that it intends the provisions of Penal Code Section 929 prohibiting disclosure of witness identities to encourage full candor in testimony in Grand Jury investigations by protecting the privacy and confidentiality of those who participate in any Civil Grand Jury investigation.

## GLOSSARY

**Actuary:** A professional dealing with the assessment and management of risk for financial investments, insurance policies, and any other ventures involving a measure of uncertainty.<sup>42</sup>

**Actuarial Accrued Liability (AAL):** The portion of the actuarial present value benefits allocated to prior years of employment—and thus not provided for by future normal costs.<sup>43</sup>

**Actuarially Determined Contribution (ADC):** “A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.”<sup>44</sup>

**Annual Required Contribution (ARC):** The ARC is the employer's periodic required contribution to a defined benefit OPEB plan. The ARC is the sum of two parts: (1) the normal cost, which is the cost for OPEB benefits attributable to the current year of service, and (2) an amortization payment, which is a catch-up payment for past service costs to fund the Unfunded Actuarial Accrued Liability (UAAL) over the next 30 years.<sup>45</sup> Despite the name “Annual Required Contribution,” the contribution is not legally required.

**California Employers' Retiree Benefit Trust (CERBT):** This trust fund is dedicated to prefunding Other Post Employment Benefits (OPEB) for all eligible California public agencies. Even those not contracted with CalPERS health benefits can prefund future retiree benefits such as health, vision, dental, and life insurance.<sup>46</sup>

**California Public Employees' Retirement System (CalPERS):** An agency in the California executive branch that serves more than 1.7 million members in its retirement system and administers benefits for nearly 1.4 million members and their families in its health program.<sup>47</sup>

**Discount Rate:** A percentage rate required to calculate the present value of a future cash flow.<sup>48</sup>

**Governmental Accounting Standards Board (GASB):** “The independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments. Established in 1984 by agreement of the Financial Accounting Foundation (FAF) and 10 national associations of state and local government officials, the GASB is recognized by governments, the accounting industry, and the capital markets as the official source of generally accepted accounting principles (GAAP) for state and local governments.”<sup>49</sup>

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<sup>42</sup> [“Definition of 'Actuary'.” Investopedia.](#)

<sup>43</sup> [“Other Postemployment Benefits: A Plain-Language Summary of GASB Statements No. 43 and No. 45.” Governmental Accounting Standards Board.](#)

<sup>44</sup> [“Statement No. 75 of the Governmental Accounting Standards Board.” Governmental Accounting Standards Board.](#) No. 350. June 2015.

<sup>45</sup> [“GASBhelp.” Governmental Accounting Standards Board.](#)

<sup>46</sup> [“California Employers' Retiree Benefit Trust \(CERBT\) Fund.” CalPERS.](#) Accessed March 2017.

<sup>47</sup> [“CalPERS Story.” CalPERS.](#) Accessed March 2017.

<sup>48</sup> [“Fixed Income Bond Terms.” Corporate Finance Institute.](#)

<sup>49</sup> [“FACTS about GASB.” Governmental Accounting Standards Board.](#) 2012–2014.

**Implied Rate Subsidy:** The implicit rate is an inherent subsidy of retiree health care costs by active employee health care costs when health care premiums paid by retirees and actives are the same.<sup>50</sup>

**Net OPEB liability:** Introduced in GASB 75, the liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust.<sup>51</sup> GASB 45 uses Unfunded Actuarial Accrued Liability (UAAL) to connote a similar liability.

**Other Postemployment Benefits (OPEB):** Benefits (other than pensions) that U.S. state and local governments provide to their retired employees. These benefits principally involve health care benefits, but also may include life insurance, disability, legal and other services.<sup>52</sup>

**Pay-As-You-Go Funding (Pay-go):** With pay-as-you-go funding, plan contributions are made as benefit payments become due and funds necessary for future liability are not accumulated. That is, contributions made are for current retirees only, causing the majority of retiree health benefits liability to be considered unfunded.<sup>53</sup>

**Public Employees' Retirement System (PERS):** The retirement and disability fund for public employees in California.

**Unfunded Actuarial Accrued Liability (UAAL):** The excess of the Actuarial Accrued Liability (AAL) over the actuarial value of assets.<sup>54</sup>

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<sup>50</sup> [“Glossary: Implied Rate Subsidy.”](#) Milliman.

<sup>51</sup> [“Summary of Statement No. 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.”](#) Governmental Accounting Standards Board. June 2015.

<sup>52</sup> [“Other Postemployment Benefits \(OPEB\).”](#) Governmental Accounting Standards Board.

<sup>53</sup> [“Glossary: Pay-as-you-go funding.”](#) Milliman.

<sup>54</sup> [“Other Postemployment Benefits: A Plain-Language Summary of GASB Statements No. 43 and No. 45.”](#) Governmental Accounting Standards Board.

## APPENDIX A: OPEB Questionnaire to Public Agencies

### OPEB Questionnaire

#### Definitions

A. Other Post Employment Benefits (OPEB): Benefits (other than pensions) that U.S. state and local governments provide to their retired employees. These benefits principally involve health care benefits, but also may include life insurance, disability, legal and other services.

B. Actuarial Accrued Liability (AAL): Excess of the present value of a OPEB fund's total of future benefits (payable to the OPEB beneficiaries) and fund administration expenses over the present value of the future normal cost of those benefits.

C. Actuarial Value of Assets (AVA): The value of OPEB investments and other property used by the actuary for the purpose of an actuarial valuation (sometimes referred to as valuation assets). Actuaries often select an asset valuation method that smoothes the effects of short-term volatility in the market value of assets.

D. Unfunded Actuarial Accrued Liability (UAAL): The UAAL is the Actuarial Accrued Liability (AAL) minus the value of any assets (AVA) that have been irrevocably set aside to fund future benefits.

E. Annual Required Contribution (ARC): The annual required contribution, or ARC, refers to the amount needed to be contributed by employers to adequately fund an OPEB plan. The ARC is the sum of two factors: a) the cost of OPEB benefits being accrued in the current year (known as the normal cost), plus b) the cost to amortize, or pay off, the OPEB plan's unfunded liability. The ARC is the required employer contribution after accounting for other revenue, chiefly expected investment earnings and contributions from employee participants.

F. Discount Rate: The interest rate used to bring future cash flows to the present to account for the time value of money

**APPENDIX A: OPEB Questionnaire to Public Agencies (cont'd)**

**Agency Identification**

1. Name of Responding Agency. \_\_\_\_\_

**Separate Investment Accounts**

*Please respond to this set of questions with regard to the existence of a separate investment account into which you may deposit each year's funds for amortizing your retiree health care benefits' UAAL?*

2. Do you have such a separate investment account?  
\_\_\_\_\_

3. If you have a separate investment account, when did you set up that account?  
\_\_\_\_\_

4. If you do have such a separate investment account, what, is its current value?  
\_\_\_\_\_

5. If you do have a separate investment account, what is the value of your deposits into that account for each of the fiscal years 2011-2012 to the present?

(1) Fiscal Year 2011-2012 \_\_\_\_\_

(2) Fiscal Year 2012-2013 \_\_\_\_\_

(3) Fiscal Year 2013-2014 \_\_\_\_\_

(4) Fiscal Year 2014-2015 \_\_\_\_\_

(5) Fiscal Year 2015-2016 \_\_\_\_\_

6. If you have any other accounts to fund retiree health care benefits, please identify the nature, purpose and current value of those account(s).  
\_\_\_\_\_  
\_\_\_\_\_

7. If you do not have an investment account to fund retiree healthcare benefits why not?  
\_\_\_\_\_

**APPENDIX A: OPEB Questionnaire to Public Agencies (cont'd)**

**Annual Required Contribution ("ARC")**

8. What is your ARC for each of the fiscal years 2011-2012 to the present?

- (1) Fiscal Year 2011-2012 \_\_\_\_\_
- (2) Fiscal Year 2012-2013 \_\_\_\_\_
- (3) Fiscal Year 2013-2014 \_\_\_\_\_
- (4) Fiscal Year 2014-2015 \_\_\_\_\_
- (5) Fiscal Year 2015-2016 \_\_\_\_\_

9. Have you committed to fully fund each year's ARC?

\_\_\_\_\_

10. If you have you committed to fully fund each year's ARC, when did you make that commitment? \_\_\_\_\_

11. If you have you committed to fully fund each year's ARC in what amount did you fund each year's ARC for fiscal years 2011-2012 to the present?

- (1) Fiscal Year 2011-2012 \_\_\_\_\_
- (2) Fiscal Year 2012-2013 \_\_\_\_\_
- (3) Fiscal Year 2013-2014 \_\_\_\_\_
- (4) Fiscal Year 2014-2015 \_\_\_\_\_
- (5) Fiscal Year 2015-2016 \_\_\_\_\_

12. If you have you not committed to fully fund each year's ARC, in what amount did you fund each year's ARC for fiscal years 2011-2012 to the present?

- (1) Fiscal Year 2011-2012 \_\_\_\_\_
- (2) Fiscal Year 2012-2013 \_\_\_\_\_
- (3) Fiscal Year 2013-2014 \_\_\_\_\_
- (4) Fiscal Year 2014-2015 \_\_\_\_\_
- (5) Fiscal Year 2015-2016 \_\_\_\_\_

**APPENDIX A: OPEB Questionnaire to Public Agencies (cont'd)**

13. What discount rate(s) have you used to calculate your ARC for each year for fiscal years 2011-2012 to the present?

- (1) Fiscal Year 2011-2012 \_\_\_\_\_
- (2) Fiscal Year 2012-2013 \_\_\_\_\_
- (3) Fiscal Year 2013-2014 \_\_\_\_\_
- (4) Fiscal Year 2014-2015 \_\_\_\_\_
- (5) Fiscal Year 2015-2016 \_\_\_\_\_

14. Please explain how you arrived at such discount rate(s) for fiscal years 2011-2012 to the present.

\_\_\_\_\_  
\_\_\_\_\_

15. Please specify the amortization period which you have used for each year fiscal year from 2011-2012 to the present to calculate your ARC and to fund your retiree health care benefits UAAL.

- (1) Fiscal Year 2011-2012 \_\_\_\_\_
- (2) Fiscal Year 2012-2013 \_\_\_\_\_
- (3) Fiscal Year 2013-2014 \_\_\_\_\_
- (4) Fiscal Year 2014-2015 \_\_\_\_\_
- (5) Fiscal Year 2015-2016 \_\_\_\_\_

**Negotiations to Reduce OPEB Obligations**

16. If from fiscal years 2011-2012 to the present you have negotiated any caps with any employee group(s) or negotiating group(s) on the amounts you commit to pay existing or new employees for retiree health care benefits, please specify the following for each negotiating group:

- (1) The employee group(s) or negotiating group(s):  
\_\_\_\_\_

**APPENDIX A: OPEB Questionnaire to Public Agencies (cont'd)**

(2) The nature of the cap: \_\_\_\_\_

(3) The date such cap was negotiated: \_\_\_\_\_

(4) Whether applicable to both new and existing employees:  
\_\_\_\_\_

(5) If there is no negotiated cap, what is your cap?  
\_\_\_\_\_

17. If from fiscal years 2011-2012 to the present you have negotiated with any employee group or negotiating group a higher retirement age on the amounts you commit to pay existing or new employees for retiree health care benefits, please specify the following for each employee group(s) and negotiating group(s):

(1) The employee group(s) or negotiating group(s):  
\_\_\_\_\_

(2) The change in retirement age: \_\_\_\_\_

(3) The date such higher retirement age was negotiated: \_\_\_\_\_

(4) Whether the higher retirement age is applicable to both new and existing employees: \_\_\_\_\_

18. If from fiscal years 2011-2012 to the present you have negotiated with any employee group(s) or negotiating group(s) to require active employees to contribute towards the cost of their retiree health care benefits, please specify the following for each employee group(s) and negotiating group(s):

(1) The employee group(s) or negotiating group(s):  
\_\_\_\_\_

(2) The nature of employee contribution:  
\_\_\_\_\_

(3) Whether you increased the employee's compensation to satisfy part of this contribution:  
\_\_\_\_\_

(4) The date such increased contribution went into effect: \_\_\_\_\_

**APPENDIX A: OPEB Questionnaire to Public Agencies (cont'd)**

(5) Whether applicable to both new and existing employees:

\_\_\_\_\_

(6) The amount of the employee contribution:

\_\_\_\_\_

19. Please explain the nature of reduction in OPEB benefits, if any, when a recipient becomes eligible for Medicare.

\_\_\_\_\_

20. What OPEB benefits (by type and agency funding amount) do you offer to your employees. If the benefits differ between employee group or negotiating groups or based on date of hire, please explain.

\_\_\_\_\_

**Your Website**

21. Is there a link on your website to provide the latest following information?

\_\_\_\_\_

- (1) actuarial valuation of your AAL,
- (2) your UAAL,
- (3) its consequent percent funded,
- (4) the Discount Rate (annual percentage) used to determine these values, and
- (5) a projection of outlays ("Pay-Go") for retiree health care benefits for each of the current and subsequent 10 years?

(Collectively "Website Link")

22. If you maintain a Website Link, when was this information first put on your website?

\_\_\_\_\_

23. With regard to the Website Link information, to the extent such information is not on your website, why not?

\_\_\_\_\_

**APPENDIX A: OPEB Questionnaire to Public Agencies (cont'd)**

24. Please provide us the URL for the website page(s) that display this Website Link information.

\_\_\_\_\_

**Financial Reporting**

25. Please provide the audited Comprehensive Annual Financial Report (CAFR) for fiscal year 2012 (2011-2012) in one of the following formats:

- (1) a hyperlink to a publicly available web site containing the appropriate PDF document (preferred): \_\_\_\_\_
- (2) a digital copy of the appropriate PDF file, or
- (3) a printed document.

## APPENDIX B: Example Actuarial Valuation Certification

ACTUARIAL VALUATION CERTIFICATION	
<p>This report presents the City of Novato's Retiree Healthcare Plan ("Plan") January 1, 2014 actuarial valuation. The purpose of this valuation is to:</p> <ul style="list-style-type: none"><li>■ Determine the Governmental Accounting Standards Board Statement Nos. 43 and 45 January 1, 2014 Benefit Obligations,</li><li>■ Determine the Plan's January 1, 2014 Funded Status, and</li><li>■ Calculate the 2014/15 and 2015/16 Annual Required Contributions.</li></ul>	
<p>The report provides information intended for reporting under GASB 43 and 45, but may not be appropriate for other purposes. Information provided in this report may be useful to the City for the Plan's financial management. Future valuations may differ significantly if the Plan's experience differs from our assumptions or if there are changes in Plan design, actuarial methods, or actuarial assumptions. The project scope did not include an analysis of this potential variation.</p>	
<p>The valuation is based on Plan provisions, participant data, and asset information provided by the City as summarized in this report, which we relied on and did not audit. We reviewed the participant data for reasonableness.</p>	
<p>To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. Additionally, in our opinion, actuarial methods and assumptions comply with GASB 43 and 45. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.</p>	
<p>Respectfully submitted,</p>	
	
<p>John E. Bartel, ASA, MAAA, FCA President Bartel Associates, LLC October 28, 2014</p>	<p>Bianca Lin, FSA, MAAA, EA Assistant Vice President Bartel Associates, LLC October 28, 2014</p>

Source: "[City of Novato Retiree Healthcare Plan](#)," City of Novato, California. January 1, 2014.

**APPENDIX C: Finding Key OPEB Information in CAFRs or Audits**

Where can people find important OPEB-related information in an agency's financial reports?

Example from a Municipality's Comprehensive Annual Financial Report (CAFR) (note: no prefunding contributions made):

**NOTE 10 - Postemployment Benefits Other Than Pensions**

**Development of 2015 / 2016 Fiscal Year**  
**Annual OPEB Cost - Based on a 4.00% discount rate**

	Actuarial Accrued Liability	\$ 3,629,754
	Actuarial Value of Assets	-
	Unfunded Actuarial Accrued Liability	<u>\$ 3,629,754</u>
	Amortization Period	23 years
	Annual % of Payroll Amortization of Unfunded AAL	\$ 119,323
	Normal Cost (based on the Entry Age Normal Method)	<u>177,525</u>
	Annual Required Contribution	296,848
	Interest on Net OPEB Obligation	73,576
	Adjustment to ARC	<u>(89,962)</u>
	Annual OPEB Cost	280,462
	Pay-as-you-go Cost	<u>(105,580)</u>
	Increase in net OPEB Obligation	174,882
	Net OPEB Obligation - beginning of year	1,839,397
	Net OPEB Obligation - end of year	<u>\$ 2,014,279</u>

Example from a Municipality's Comprehensive Annual Financial Report (CAFR):

**Required Supplementary Information**  
**Schedule of Funding Progress (unaudited)**  
**Other Postemployment Benefits Plan**  
**As of June 30, 2016**

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend information from the actuarial studies is presented below:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(a-b)/c]
July 1, 2008	\$ 1,747,300	\$ -	\$ 1,747,300	0%	\$ 3,725,600	46.9%
July 1, 2011	\$ 1,941,900	\$ -	\$ 1,941,900	0%	\$ 4,068,100	47.7%
July 1, 2014	\$ 1,628,827	\$ -	\$ 1,628,827	0%	\$ 1,999,530	81.5%

**APPENDIX C: Finding Key OPEB Information in CAFRs or Audits (cont'd)**

Example from School District's Audit:

<b>ARC</b> →	Annual required contribution (ARC)	\$ 24,585
	Interest on net OPEB obligation	(499)
	Adjustment to ARC	<u>1,537</u>
	Annual OPEB cost	25,623
<b>Contribution</b> →	Contributions made:	
	Contributions from governmental funds	<u>(19,944)</u>
	Decrease in net OPEB (asset)	5,679
	Net OPEB Obligation (asset) - July 1, 2015	<u>(12,465)</u>
	Net OPEB Obligation (asset) - June 30, 2016	<u><u>\$ (6,786)</u></u>

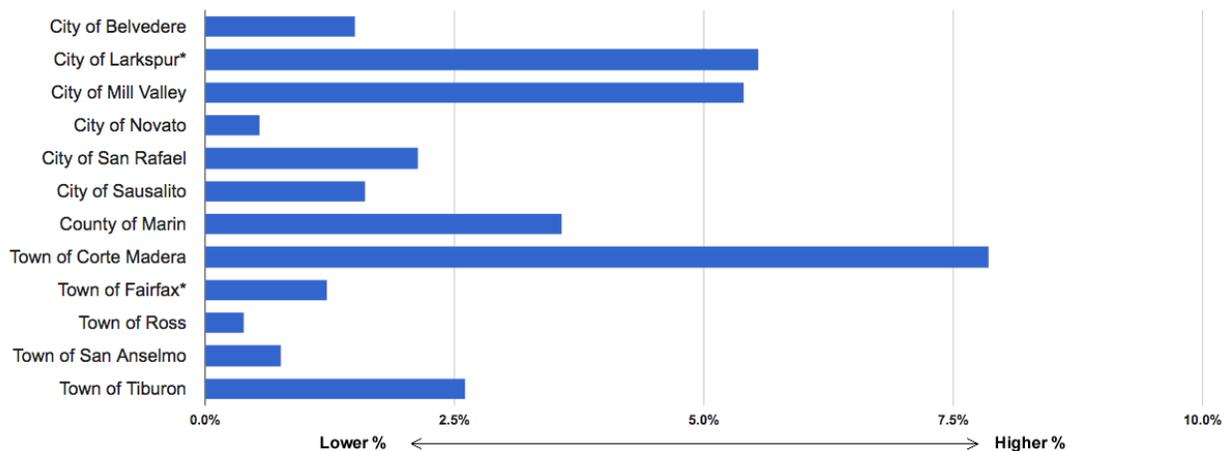
**Funded Status and Funding Progress - OPEB Plans**  
 As of July 1, 2014, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial liability (AAL) for benefits was \$189,127 and the unfunded actuarial accrued liability (UAAL) was \$189,127.

## APPENDIX D: Marin Municipalities' ARC as a Percentage of Total Revenue

The amount of an agency's annual required contribution (ARC) can be compared to its total revenue. A higher percentage may signal future budgetary challenges if not properly managed.

Municipality	UAAL FY 2012	UAAL FY 2016	UAAL Change	ARC FY 2016	Total Revenue FY 2016
City of Belvedere	\$374,116	\$1,036,193	662,077	\$118,105	\$7,855,000
City of Larkspur*	\$7,493,551	\$13,698,307	6,204,756	\$1,165,424	\$21,009,094
City of Mill Valley	\$24,481,979	\$20,156,488	(4,325,491)	\$2,157,955	\$39,916,000
City of Novato	\$2,786,000	\$3,673,318	887,318	\$262,000	\$47,954,000
City of San Rafael	\$24,295,000	\$32,727,000	8,432,000	\$2,148,000	\$100,490,000
City of Sausalito	\$6,646,550	\$5,730,670	(915,880)	\$428,391	\$26,588,325
County of Marin	\$382,720,000	\$294,375,000	(88,345,000)	\$21,937,000	\$611,801,000
Town of Corte Madera	\$11,790,000	\$9,704,000	(2,086,000)	\$1,855,000	\$23,593,928
Town of Fairfax*	\$1,024,300	\$835,400	(188,900)	\$116,600	\$9,212,366
Town of Ross	\$417,000	\$383,000	(34,000)	\$36,000	\$9,264,385
Town of San Anselmo	\$1,941,900	\$1,628,827	(313,073)	\$147,364	\$19,216,454
Town of Tiburon	\$2,900,736	\$3,629,754	729,018	\$296,848	\$11,341,758

**Municipalities: FY 2016 ARC as Percentage of Total Revenue**

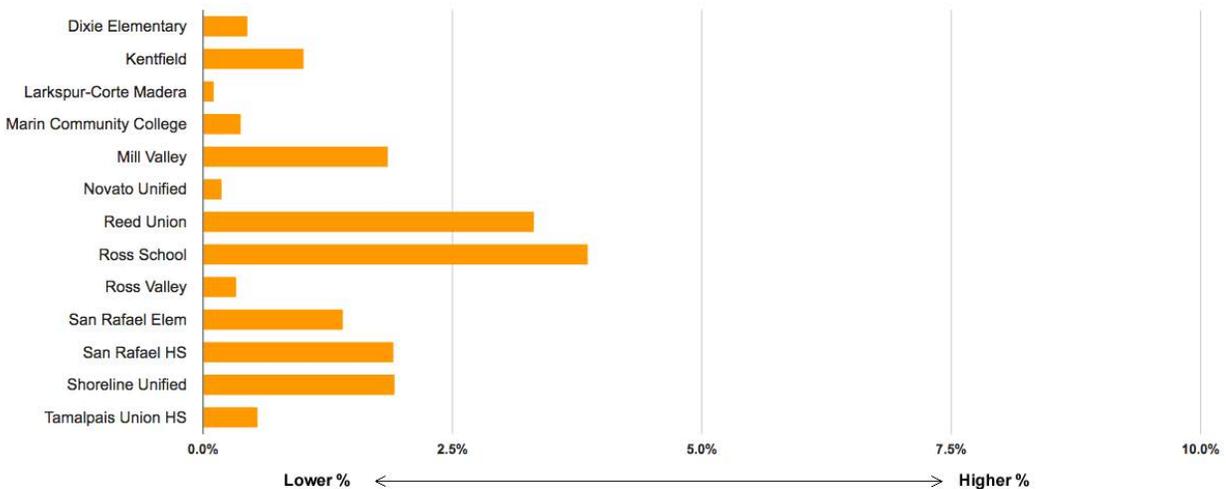


**APPENDIX E: Marin School Districts' ARC as a Percentage of Total Revenue**

The amount of an agency's annual required contribution (ARC) can be compared to its total revenue. A higher percentage may signal future budgetary challenges if not properly managed.

School District	UAAL FY 2012	UAAL FY 2016	UAAL Change	ARC FY 2016	Total Revenue FY 2016
Dixie Elementary	\$1,057,000	\$1,128,416	71,416	\$114,463	\$25,361,193
Kentfield	\$1,432,000	\$1,340,399	(91,601)	\$199,312	\$19,712,081
Larkspur-Corte Madera	\$207,671	\$189,127	(18,544)	\$24,585	\$21,966,152
Marin Community College	\$6,604,85	\$877,366	(5,727,491)	\$261,064	\$67,403,849
Mill Valley	\$2,159,158	\$4,662,117	2,502,959	\$945,212	\$50,815,837
Novato Unified	\$823,300	\$1,503,161	679,861	\$175,235	\$94,185,666
Reed Union	\$2,730,727	\$5,867,732	3,137,005	\$855,510	\$25,711,228
Ross School	\$2,085,000	\$3,086,992	1,001,992	\$338,061	\$8,748,369
Ross Valley	\$1,838,000	\$1,561,792	(276,208)	\$98,513	\$29,323,920
San Rafael Elem	\$5,462,058	\$6,200,000	737,942	\$880,377	\$62,306,271
San Rafael HS	\$4,943,154	\$5,400,000	456,846	\$726,362	\$37,919,147
Shoreline Unified	\$1,798,111	\$2,013,470	215,359	\$286,133	\$14,823,677
Tamalpais Union HS	\$3,892,000	\$3,053,537	(838,463)	\$505,711	\$92,371,238

**School Districts: FY 2016 ARC as Percentage of Total Revenue**

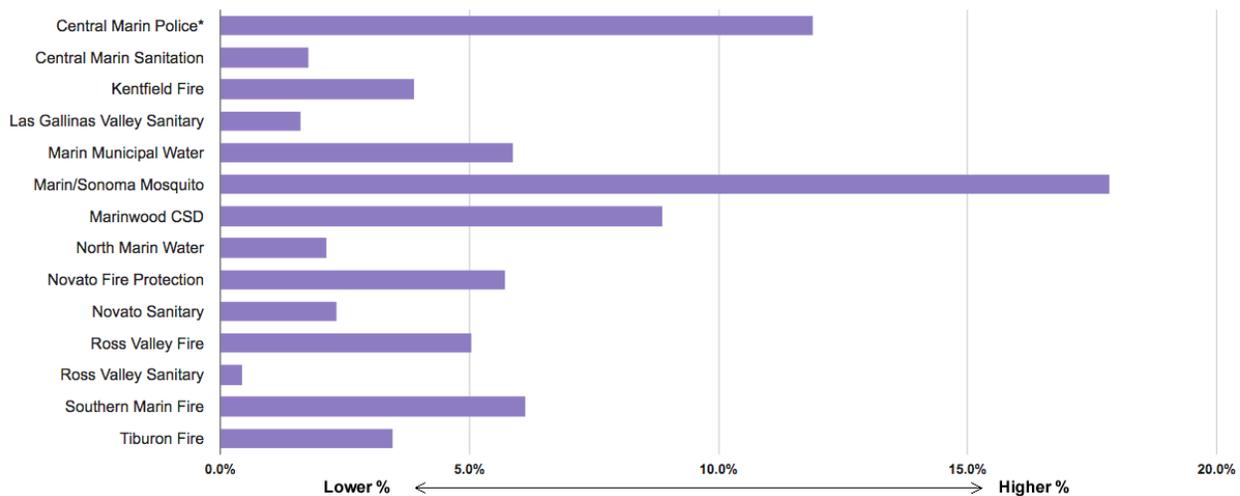


## APPENDIX F: Special Districts' ARC as a Percentage of Total Revenue

The amount of an agency's annual required contribution (ARC) can be compared to its total revenue. A higher percentage may signal future budgetary challenges if not properly managed.

Special District	UAAL FY 2012	UAAL FY 2016	UAAL Change	ARC FY 2016	Total Revenue FY 2016
Central Marin Police*	\$7,493,551	\$15,155,425	7,661,874	\$1,321,032	\$11,087,891
Central Marin Sanitation	\$2,872,049	\$2,496,424	(375,625)	\$301,327	\$16,952,527
Kentfield Fire	\$2,004,784	\$2,146,412	141,628	\$195,606	\$5,014,333
Las Gallinas Valley Sanitary	\$1,985,486	\$2,094,980	109,494	\$211,861	\$12,976,695
Marin Municipal Water	\$34,264,000	\$33,104,000	(1,160,000)	\$3,683,000	\$62,502,430
Marin/Sonoma Mosquito	\$12,030,407	\$15,038,000	3,007,593	\$1,542,000	\$8,638,747
Marinwood CSD	\$4,422,797	\$6,477,757	2,054,960	\$518,769	\$5,837,007
North Marin Water	\$3,470,834	\$4,085,375	614,541	\$384,385	\$17,912,719
Novato Fire Protection	\$16,751,185	\$13,567,350	(3,183,835)	\$1,596,595	\$27,838,320
Novato Sanitary	\$6,112,283	\$6,313,211	200,928	\$452,506	\$19,299,289
Ross Valley Fire	\$4,917,120	\$5,121,615	204,495	\$485,075	\$9,598,396
Ross Valley Sanitary	\$302,766	\$693,717	390,951	\$109,118	\$23,623,985
Southern Marin Fire	\$5,285,282	\$7,089,540	1,804,258	\$916,153	\$14,911,632
Tiburon Fire	\$2,269,028	\$2,182,181	(86,847)	\$249,592	\$7,184,792

Special Districts: FY 2016 ARC as Percentage of Total Revenue



## APPENDIX G: GASB 45 vs. GASB 75 Overview

GASB 45 <sup>55,56</sup>	GASB 75 <sup>57,58,59,60</sup>	Effect
Actuarial valuations required every 2 or 3 years (based on number of OPEB plan members), with optional alternative measurement method if fewer than 100 plan members.	Actuarial valuation required every 2 years for all OPEB plans, with optional alternative measurement method if fewer than 100 plan members.	More current picture of actuarial liability.
No single discount rate is required when an employer contributes less than ARC but has <i>some</i> plan assets.	Requires single discount rate that reflects (1) a long-term rate on plan assets to the extent they are projected to always be sufficient to cover projected payments, and (2) a municipal bond ( <i>lower</i> ) rate for the years when plan assets are not projected to cover projected payments. The projection must be based in part on whether the employer has a policy and practice to make its benefit payments.	Improves consistency, comparability and transparency of OPEB liability reporting.  Long-term liability is more accurately stated.
Only "net OPEB obligation" required on face of balance sheet. Unfunded liability (UAAL) reported in plan notes in CAFR (Comprehensive Annual Financial Report) or Audit.	Net OPEB Liability (NOL) reported on the face of the balance sheet. NOL equals actuarial accrued liability (TOL) minus market value of plan assets (FNP). NOL same as UAAL with some technical differences.	Financial reporting of OPEB liabilities parallels GASB 68 for pension reporting.
Provides for limited disclosures in financial statement notes and required supplementary information schedules.	Provides for more extensive disclosures in financial statement notes and schedules. The note disclosures include (1) an explanation of how and why the NOL changed from year to year, (2) a description of contribution requirements and how they are determined, (3) a statement of assumptions and other inputs used to measure, (4) detailed information about the discount rate used, and (5) NOL calculations with 1% increases and decreases in medical trend rate and discount rate.	Improves transparency of OPEB liability reporting.
Six acceptable actuarial cost methods	Must use a single actuarial cost method ( <i>entry age actuarial cost method</i> ).	Improves consistency, comparability, and transparency of OPEB liability reporting
Permits a choice between open or closed amortization periods.	Must use a defined closed period amortization for expenses.	Improves consistency, comparability, and transparency of OPEB liability reporting

<sup>55</sup> "[Summary of Statement No. 45: Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.](#)" *Governmental Accounting Standards Board*. June 2004

<sup>56</sup> "[Guide to Implementation of GASB Statements 43 and 45 on Other Postemployment Benefits.](#)" *Governmental Accounting Standards Board*. 2005.

<sup>57</sup> "[Summary of Statement No. 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.](#)" *Governmental Accounting Standards Board*. June 2015.

<sup>58</sup> "[Overview of GASB Statements 73, 74, and 75.](#)" *Milliman*. March 2016

<sup>59</sup> "[Brief Summary of New OPEB Accounting Standards: GASB 74 and 75.](#)" *Bartel Associates*. July 2015.

<sup>60</sup> "[GASB Approves New OPEB Employer Accounting Standard \(No. 75\).](#)" *Bartel Associates*. July 2015.

## APPENDIX H: Example Financial Literacy Classes and Presentations

<p><b>County Financial Reporting and Budgeting for Nonfinancial Professionals</b></p> <p>Understand and interpret county financial reports</p> <hr/> <p>This course provides the tools for decision-makers, elected officials, senior managers – other than accountants and auditors – who want to have an overview understanding of government financial reporting. Participants discuss budgets, financial statements and the audit, and at the 30,000' level what each of those is saying (or not saying!). Participants should bring questions about terms or concepts they have encountered as part of their interaction with county and government financial reporting. The discussion reviews terms and definitions used with government financial reporting and strategies on how to read financial statements and auditor reports to identify critical information and understand what it means ... in plain English!</p> <p style="text-align: right;">From: <a href="#">California State Association of Counties</a></p>	<p><b>Financial Management: Debt and Investment of Public Funds</b></p> <p>Make informed decisions about the use of public resources</p> <hr/> <p>Elected and appointed officials make critical decisions on the issuance and administration of debt, and the investment of public funds, but may have little experience or depth of knowledge on this complicated subject. This class provides a foundation on understanding debt, debt capacity, options, and county policy on debt. It examines the fiduciary responsibilities of elected and appointed officials and then explores investment of public funds. An overview of prudent investment policy, portfolio strategy and the role of the investment advisors are also explored.</p>
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<p> <b>Retiree Health Benefits The Funding Issue</b></p> <hr/> <ul style="list-style-type: none"> <li>● Unlike pensions, health benefits have not been pre-funded for a long period of time             <ul style="list-style-type: none"> <li>▶ Most plan sponsors nationwide have not pre-funded health benefits either</li> <li>▶ Currently very little investment income to help pay benefits</li> </ul> </li> <li>● Costs rise as more members retire, and health inflation outpaces general inflation</li> <li>● Pre-funding contribution rates have been calculated since 1999 – but pre-funding started only recently</li> </ul>	<p> <b>Circumstances That Would Increase Projected Costs</b></p> <hr/> <ul style="list-style-type: none"> <li>● Medicare funding reductions or cost shifting</li> <li>● Unexpected new benefit recipients (from health benefit cutbacks of other employers)</li> <li>● Medical inflation worse than assumed; the actual future contributions will depend on future per capita health cost increases (health inflation)<sup>*</sup></li> <li>● Lower than expected investment returns; bigger impact as plan assets grow</li> <li>● This is not a complete list</li> </ul> <p><small>* Per capita costs are projected to increase 9% the first year, graded down to 3.5% in the tenth and later years.</small></p>
<p>2</p> <p style="font-weight: bold;">GRS</p>	<p>7</p> <p style="font-weight: bold;">GRS</p>
<p>From: <a href="#">"Michigan State Employees: Retiree Health Actuarial Valuation."</a> Gabriel Roeder Smith &amp; Company. 30 Sep. 2015</p>	

# DRAFT

July 11, 2017

The Honorable Judge Kelly V. Simmons  
Marin County Superior Court  
P.O. Box 4988  
San Rafael, CA 94913-4988

Jay Hamilton-Roth, Foreperson  
Marin County Grand Jury  
3501 Civic Center Drive, Room #275  
San Rafael, CA 94903

Re: Response to Recommendations R1-R9, Grand Jury Report, “Marin’s Retirement Health Care Benefits – The Money Still Isn’t There”, dated May 17, 2017.

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The Novato Sanitary District (“District” or “Novato Sanitary”), as a utility providing sanitary services in and about Novato, California, is required to respond to recommendations R1-R9 of the subject Grand Jury Report (Report). The District Board of Directors met and discussed the Report in the open session portions of its following publicly noticed meetings, and in accordance with the notice, agenda, and open meeting requirements of the Ralph M. Brown Act:

- May 22, 2017, Board of Directors Meeting.
- July 10, 2017, Board of Directors Meeting.

The District’s responses are provided below, and follow a format where each recommendation is separately listed in bold, and responded to individually (with *responses in italics*).

## **Responses to Recommendations**

**R1. Each agency should adopt a *formal, written policy* for contributions to its OPEB plan.**

*Response to R1: Pursuant to Penal Code section 933.05(b)(2), the District will implement this recommendation beginning with its FY18-19 budget year.*

*The District's ongoing practice with regard to its OPEB liability has been to budget its Unfunded Annual Accrued Liability (UAAL) in its annual budget each year since fiscal year FY12-13. In January 2017, the District transitioned to a GASB compliant post-retirement benefits trust fund with Public Agency Retirement Services (PARS), Newport Beach, CA, to fund its GASB 45 (OPEB) and GASB 68 (Pension) liabilities. The District will codify this practice as a formal, written policy in FY2017-18 and implement it in FY18-19.*

**R2. Each agency's standard practice should be to consistently satisfy its formal, written OPEB contribution policy.**

*Response to R2: Pursuant to Penal Code section 933.05(b)(2), the District will implement a formal written OPEB contribution policy beginning with its FY18-19 budget year. The District's intent is to consistently satisfy its formal, written OPEB contribution policy when adopted as discussed above in the response to R1.*

**R3. Each agency's OPEB contribution policy and practice should support a projection under GASB 75 that its OPEB plan assets will be sufficient to make all projected OPEB benefit payments.**

*Response to R3: Pursuant to Penal Code section 933.05(b)(1), the District considers that it has implemented this recommendation.*

*As discussed above, the District transitioned to an OPEB trust (see Response to R1 and R2 above) with the intent that plan assets will eventually be sufficient to meet all projected OPEB benefit payments. Accordingly, the District considers that it has met this recommendation.*

**R4. Each agency that uses special reserve funds for Postemployment Benefits should transition to a trust meeting the criteria of GASB 75.**

*Response to R4: Pursuant to Penal Code section 933.05(b)(1), the District considers that it has implemented this recommendation.*

*As discussed in the Response to R1 above, the Novato Sanitary District transitioned to a GASB 75 compliant trust fund with Public Agency Retirement Services (PARS), Newport Beach, CA, in January 2017, and considers that it has met this recommendation.*

**R5. Each term of service, elected or appointed officials of each agency should take a public agency financial class.**

*Response to R5: Pursuant to Penal Code section 933.05(b)(1), the District considers that it has implemented this recommendation.*

*The highly respected California Special Districts Association (CSDA) holds regular financial management workshops geared specifically towards elected and appointed officials of California*

*special districts such as the District. District officials have historically attended these workshops, and will continue to do so, including at least once per each term of service. Accordingly, the District considers that it has implemented this recommendation.*

**R6. Each agency should make its CAFRs, Audits, and GASB valuations more readily understandable by the general public.**

*Response to R6: Pursuant to Penal Code section 933.05(b)(1), the District considers that it has implemented this recommendation.*

*While the content of CAFRs, Audits, and GASB valuations is mandated by strict and complex legal and technical requirements, the District tries to strike a balance between these requirements, and prepare reports that are informative to the general public. Therefore, while the District considers that it has implemented this recommendation, the District is committed to transparency and continuous improvement, and will continue to enhance the overall readability of these reports to the general public.*

**R7. Each agency should ensure that all of its public financial presentations are more readily understandable and scheduled during hours convenient for the public.**

*Response to R7: Pursuant to Penal Code section 933.05(b)(1), the District considers that it has implemented this recommendation.*

*The District is committed to continue to work towards making its public financial presentations even more understandable than currently, as discussed above (in the response to R6). Also, all public financial presentations are typically made at District Board meetings that are held on the second and fourth Mondays of each month at 5:30pm, outside of normal business working hours.*

**R8. Each agency should have the following downloadable and text-searchable documents readily accessible on their website: the last five years of CAFRs/Audits and the last three actuarial reports.**

*Response to R8: Pursuant to Penal Code section 933.05(b)(1), the District considers that it has implemented this recommendation.*

*The District's website provides access to its last five years of CAFRs/Audits and last three actuarial reports in downloadable and text-searchable Adobe Acrobat .pdf file format. Accordingly, the District considers that it has implemented this recommendation.*

**R9. Before the next round of bargaining begins, each agency should prioritize the cost containment strategies to be used, including reducing or eliminating OPEB benefits for future employees.**

*Response to R9: Pursuant to Penal Code section 933.05(b)(1), the District considers that it has implemented this recommendation.*

*The District implemented an OPEB benefit containment strategy in 2008. Under this strategy, the District's OPEB liability for all employees hired after July 1, 2008 is limited to a defined contribution amount of 1.5 percent of current base salary into a Medical After Retirement Account (MARA). Accordingly, the District considers that it has implemented this recommendation.*

In closing, the District would like to acknowledge and appreciate all of the Grand Jury's hard work and efforts in preparing this timely Report on a significant issue facing all public agencies.

As always, please feel welcome to contact us if you have any questions or require additional information.

Very truly yours,

NOVATO SANITARY DISTRICT

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A. Gerald Peters  
President, Board of Directors

# DRAFT

## RESPONSE TO GRAND JURY REPORT

Report Title: **Marin's Retirement Health Care Benefits**

Report Date: **May 17, 2017**

Response Date: **Aug 17, 2017**

Agency Name: Novato Sanitary District

Agenda Date: 5/22/17 & 7/10/17

Response by: A. Gerald Peters

Title: Board President

### FINDINGS

- I (we) agree with the findings numbered: Not Applicable
- I (we) disagree *partially* with the findings numbered: Not Applicable
- I (we) disagree *wholly* with the findings numbered: Not Applicable

(Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons therefor.)

### RECOMMENDATIONS

- Recommendations numbered R3, R4, R5, R6, R7, R8, R9 have been implemented.  
(see attached for summary of implemented actions for each of these recommendations)  
(Attach a summary describing the implemented actions.)
- Recommendations numbered R1, R2 (see attached for implementation timeframe) have not yet been implemented, but will be implemented in the future.  
(Attach a timeframe for the implementation.)
- Recommendations numbered Not Applicable require further analysis.  
(Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.)
- Recommendations numbered Not Applicable will not be implemented because they are not warranted or are not reasonable.  
(Attach an explanation.)

Date: \_\_\_\_\_ Signed: \_\_\_\_\_

Number of pages attached \_\_\_\_\_

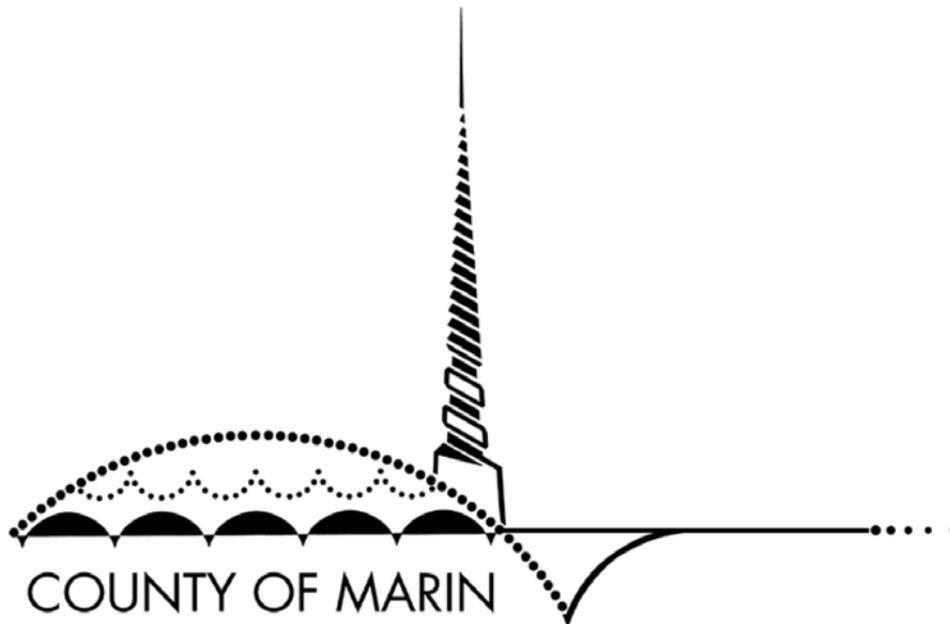
2016-2017 MARIN COUNTY CIVIL GRAND JURY

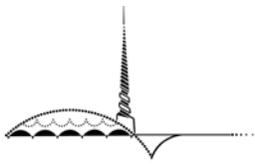
# The Budget Squeeze

*How Will Marin Fund Its Public Employee Pensions?*

Report Date: May 25, 2017

Public Release Date: June 5, 2017





## The Budget Squeeze

### *How Will Marin Fund Its Public Employee Pensions?*

#### SUMMARY

Twenty years ago, the only people who cared about public employee pensions were public employees. Today, taxpayers are keenly aware of the financial burden they face as unfunded pension liabilities continue to escalate. The Grand Jury estimates that the unfunded liability for public agencies in Marin County is approximately \$1 billion.

In 2012, the state passed the California Public Employees' Pension Reform Act of 2013 (PEPRA), which reduced pension benefits for new employees hired after January 1, 2013. PEPRA was intended to produce a modest reduction in the growth rate of these obligations but it will take years to realize the full impact of PEPRA. In the meantime, pension obligations already accumulated are undiminished.

This report will explore several aspects of this issue:

**It's Worse than You Thought** – While a net pension liability of \$1 billion may be disturbing, the true economic measure of the obligation is significantly greater than this estimate.

**The Thing That Ate My Budget** – The annual expense of funding pensions for current and future retirees has risen sharply over the past decade and this trend will continue; for many agencies, it is likely to accelerate over the next five years. This will lead to budgetary squeezes. While virtually every public agency in Marin has unfunded pension obligations, some appear to have adequate resources to meet them, while many do not. We will look at what agencies are currently doing to address the issues and what additional steps they should take.

**The Exit Doors are Locked** – Although there are no easy solutions, one way to reduce and eliminate unfunded pension liabilities in future years would be transitioning from the current system of *defined benefit pension* plans to *defined contribution pension* plans, similar to a 401(k). However, this approach is largely precluded by existing statutes and made impractical by the imposition of termination fees by the pension funds that manage public agency retirement assets.

The Grand Jury's aim is to offer some clarity to a complex issue and to encourage public agencies to provide greater transparency to their constituents.

## BACKGROUND

Defined benefit pension plans are a significant component of public employee compensation. These plans provide the employee with a predictable future income stream in retirement that is protected by California Law.<sup>1</sup> However, the promise made by an employer today creates a liability that the employer cannot ignore until the future payments are due. The employer must contribute and invest funds today so that future obligations can be met when its employees retire. Failing to set aside adequate funds or investing in underperforming assets results in a funding gap often referred to as an *unfunded pension liability*. In order to be consistent with Governmental Accounting Standards Board's (GASB) terminology, this paper will refer to the funding gap as the *Net Pension Liability* (NPL).

Actuaries utilize complicated financial models to estimate the *Total Pension Liability*, the present value of the liabilities resulting from pension plan obligations. Pension plan administrators employ sophisticated asset management strategies in an effort to meet targeted returns required to fund future obligations. Nevertheless, the logic behind pension math can be summed up in a simple equation: Total Pension Liability (TPL) - *Market Value of Assets* (MVA) = The Net Pension Liability (NPL). The NPL represents the funding gap between the future obligations and the funds available to meet those obligations. Conceptually, it is an attempt to answer the question: "How much would it be necessary to contribute to the plan today in order to satisfy all existing pension obligations?"

California is in the midst of an active public discussion about funding the retirement benefits owed to public employees. These retirement benefits have accumulated over decades and are now coming due as an aging workforce feeds a growing wave of retirements. The resulting financial demands will place stress on the budgets of public agencies and likely lead to reduced services, increased taxes or both.

The roots of the current crisis in California stretch back to the late 1990's, when the California Public Employees Retirement System (CalPERS) held assets well in excess of its future pension obligations. The legislature approved and Governor Davis signed SB 400, which provided a retroactive increase in retirement benefits and retirement eligibility at earlier ages for many state employees. These enhancements were not expected to impose any cost on taxpayers because of the surplus assets held by the retirement fund. However, the value of those assets fell sharply as a consequence of the bursting of the dotcom bubble in the early 2000s and the Great Recession starting in 2008. (CalPERS suffered a 24% decline in the value of its holdings in 2009 alone.<sup>2</sup>) Where there had been surplus assets, the state now has large unfunded liabilities.

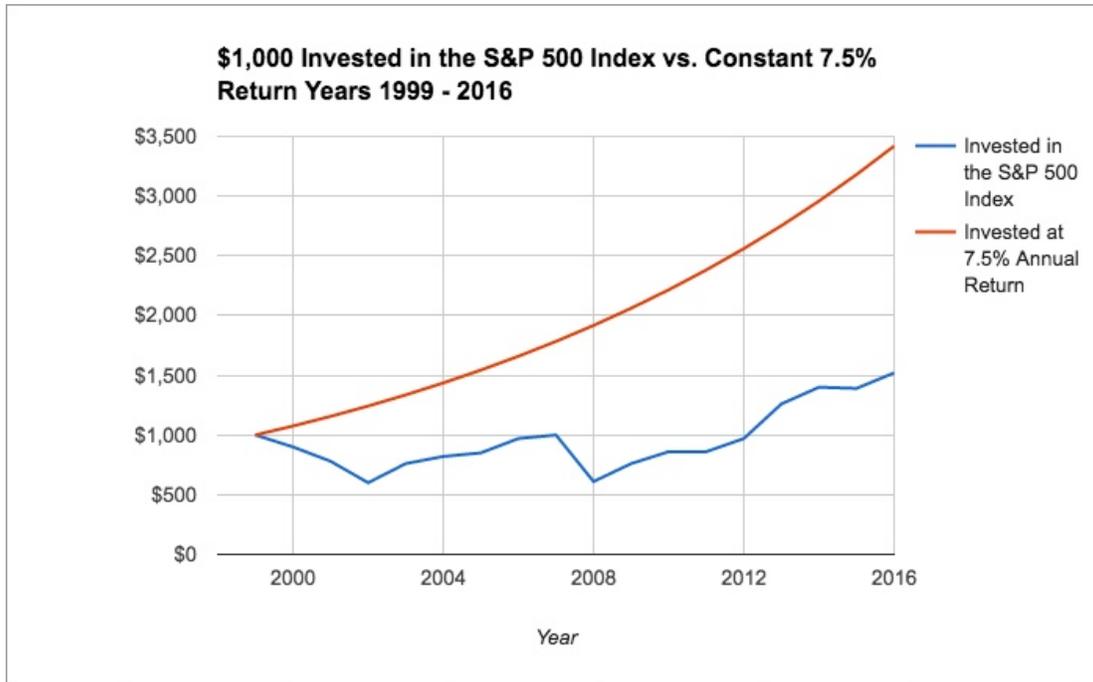
The following graph illustrates the problem. If you had invested \$1,000 in 1999, when the decision to enhance retirement benefits was made, and received a return of 7.50% annually — a

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<sup>1</sup> "California Public Employee Retirement Law (PERL) January 1, 2016." CalPERS.

<sup>2</sup> Dolan, Jack. "The Pension Gap." *LATimes.com*. 18 Sept. 2016.

commonly used assumption of California’s pension fund administrators — your investment would have grown to about \$3,500 by the end of 2016. By contrast, had you received the returns of the S&P 500 over that same period, you would have only about \$1,500, less than half of what had been assumed.



Last year, Moody’s Investors Service reported that the unfunded pension liabilities of federal, state and local governments totaled \$7 trillion.<sup>3</sup> Closer to home, the California Pension Tracker, published by the Stanford Institute for Economic Policy Research, places the state’s aggregate unfunded pension liability at just under \$1 trillion.<sup>4</sup>

Marin has not been exempt. Recent published estimates put the NPL for public agencies in Marin at about \$1 billion. This is confirmed by our research.

The vast majority of employees of public agencies in Marin are covered by a pension plan. Three agencies administer these plans:

- California Public Employees Retirement System (CalPERS), a pension fund with \$300 billion in assets that covers employees of many public agencies, excluding teachers.
- California State Teachers Retirement System (CalSTRS), a pension fund with \$200 billion in assets that covers teachers.
- Marin County Employees’ Retirement Agency (MCERA), a pension fund with \$2 billion in assets that provides services to a number of Marin public agencies, the largest being the County of Marin and the City of San Rafael.

<sup>3</sup> Kilroy, Meaghan, “Moody’s: U.S. Pension Liabilities Moderate in Relation to Social Security, Medicare.” *Pension & Investments*. 6 April 2016.

<sup>4</sup> Nation, Joe. “[Pension Tracker](#).” *Stanford Institute for Economic Policy Research*. Accessed 5 March 2017.

The Grand Jury chose to address public employee pensions not because it is a new problem, but because it is so large that it is likely to have a material future impact on Marin's taxpayers, its public agencies and their employees.

## **METHODOLOGY**

The Grand Jury chose to review and analyze the audited financial statements of the 46 agencies included in this report for the fiscal years (FY) 2012-2016 (see Appendix B, Methodology Detail). We captured a snapshot of the current financial picture as well as changes over this five-year period. In addition to reviewing net pension liabilities and yearly contributions of each agency, we collected key financial data from their balance sheets and income statements. We present all of this data both individually and in aggregate in the appendices.

The agencies were organized into three main types: municipalities, school districts and special districts. The special districts were further separated into safety (fire and police) and all other, which includes sanitary and water districts and the Marin/Sonoma Mosquito and Vector Control District. Evaluating the agencies in this way provided insight into which types of agencies were most impacted by pensions. Comparing agencies within those designations provided further clarity on which agencies may need to take specific action sooner rather than later. The school districts, which have some unique characteristics, require a separate discussion.

## **Financial Data and Standards**

The Grand Jury analyzed data from the Comprehensive Annual Financial Reports (CAFR), Audited Financial Reports and actuarial reports from the pension fund administrators.

The Grand Jury analyzed the annual reports for each agency for the five fiscal years 2012 through 2016. A listing of the financial reports upon which the Grand Jury relied is presented in Appendix A, Public Sector Agencies.

Additional scrutiny was paid to the fiscal years 2015 and 2016 due to reporting changes required by the Governmental Accounting Standards Board (GASB),<sup>5</sup> described in detail later in this report. For further information, see Appendix C.

The Grand Jury interviewed staff and management from selected public agencies and selected pension fund administrators.

The Grand Jury reviewed current law related to pensions.

Our investigation was to determine only the pension obligations of each agency. The Grand Jury

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<sup>5</sup> "[GASB 68](#)." *Governmental Accounting Standards Board*.

did not attempt to analyze the details of individual pension plans for any of the public agencies. The Grand Jury did not analyze the mix of pension fund investments; the investments for each public agency are managed by the appropriate pension fund according to standards and objectives established by that fund as contracted by their customers.

The Grand Jury did not investigate other employee benefits such as deferred compensation or inducements to early retirement.

## Financial Data Consistency

The following agencies did NOT publish audited financial reports for FY 2016 in time for the Grand Jury to include those financial data in this report:

- City of Larkspur
- Town of Fairfax
- Central Marin Police Authority

The lack of a complete set of financial data for the fiscal years under investigation is reflected in this report in the following ways:

The financial tables below include an asterisk (\*) next to the name of agencies for which financial data is missing. Table cells with data which is *Not Available* are marked as *N/A*.

Summary financial data totals do not include data for missing agencies for FY 2016. Percentages presented are calculated only with available data.

One agency, the Central Marin Police Authority (CMPA), presents other complications. The predecessor agency of CMPA, the Twin Cities Police Authority (TCPA), was a Joint Powers Authority of the City of Larkspur and the Town of Corte Madera. Subsequent to the publication of the TCPA FY 2012 audit report, a new Joint Powers Authority was created consisting of the former TCPA members plus the Town of San Anselmo. Thus, a strict comparison of financial condition over the full five year term of this report is not possible. The FY 2012 audit report for TCPA is included in the CMPA statistics as the predecessor agency.

## DISCUSSION

### **It's Even Worse than You Thought**

The Governmental Accounting Standards Board (GASB) establishes accounting rules that public agencies must follow when presenting their financial results. The recent implementation of GASB Statement 68 requires public agencies to report NPL as a liability on the balance sheet in their audited financial statements beginning with the fiscal year ended June 30, 2015.<sup>6</sup> Prior to this accounting rule change, agencies only reported required yearly contributions to pension plans on the income statement, but NPL was not reflected on the balance sheet. The new method of reporting has provided greater transparency into the future impact of pension promises on current agency financials.

The addition of NPL as a liability on the balance sheet of government agencies has resulted in dramatic reductions to most agencies' *net positions*. The net position (assets minus liabilities, which is referred to as net worth in the private sector) is one metric used to evaluate the financial health of an organization. In the private sector, when net worth is negative, a company is considered insolvent, which is a signal to the investment community of potential financial distress. During the course of our research, the Grand Jury discovered many agencies that now have negative net positions following the addition of NPL to their balance sheets. We will discuss the possible implications of this new reality in the section entitled *The Thing That Ate My Budget*.

The calculation of the NPL involves complex actuarial modeling including many variables. Specific to each agency are the number of retirees, the number of employees, their compensation, their age and length of service, and expected retirement dates. Also included in the evaluation are general economic and demographic data such as prevailing interest rates, life expectancy and inflation. Actuaries base their assumptions on statistical models. But these assumptions can change over time as economic or demographic conditions change, which make regular updates to actuarial calculations essential. The total of all present and future obligations is calculated based on these assumptions. A discount rate is then applied to calculate the present value of the obligations and account for the time value of money.<sup>7</sup> This calculation yields the Total Pension Liability (TPL). Put simply, the total pension liability is the total value of the pension benefits contractually due to employees by employers.

Agencies are required to make annual contributions to the pension plan administrator. A portion of the yearly contributions is used to make payments to current retirees and a portion is invested into a diversified portfolio of stocks, bonds, real estate and other investments. The investments are accounted for at market value (i.e. the current market price rather than book value or acquisition price.) In the calculation of NPL, the value of this investment portfolio is referred to

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<sup>6</sup> "[GASB 68](#)," *Governmental Accounting Standards Board*

<sup>7</sup> See Appendix C

as Market Value of Assets (MVA). Consequently the  $NPL = TPL - MVA$ . The net pension liability is simply the difference between how much an entity should be saving to cover its future pension obligations and how much it has actually saved.

Although the NPL calculation depends on many variables, it is extremely sensitive to changes in the discount rate, the rate used to calculate the present value of future retiree obligations.<sup>8</sup> The discount rate has an inverse relationship to the net pension liability (i.e. the higher the discount rate, the lower the NPL). GASB requires pension plan administrators to use a discount rate that reflects either the long-term expected returns on their investment portfolios or a tax-exempt municipal bond rate.<sup>9</sup> It is common practice for government pension administrators to choose the higher discount rates associated with the expected return on their investment portfolios. Choosing the higher discount rate produces a lower NPL, which requires lower contributions from agencies today with the expectation that investment returns will provide the balance. While a portfolio mix that contains stocks and other alternative assets might produce a higher expected return, these portfolios are inherently more risky and will experience significantly more volatility, potentially leading to underfunding of the pension plans.

Until recently, the three pension administrators (CalPERS, CalSTRS and MCERA) that manage the assets on behalf of all of Marin's current employees and retirees used discount rates between 7.50% and 7.60%. Prolonged weak performance in financial markets has resulted in the long-term historical returns of pension funds falling below the discount rate. For example, CalPERS 20-year returns dropped to 7.00% following a few years of very poor investment performance, falling under the 7.50% discount rate.<sup>10</sup> In response, CalPERS announced in December 2016 that it would cut its discount rate to 7.00% over the course of the next three years.<sup>11</sup> CalSTRS will cut its rate first to 7.25% and then to 7.00% by 2018.<sup>12</sup> In early 2015, MCERA cut its discount rate from 7.50% to 7.25%. As noted before, a lower discount rate results in a higher NPL. A higher NPL leads to increasing yearly contributions. So you see, it's worse than you thought. But keep reading, because it may be even worse than that.

Discount rates may yet be too high even at the new, lower 7.00-7.25% range.

At this point, it is helpful to provide some historical context. The risk-free rate,<sup>13</sup> typically the US 10-Year Treasury note, yielded 2.37% as this report is written. (Real-time rates are available on Bloomberg.com.<sup>14</sup>) US Treasury securities are considered risk free because the probability of

<sup>8</sup> ["Measuring Pension Obligations."](#) *American Academy of Actuaries Issue Brief*. November 2013, pg 1

<sup>9</sup> ["GASB 68."](#) *Government Accounting Standards Board*

<sup>10</sup> Gittelsohn, John. ["CalPERS Earns 0.6% as Long-Term Returns Trail Fund's Target."](#) *Bloomberg.com*. 18 July 2016.

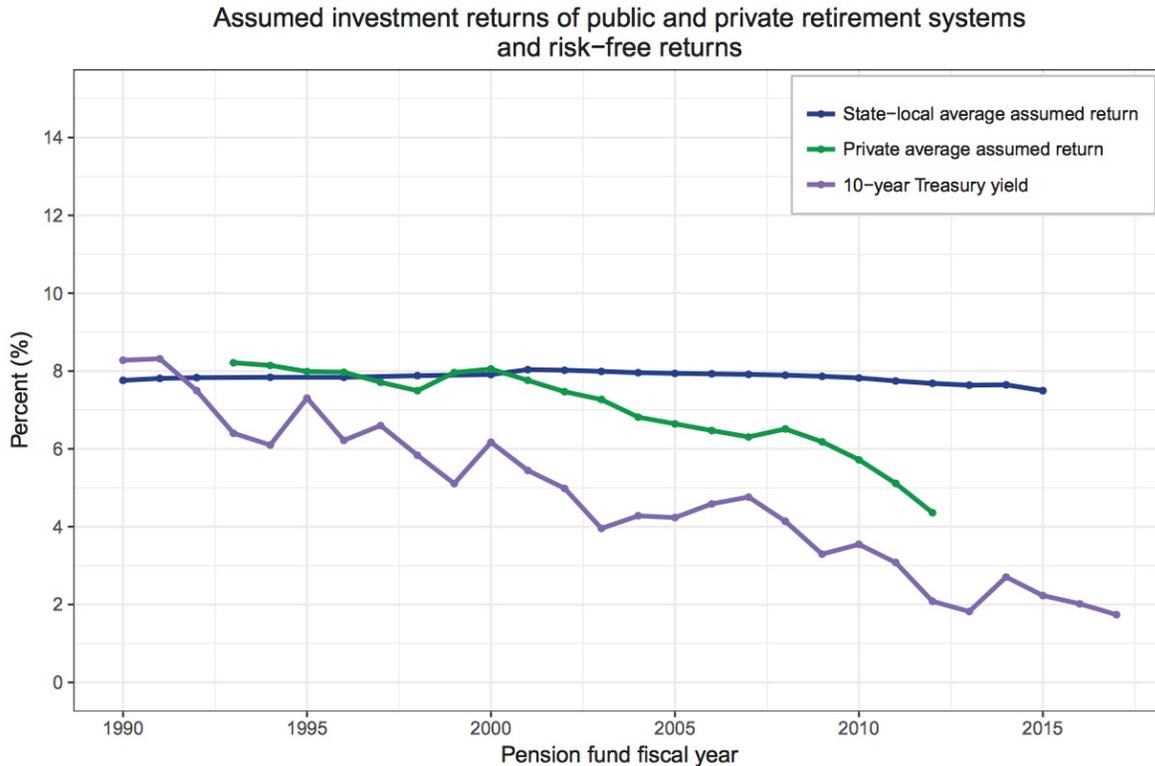
<sup>11</sup> Pacheco, Brad and Davis, Wayne and White, Megan. ["CalPERS to Lower Discount Rate to Seven Percent Over the Next Three Years."](#) *CalPERS.ca.gov*. 21 Dec. 2016.

<sup>12</sup> Myers, John. ["California Teacher Pension Fund Lowers its Investment Predictions, Sending a Bigger Invoice to State Lawmakers."](#) *LA Times.com*. 1 Feb. 2017.

<sup>13</sup> ["Risk Free Rate of Return."](#) *Investopedia.com*

<sup>14</sup> ["Treasury Yields."](#) *Bloomberg.com*

default by the US government is considered to be zero. Investment returns in the range of 7.00% - 8.00% were attainable with little volatility in the past because the risk-free rate was much higher. Between 1990 and 2016, risk-free rates have declined substantially, by around six percentage points.<sup>15</sup> Discount rates in public sector pension plans have not declined proportionally. The following chart illustrates how the public sector has failed to reduce its assumed rates of return in response to the decline in risk-free rates.



From: [“The Pension Simulation Project: How Public Plan Investment Risk Affects Funding and Contribution Risk.”](#) Rockefeller Institute. Accessed on 23 March 17. pg.3.

In the aftermath of the 2008 financial crisis, central banks around the world engaged in the artificial support of lower interest rates through *quantitative easing* to boost global growth.<sup>16</sup> Record-low interest rates followed, with interest rates on some sovereign debt even falling into negative territory. While easy monetary policy aided in spurring global growth, the prolonged period of low interest rates and weak investment returns has contributed to the dramatic underfunding of pension plans around the world.

<sup>15</sup> Boyd, Donald J. and Yin, Yimeng. [“How Public Pension Plan Investment Risk Affects Funding and Contribution Risk.”](#) The Rockefeller Institute of Government State University of New York. Jan. 2017.

<sup>16</sup> Martin, Timothy W. and Kantchev, Georgi and Narioka, Kosaku. [“Era of Low Interest Rates Hammers Millions of Pensions Around World.”](#) *WSJ.com* 13 Nov. 2016.

Pension plans in the private sector have lowered their discount rates in tandem with declining yields in the bond market. The Financial Accounting Standards Board (FASB) is the accounting rule-maker for for-profit corporations. FASB takes the view that, because there is a contractual requirement for the plan to make pension payments, the rate used to discount them should be comparable to the rate on a similar obligation. FASB Statement 87 says, “...employers may also look to rates of return on high-quality fixed-income investments in determining assumed discount rates.”<sup>17</sup> The effect is that pension obligations in the private sector are valued using a much lower discount rate than those used in the public sector. We looked at the ten largest pension funds of US corporations. Based on their 2015 annual reports, the average discount rate on pension assets was 4.30%.<sup>18</sup>

A significant body of research written by economists, actuaries and policy analysts has been devoted to the topic of whether discount rates used in public sector pensions are too high. Some suggest that the FASB approach is more appropriate, others believe the risk-free rate should be used, while still others contend that the current approach is perfectly reasonable. The Grand Jury cannot opine on which is the best and most accurate approach. Our research can only illuminate the financial impact of lower discount rates on Marin County agencies.

An additional reporting requirement of GASB 68 is the calculation of the NPL using a discount rate one percentage point higher and one percentage point lower than the current discount rate in order to show the sensitivity of the NPL to this assumption. The current financial statements reflect the following rates, which, due to the recent discount rate reductions noted above, are already outdated:

<b>Pension Fund</b>	<b>Discount Rate</b>	<b>+ 1 Percentage Point</b>	<b>-1 Percentage Point</b>
CalPERS	7.50%	8.50%	6.50%
CalSTRS	7.60%	8.60%	6.60%
MCERA	7.25%	8.25%	6.25%

Because of this new disclosure requirement, the Grand Jury compiled the NPLs of the agencies at a discount rate range of between 6.25% - 6.60%. The individual results are presented in Appendix E; the total amount for the Marin agencies included in this report is \$1.659 billion.

In this discussion, we have focused on the risk of lower rates of return, but there is a possibility that investment returns could exceed the discount rates assumed by the pension administrators.

<sup>17</sup> “[Statement of Financial Accounting Standards No. 87, Employers’ Accounting for Pensions](#)” *Financial Accounting Standards Board*, paragraph 44.

<sup>18</sup> See Appendix F

However, this possibility appears to be unlikely in that it would constitute a dramatic reversal of a decades-long trend. (See graph on page 7.) If that occurred, the effect would be lower NPLs and lower required contributions by employers. Regardless of investment returns, employers would still be required to make some contributions.

While the discussion of growing NPLs and lower discount rates may seem abstract, ultimately they lead to higher required contributions by public agencies to their pension plans. Because these payments are contractually required, they are not a discretionary item in the agency's budgeting process. Consequently, steadily increasing pension payments will squeeze other items in the budget. In the next section, we discuss the impact on Marin's public agencies' budgets.

### **The Thing That Ate My Budget**

A budget serves the same purpose in a public agency as it does in a for-profit enterprise or a household. It is a statement of priorities in a world of finite resources. As growing pension expenses demand an increasing share of available funding, agencies must figure out how to stretch and allocate their resources.

This budgetary conundrum is not unique to Marin. A recent article in the *Los Angeles Times*<sup>19</sup> discusses what can happen at the end stage of rising pension expenses. The City of Richmond has laid off 20% of its workforce since 2008 and projects pension expenses rising to 40% of revenue by 2021.

The explosion of pension expenses played a key role in three California cities that have filed for bankruptcy protection since 2008: Vallejo,<sup>20</sup> Stockton,<sup>21</sup> and San Bernardino.<sup>22</sup> Several factors played a role in these California bankruptcies. In the case of Vallejo, booming property tax revenues during the real estate bubble led city officials to offer generous salary and benefit increases. Property taxes plummeted after a wave of foreclosures during the financial crisis and city officials could not cut enough of the budget to meet obligations. In particular, the city's leadership was unable to negotiate cuts to pension benefits. This lack of flexibility forced Vallejo into bankruptcy. Further threats of litigation from CalPERS during the bankruptcy process kept the City from negotiating cuts to pension benefits as part of its bankruptcy plan. Despite exiting bankruptcy, Vallejo remains on unstable financial footing. Stockton and San Bernardino have similar stories: overly generous salary and benefits offered during boom times, some fiscal mismanagement (i.e. ill-timed bond offerings, failed redevelopment plans, etc.) followed by the inability to cut benefits when revenues declined.

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<sup>19</sup> Lin, Judy. "[Cutting jobs, street repairs, library books to keep up with pension costs.](#)" *Los Angeles Times* 6 Feb. 2017.

<sup>20</sup> Hicken, Melanie. "[Once bankrupt, Vallejo still can't afford its pricey pensions.](#)" *Cnn.com* 10 March 2014.

<sup>21</sup> Stech, Katie. "[Stockton Calif., To Exit Bankruptcy Protection Wednesday.](#)" *WSJ.com* 24 Feb. 2015.

<sup>22</sup> Christie, Jim. "[Judge Confirms San Bernardino, California's Plan to Exit Bankruptcy.](#)" *Reuters.com* 27 Jan 2017.

In budgeting for pension expense, agencies have two types of contributions to consider: the *Normal Cost* and the amortization of the NPL. The Normal Cost is the amount of pension benefits earned by active employees during a fiscal year. In addition, agencies must make a payment toward the NPL. A pension liability is created in every year the fund's investments underperform the discount rate. The liability for each underfunded year is typically amortized over an extended period, which may be as long as 30 years.

While the passage of PEPRA has reduced the Normal Cost somewhat, the payments needed to amortize the NPL have been rising and will continue to rise in the coming years. This trend will only be exacerbated by the recent decisions of CalPERS and CalSTRS to lower their discount rates. In this section, we will discuss the stress this is placing on the budgets of Marin public agencies.

Revenues of public agencies come from defined sources, including property taxes, sales taxes, parcel taxes, assessments and fees for services. Cash flow may be supplemented by the issuance of general obligation bonds, but these require repayment of principal along with interest.

The budgeting process of public agencies is not always transparent. Although final budgets are made public, the choices made along the way — specifically, which spending priorities did not make it into the final budget — are usually not disclosed.

In 2016, the Marin/Sonoma Mosquito and Vector Control District commissioned a study of the district's financial situation over a projected ten-year time frame, which concluded:

*In addition to the basic level of incurred and approved expenditures modeled ..., the District has long term pension liabilities. Budgets have been reduced in recent years, but without additional revenues, the District would be forced to implement severe cutbacks in services and staffing.*<sup>23</sup>

The report concludes that expenses will exceed revenues beginning in FY 2018, with a deficit widening through FY 2027, the final year of the study, and that the district's reserves will be exhausted by FY 2024.

The Grand Jury commends the district for taking the responsible step of investigating its future financial obligations. We believe that a long term budgeting exercise — whether done internally or by an outside consultant — should be completed and made public by every agency every few years.

The Grand Jury chose several balance sheet and income statement items to provide context in calculating the relative burden that pension obligations placed on each agency. We felt a more

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<sup>23</sup> Cover letter from NBS to the Board of Trustees and Phil Smith, Manager, Marin/Sonoma Mosquito Vector Control District dated November 9, 2016.

meaningful analysis could be gleaned from examining ratios rather than absolute numbers. For example, the \$48 million dollar pension contribution that the County made in 2016 might sound less shocking when presented as 8% of the county's revenues. The County's \$203 million NPL might be perceived as extraordinary, but not necessarily so when presented with a balance sheet that held \$400 million in cash.

We focused on two metrics: 1) The percentage of revenue spent on pension contributions each year over a five-year period, and 2) The percentage of NPL to cash on the balance sheet to for fiscal years 2015 and 2016. The first metric was an attempt to answer the question of how much of an agency's budget is spent on yearly pension contributions. The second metric addressed the question of whether an agency had financial resources to pay down pension liabilities in order to reduce their future yearly contributions.

The recent announcements of discount rate reductions at both CalPERS and CalSTRS will lead to increases in NPL, resulting in increasing contributions for their participating agencies. As CalPERS and CalSTRS have not yet implemented the discount rate reductions, the financial statistics we have used in the following discussion do not reflect these pending increases and, therefore, somewhat understate the budgetary impact.

Given the wide scope of public missions, responsibilities and funding sources of the agencies investigated in this report, it is not easy to generalize about the consequences of budgetary shortfalls for individual agencies. However, we found similarities among agencies with similar missions.

### **School Districts**

School districts share many characteristics: They are included in a single pool (i.e., identical contribution rates for all districts) for both CalSTRS and CalPERS; they have similar missions and similar financial structures and are, therefore, homogeneous. This is the only category where the agencies contribute to two pensions administrators: CalSTRS for certificated employees and CalPERS for classified staff. Both CalSTRS and CalPERS place eligible school-district employees into a single pool for purposes of determining the annual required contribution. Consequently, we see that pension contributions as a percentage of revenue are fairly consistent across districts.

School District	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Bolinas-Stinson Union School District	6.2%	5.1%	5.3%	4.4%	5.0%
Dixie Elementary School District	5.8%	5.7%	5.2%	5.4%	5.3%
Kentfield School District	5.4%	5.2%	4.9%	4.9%	5.1%
Larkspur-Corte Madera School District	5.5%	5.3%	5.0%	4.6%	5.0%
Marin Community College District	5.8%	6.0%	4.7%	3.9%	3.6%
Marin County Office of Education	3.3%	2.9%	2.8%	2.8%	2.7%
Mill Valley School District	5.1%	4.8%	4.4%	4.5%	4.8%
Novato Unified School District	4.4%	4.4%	4.9%	4.8%	4.8%
Reed Union School District	5.2%	4.8%	4.7%	4.6%	4.4%
Ross School District	5.0%	4.7%	4.6%	4.6%	4.3%
Ross Valley School District	5.5%	5.1%	4.8%	4.8%	4.6%
San Rafael City Schools - Elementary	4.6%	4.4%	4.1%	4.1%	4.0%
San Rafael City Schools - High School	5.3%	4.8%	4.4%	4.5%	4.4%
Sausalito Marin City School District	3.4%	3.7%	3.3%	3.0%	2.7%
Shoreline Unified School District	4.9%	5.0%	5.0%	3.8%	4.1%
Tamalpais Union High School District	5.7%	4.6%	4.9%	5.0%	4.9%
<b>Total</b>	<b>5.0%</b>	<b>4.7%</b>	<b>4.5%</b>	<b>4.3%</b>	<b>4.3%</b>

■ < 5% ■ 5% - 10% ■ 10% - 15% ■ > 15%

Pension contributions as a percentage of revenue for Marin’s school districts have increased from 4.3% in FY 2012 to 5.0% in FY 2016. Increases will continue over the next five years, but at a much higher rate. CalSTRS contribution rates are governed by law and, under AB 1469<sup>24</sup>, contribution rates are scheduled to increase from 10.73% of certificated payroll in FY 2016 to 19.10% in FY 2021 (and remain at that level for the next 25 years), an increase of 78%.<sup>25</sup> For classified employees, the CalPERS contribution rates will be increasing from 11.847% of payroll in FY 2016 to 21.50% in FY 2022, an increase of over 81%.<sup>26</sup> This implies that school districts will be spending 9% of their revenues on pension contributions within the next five years.

<sup>24</sup> [AB-1469 State teachers’ retirement: Defined Benefit Program: funding.](#) California Legislative Informative

<sup>25</sup> “CalSTRS Fact Sheet, CalSTRS 2014 Funding Plan.” CalSTRS. July 8, 2014.

<sup>26</sup> “CalPERS Schools Pool Actuarial Valuation as of June 30, 2015.” CalPERS. April 19, 2016.

School districts are already running on tight budgets, with the average Marin school district expenses having slightly exceeded revenues in fiscal year 2016. Thus, increases in outlays for pensions will necessitate service reductions, tax increases or a combination of the two.

Many of the school districts have General Obligation (GO) bonds outstanding, which contributes to their precarious financial position. With the recent addition of NPL to their balance sheets, most of the school districts have negative net positions. As discussed earlier, in the private sector a negative net position is considered a sign of financial distress and possible insolvency. When we asked whether the rating agencies had expressed concerns or threatened to downgrade their existing debt, the responses from several districts were that they had no difficulties refinancing their bonds and had all maintained their high credit ratings.

The Grand Jury found this particular issue perplexing. A healthy balance sheet is essential in the private sector to attaining a high credit rating. We learned, however, that this is not how rating agencies view a Marin County agency's credit worthiness. In addition to looking at a particular agency's financials, the rating firms also evaluate the likelihood of getting paid back in the event of a default from other resources, more specifically Marin taxpayers. GO bonds have a provision where, in the event of a shortfall or default on a bond, the agency can direct the tax assessor to increase property taxes to satisfy the obligation.<sup>27</sup> Consequently, a rating agency is really assessing the ability to collect directly from Marin County taxpayers. Given Marin's relatively high home values and incomes, collection from Marin taxpayers is a safe bet in the eyes of the rating agencies, thereby making it completely defensible to assign a AAA rating on a GO bond from an agency with a negative net worth. Thus, taxpayers, and not bondholders, bear the risk of an individual agency's insolvency.

Another concern for school districts is their reliance on parcel taxes to supplement revenue. Most Marin school districts have parcel taxes, which run as high as 20% of revenue in some districts and average 9.7%.<sup>28</sup> This important source of revenue is subject to periodic voter approval and requires a two-thirds vote to pass. Historically, parcel tax measures have seldom failed in Marin. In November 2016, both Kentfield and Mill Valley had ballot measures to renew existing parcel taxes. Kentfield failed to get the required two-thirds and Mill Valley's measure barely passed. This raises two concerns: 1) that parcel tax measures will face greater opposition if voters believe the money is going for pensions; and 2) that districts' already tight finances will be substantially worsened if this source of funding is reduced.

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<sup>27</sup> "[California Debt Issuance Primer Handbook](#)." *California Debt and Investment Advisory Commission*. pg 134.

<sup>28</sup> Sources: parcel tax data from ed-data.org, revenue data from audit reports (see Appendix A)

<b>K-12 School District</b>	<b>Parcel Tax Revenue as % of Total Revenue</b>
Bolinas-Stinson Union School District	13.3%
Dixie Elementary School District	7.6%
Kentfield School District	20.0%
Larkspur-Corte Madera School District	11.9%
Mill Valley School District	20.0%
Novato Unified School District	4.4%
Reed Union School District	8.6%
Ross School District	8.9%
Ross Valley School District	12.5%
San Rafael City Schools - Elementary	4.4%
San Rafael City Schools - High School	7.0%
Sausalito Marin City School District	0.0%
Shoreline Unified School District	6.2%
Tamalpais Union High School District	10.2%
<b>Average</b>	<b>9.3%</b>

Given these budget pressures, it is difficult to imagine how the impact of increasing pension contributions will not ultimately be felt in the classroom.

### **Municipalities & the County**

The County and the 11 towns and cities in Marin County (we will refer to them collectively as the “municipalities”) have broad responsibilities. Within this group, however, there are important differences. Populations differ widely, from Belvedere at about 2,000 to San Rafael at 57,000. In some municipalities, police and/or fire protection services are provided by a separate agency. In others they fall under the municipality’s auspices. These factors lead to some variation among this category.

Unlike school districts, municipalities (and special districts, which we will discuss next) have individualized schedules for amortization of their NPLs. Although we can make overall statements about recent and expected increases in pension expense, there can be substantial variation among jurisdictions.. The following table shows the pension contribution as a percent of revenue for each municipality over the past 5 years.

Municipality	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
City of Belvedere	4.2%	3.8%	3.9%	5.2%	5.7%
City of Larkspur*	N/A	3.8%	5.0%	6.0%	7.0%
City of Mill Valley	6.4%	5.5%	5.2%	5.1%	6.3%
City of Novato	5.4%	5.2%	9.1%	8.4%	8.3%
City of San Rafael	19.2%	18.8%	18.8%	15.9%	16.8%
City of Sausalito	6.6%	9.7%	6.9%	10.8%	12.3%
County of Marin	7.9%	6.9%	8.1%	15.2%	10.5%
Town of Corte Madera	7.7%	7.8%	8.5%	8.4%	11.0%
Town of Fairfax*	N/A	13.9%	9.8%	10.5%	9.8%
Town of Ross	14.5%	2.2%	3.9%	7.2%	13.0%
Town of San Anselmo	2.4%	1.9%	2.5%	4.3%	7.2%
Town of Tiburon	6.6%	3.8%	4.1%	4.7%	5.8%
<b>Total</b>	<b>8.8%</b>	<b>7.9%</b>	<b>8.9%</b>	<b>13.6%</b>	<b>10.7%</b>

■ < 5%   ■ 5% - 10%   ■ 10% - 15%   ■ > 15%

In FY 2016, the City of San Rafael and the Town of Ross had the highest contribution percentages, 19.2% and 14.5% respectively. The City of San Rafael’s contribution rate has been consistently high for the last five years. MCERA, San Rafael’s pension administrator, projects that contributions will remain high with only a slight decline over the next 15 years.<sup>29</sup>

In contrast, the Town of Ross had a relatively low contribution percentage through FY 2014 & FY 2015. The contribution rate would have remained low in FY 2016 but for a \$1 million voluntary contribution to pay down its NPL. Nevertheless, the Town’s pension administrator (CalPERS), projects that pension contributions will rise sharply from FY 2014/FY 2015 levels over the next five years.<sup>30</sup>

<sup>29</sup> “Actuarial Valuation Report as of June 30, 2016.” *Marin County Employees’ Retirement Association*. p.15.

<sup>30</sup> “Annual Valuation Report as of June 30, 2015.” California Public Employees’ Retirement System. Reports for Town of Ross - Miscellaneous Plan, Town of Ross - Miscellaneous Second Tier Plan, Town of Ross - PEPRM Miscellaneous Plan & Town of Ross - Safety Plan

Although Fairfax has not yet produced an audit report for FY 2016, we expect its required contributions will experience an increase over the next four to five years after which they are projected to decline somewhat over the following decade.<sup>31</sup>

Belvedere and San Anselmo had the lowest contribution percentages of 4.2% and 2.4% respectively.

Examining NPL as a percentage of cash (see Appendix E), Tiburon and Ross were in the best position, with Tiburon having 25.2% of NPL to cash and Ross having 33.7% of NPL to cash. The Grand Jury recommends that cash-rich agencies evaluate their reserve policies and discuss whether a contribution to pay down the NPL (as Ross did in FY 2016), should be prioritized. Conversely, San Rafael and Fairfax (based on FY 2015) are also in the worst position based on our balance sheet metric with a NPL that is more than double both municipalities' respective cash positions.

The County is in a strong financial position, spending 7.9% of its revenues on pension contributions. The County of Marin's balance sheet has assets of nearly \$2 billion, yearly revenues of over \$600 million and cash of over \$400 million. When viewed in the context of its ample financial resources, the County does not currently appear to be financially strained by its pension obligations. Furthermore, the county's significant assets and ample cash cushion should protect it from further pressure caused by increasing pension contributions. In 2013, the County made a significant extra contribution (\$30 million) to pay down its NPL and could do the same in future years to offset increasing contribution requirements from MCERA.

### **Special Districts**

The Special Districts illustrate the stark differences among agencies. The safety districts (police and fire), out of all the agencies, spent the highest percentage of their revenues on pension contributions. The primary reason that safety agencies have high pension expenses relative to other agencies is that they are inherently labor intensive, with some of the most highly compensated public employees with the highest pension benefits (in terms of percentage of compensation for each year of service) and the earliest retirement ages. Other than some equipment, such as a fire engine, the bulk of the revenues are spent on employee compensation and benefits.

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<sup>31</sup> ["Annual Valuation Report as of June 30, 2015."](#) California Public Employees' Retirement System. Reports for Town of Fairfax - Miscellaneous First Tier Plan, Town of Fairfax - Miscellaneous Second Tier Plan, Town of Fairfax - PEPR Miscellaneous Plan, Town of Fairfax - PEPR Safety Plan, Town of Fairfax - Safety First Tier Plan & Town of Fairfax - Safety Second Tier Plan

Safety District	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Central Marin Police Authority*	N/A	13.4%	20.1%	17.7%	16.8%
Kentfield Fire Protection District	19.0%	16.7%	14.7%	16.9%	17.5%
Novato Fire Protection District	17.4%	18.2%	17.5%	18.1%	19.1%
Ross Valley Fire Department	11.7%	10.9%	9.1%	16.3%	61.8%
Southern Marin Fire Protection District	13.9%	5.4%	12.6%	13.8%	13.9%
Tiburon Fire Protection District	20.5%	31.0%	14.2%	14.2%	15.8%
<b>Total</b>	<b>16.2%</b>	<b>15.2%</b>	<b>15.5%</b>	<b>16.5%</b>	<b>22.2%</b>

■ < 5%   ■ 5% - 10%   ■ 10% - 15%   ■ > 15%

The highest pension to revenue rates were in the Tiburon, Kentfield and Novato fire districts, which each spent more than 17% of their revenues on pension payments in FY 2016. Using the metric of NPL to cash on the balance sheet, the Ross Valley Fire Department had the highest ratio of nearly 600% (see Appendix E). However, Ross Valley Fire spent only 11.7% of its revenues on pension contributions in 2016.

The ratios for Tiburon Fire in FY 2015 and FY 2016 are inflated by the voluntary contributions it made, totaling approximately \$2 million over those two years.

Sanitary districts as a group appeared to be in the best financial condition based on both balance sheet and income statement data. Sanitary districts tend to have few employees and own significant assets that require capital investments to maintain. A capital-intensive business requires cash, but not many employees. Consequently, their pension plans appear not to be a financial burden on the agencies.

Utility District	FY2016	FY2015	FY2014	FY2013	FY2012
Central Marin Sanitation Agency	5.5%	13.0%	16.6%	7.6%	7.4%
Las Gallinas Valley Sanitary District	2.3%	2.3%	2.3%	3.6%	3.5%
Marin Municipal Water District	9.2%	7.5%	6.5%	5.7%	6.4%
Marin/Sonoma Mosquito & Vector Control	11.2%	10.2%	11.0%	11.2%	24.0%
Marinwood Community Services District	5.5%	5.2%	8.0%	8.7%	10.7%
North Marin Water District	4.6%	3.6%	3.9%	8.6%	6.5%
Novato Sanitary District	1.5%	0.9%	1.4%	1.8%	1.3%
Richardson Bay Sanitary District	2.6%	2.4%	3.2%	2.3%	2.3%
Ross Valley Sanitary District	2.3%	2.0%	3.8%	3.8%	3.2%
Sanitary District # 5 Tiburon-Belvedere	28.4%	25.3%	2.9%	3.5%	4.9%
Sausalito Marin City Sanitation District	3.3%	4.0%	3.4%	2.4%	5.0%
Tamalpais Community Services District	5.9%	5.9%	6.4%	5.8%	5.1%
<b>Total</b>	<b>6.5%</b>	<b>6.4%</b>	<b>6.0%</b>	<b>5.5%</b>	<b>6.1%</b>

■ < 5% ■ 5% - 10% ■ 10% - 15% ■ > 15%

Sanitary District #5 had a very high level of pension contributions at over 25% for each of the two most recent years. However, this is the result of large voluntary contributions. Further, the district had cash equal to three times its NPL. The Novato Sanitary District stood out as being in particularly good financial condition in that it spends less than 2% of its revenues on pension contributions and has a NPL that is 18% of its cash position.

The real question for Marin County taxpayers is not whether we are in dire straits because of pensions — for now, most of the agencies appear to be able to meet their pension obligations — but which services are going to be squeezed, which roads aren't going to be paved, which buildings aren't going to be updated because of growing pension contribution requirements. Alternatively, how many more parcel taxes, sales tax increases and fee hikes will be required because pension contributions continue to spiral upwards? In the next section, we will discuss possible alternatives to the current system of retiree pay.

### The Exit Doors Are Locked

In 2011, Governor Jerry Brown announced a 12-point plan for pension reform. This plan included raising the retirement age for new employees, increasing employee contribution rates, eliminating “spiking” (where an employee uses special bonuses, unused vacation time and other pay perquisites to increase artificially the compensation used to calculate their future retirement benefit) and prohibiting retroactive pension increases. Most of these proposals were incorporated

into the Public Employees Pension Reform Act of 2013 (PEPRA).<sup>32</sup> One that was not was Governor Brown's proposal for "hybrid" plans for new employees.

The hybrid proposal consisted of three components:

1. New employees would be offered pensions but with reduced benefits requiring lower contributions by both employer and employee.
2. New employees would also be offered defined contribution plans.
3. Most new employees would be eligible for Social Security. (Currently, employees not eligible for CalPERS or CalSTRS -- generally, part-time, seasonal and temporary employees -- are covered by Social Security.)

The Governor's proposal was for each of these three components to make up approximately equal parts of retirement income. (For those not eligible for Social Security, the pension would provide two-thirds and the defined contribution plan one-third.)

It may be helpful at this point to pause and define our terms. A traditional pension — like the plans covering public employees in Marin — is a *defined benefit* (DB) plan. Under a DB plan, the employee is eligible for a pension that pays a defined amount, typically a formula based on retirement age, years of service and average compensation. Because the benefit is defined, the contributions by employer and employee will be uncertain; they, along with the investment returns on the contributed assets, must be sufficient to fund the defined benefit.

Under a *defined contribution* (DC) plan, such as a 401(k), both employer and employee make an annual contribution. Typically, the employee chooses a portion of pre-tax salary that is contributed to the plan and the employer matches a percentage of the employee's contribution. The funds are placed in an investment account and the employee chooses how the funds are invested (usually from a range of choices established by the employer). What is undefined is the value of the account at the time the employee retires as this depends upon the total of contributions and the rates of return over the life of the account. By law, 401(k) plans are "portable"; they permit the employee to move the account to an Individual Retirement Account (IRA) should he/she change employers.

The primary difference between DB and DC plans is who assumes the risk of lower investment returns and greater longevity. In a DB plan, it is the employer; in a DC plan, it is the employee. Furthermore, a DB plan poses some risk to the employee: If the employer does not make the required contributions, the pension administrator will be required to reduce pension benefits to the retirees of the employer. In November 2016, CalPERS announced that it would cut benefits for the first time in its history. Loyaltan, California was declared in default by CalPERS after failing to make required contributions towards its pension plans. The CalPERS board voted to

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<sup>32</sup> "[Twelve Point Pension Reform Plan](#)." *Governor of the State of California*. 27 Oct. 2011.

reduce benefits to Loyalton retirees.<sup>33</sup> More recently, in March of 2017, CalPERS voted again to cut benefits for retirees of the East San Gabriel Valley Human Services Agency when it began missing required payments in 2015.<sup>34</sup>

Over the past several decades, private industry in the US has moved decidedly toward DC and away from DB. In 1980, 83% of employees in private industry were eligible for a DB plan (either alone or in combination with a DC plan).<sup>35</sup> By March 2016, the Bureau of Labor Statistics reported that among workers in private industry, 62% had access to a DC plan while only 18% had access to a DB plan. This compares with workers in state and local government, where 85% had access to DB plans and 33% to DC plans (some workers are eligible for both).<sup>36</sup>

Eliminating the risk of an underfunded plan is the primary reason that private employers have been moving away from DB plans, but there are several others. In a traditional DB plan, the employer is responsible for managing the assets held in trust for future retirees. This leads to costs for both investment management and oversight of their fiduciary duties. In addition, as the economy has shifted from manufacturing toward service and high technology, new firms have sprung up that did not have unionized work forces or legacy DB plans and chose the simplicity and lack of risk of DC. The shift from DB to DC may also reflect the preference of younger employees for the portability and transparency of DC.<sup>37</sup>

In public employment, which has fewer competitive pressures and a higher percentage of workers represented by unions, these same trends have not occurred, leaving more DB plans in place.

Under PEPRRA, new employees hired after January 1, 2013 are still eligible for DB plans, but at a lower percentage of average compensation and a later retirement age (generally two years later). These important steps reduced the annual cost of employee pensions but still leave the employer with the administrative cost and fiduciary duty. While PEPRRA prohibits retroactive increases, which prevents the state from making the same mistake it made in the late 1990's, investment performance that is significantly below target could again produce a large unfunded liability.

It is argued by some<sup>38</sup> that everyone would benefit from a more secure retirement; rather than taking DB plans away from public employees, they should be made available to all workers.

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<sup>33</sup> [“CalPERS Finds the City of Loyalton in Default for Non-Payment of Pension Obligation.”](#) *CalPERS.ca.gov* 16 November, 2016.

<sup>34</sup> Dang, Sheila [“CalPERS Cuts Pension Benefits for East San Gabriel Valley Human Services.”](#) *Institutionalinvestor.com* 16 March, 2017.

<sup>35</sup> [“Pensions: 1980 vs. Today.”](#) *New York Times*, 3 Sep. 2009

<sup>36</sup> [“National Compensation Survey.”](#) *Bureau of Labor Statistics*, March 2016

<sup>37</sup> Barbara A. Butrica and Howard M. Iams and Karen E. Smith & Eric J. Toder. [“The Disappearing Defined Benefit Pension and Its Potential Impact on the Retirement Incomes of Baby Boomers.”](#) *Social Security Bulletin*, Vol. 69, No. 3, 2009

<sup>38</sup> Aaronson, Mel and March, Sandra and Romain, Mona. [“Everyone Should Have a Defined-Benefit Pension.”](#) *New York Teacher*. 17 Feb. 2011.

While this argument has some appeal, it ignores the fact that US commerce has adopted DC plans as the de facto standard. Further, as DB plans for public employees exhibit significant unfunded liabilities, it stands to reason that DB programs for private employees with comparable benefits would suffer the same financial difficulties.

It is easy to understand why taxpayers, who have to manage the risks of their own retirements using DC plans, would object to guaranteeing the retirement income of public employees with DB plans. In a February 2015 nationwide poll, 67% of respondents favored requiring new public employees to have DC instead of DB plans.<sup>39</sup> A California poll in September 2015 put that number at 70%.<sup>40</sup>

As noted above, the changes to state retirement law under PEPRA did not make DC or hybrid plans an option for public employees. While existing DC plans were grandfathered by PEPRA, any agency proposing to offer a new DC or hybrid plan in place of an existing DB plan would face a series of hurdles:

- According to the County Employees Retirement Law of 1937, the County of Marin would require specific legislative approval to amend the law to allow the introduction of a DC or hybrid DC/DB plan.
- For other public agencies, PEPRA did not create any approved DC or hybrid models; although neither did it explicitly prohibit them. Any changes by agencies that are participants in CalPERS would require approval of the CalPERS board. It appears likely that CalPERS would disapprove such a request under PEPRA section 20502, as an impermissible exclusion of a class of employees. (Some differentiations — by job classification, for example — are permissible.)

In addition, negotiations with the relevant collective bargaining unit would need to take place, a requirement that is made explicit in PEPRA section 20469.

An additional obstacle is termination fees. If a CalPERS participating agency chooses to terminate its DB plan, it must make a payment to CalPERS to satisfy any unfunded liability. This fee would be calculated by discounting the liability using a risk-free rate (see Glossary for definition), which might be four to five percentage points lower than the rate normally used to calculate the NPL.

The actual calculation of the termination liability is done at the time of the termination, but in its annual actuarial valuation reports CalPERS provides two estimates intended to describe the range in which the liability is likely to fall. While CalPERS has used a 7.50% discount rate to calculate NPL for active plans, it uses a combination of the yields on 10-year and 30-year

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<sup>39</sup> [“Pension Poll 2015 Topline Result,”](#) *Reason-Rupe Public Opinion Survey*, 6 February 2015

<sup>40</sup> [“Californians and Their Government,”](#) *Public Policy Institute of California Statewide Survey*, September 2015

Treasury securities — which respectively yield 2.19% and 3.02% as this report is written — to calculate the termination liability. In its most recent actuarial reports, it provided estimates of agencies' termination liability using discount rates of 2.00% and 3.25%. To illustrate, at June 30, 2015 (reports for fiscal 2016 were not yet available as this was written), the City of Larkspur had a NPL of just over \$9 million, but Larkspur's termination liability was estimated at between \$46.8 million and \$64.1 million, or between five and seven times its NPL. This range is very typical.

Here, again, we should define our terms. When a pension plan is terminated, the claims of all eligible participants are satisfied, either through a lump-sum payment or through the purchase by the plan of annuities that pay all benefits to which the participants are entitled. The plan is then liquidated; no further benefits accrue to employees and retirees and no further contributions are required from the employer.

A pension plan freeze is different from a termination. A plan can be frozen in a variety of ways. A plan might terminate all future activity so that any benefits earned prior to the freeze are still due but no further benefits are earned by any employees. Alternatively, a pension plan might choose to keep all terms in place — including benefit accruals for future service and required future contributions — for existing employees and retirees but enroll all new hires in DC plans. Other variations are possible.

Currently, CalPERS does not distinguish between a termination and a freeze. If an employer were to propose converting new employees to a DC plan, CalPERS would treat it as a termination because it is impermissible for a CalPERS plan to differentiate between groups of employees on the basis of when they were hired.

Absent legislative action, an agency that wanted to freeze its current DB plan and make all new employees eligible for a DC-only or hybrid plan would make an application to CalPERS. The CalPERS board would conclude that excluding employees from the existing DB plan on this basis was impermissible and declare the plan terminated, triggering the imposition of a fee five to seven times the amount of the NPL. For an agency that wishes to take better control of its financial position, this would be a counter-productive endeavor.

## CONCLUSION

The net pension liability of Marin's public agencies cannot be made to disappear. It represents benefits earned over several decades by public employees and constitutes a legal and ethical obligation. Some progress has been made to reduce growing liabilities (such as PEPRA's anti-spiking provisions, which are the subject of a lawsuit currently under appeal at the state Supreme Court).<sup>41</sup> However, the vast bulk of this liability will need to be paid.

The recommendations proposed by the Grand Jury are intended to achieve three objectives:

1. Avoid further increasing the pension liabilities of Marin's public agencies by shifting from DB to DC-only and/or hybrid retirement plans.
2. Increase the rigor and extend the planning horizon of fiscal management by Marin's public agencies.
3. Improve the depth and quality of information provided to the public.

In the course of its investigation, the Grand Jury found two models that may help achieve these objectives, one from right next door and one from across the country.

In September 2015, Sonoma County empanelled the Independent Citizens Advisory Committee on Pension Matters consisting of seven members, "none of whom are members or beneficiaries of the County pension system."<sup>42</sup> The panel conducted an investigation and published in June 2016 a comprehensive and highly readable report with recommendations for containing pension costs, public reporting and improving fiscal management.<sup>43</sup>

In 2012, New York State Office of the State Controller introduced a Fiscal Monitoring System, which is intended to be an early-warning system for financial stress among the state's municipalities and school districts. It takes financial data from reports filed by the agencies and economic and demographic data to produce scores to identify fiscal stress. The OSC also offers advisory services to assist those agencies in developing plans to alleviate their financial stress.<sup>44</sup>

We believe that these two models could be helpful as Marin's public agencies come to terms with the fiscal realities of the years ahead.

One final point: As bad as this report may make things look, they will almost certainly look worse in the next few years because of the lowering of discount rates by pension administrators. We believe that these actions by CalPERS, CalSTRS and MCERA are well founded and prudent, but they will result in increases to the NPLs of every agency, necessitating higher payments in

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<sup>41</sup> *Marin Association of Public Employees v. Marin County Employees Retirement Association*

<sup>42</sup> "[Independent Citizens's Advisory Committee on Pension Matters](#)," *County of Sonoma*.

<sup>43</sup> "Report of Independent Citizens Advisory Committee on Pension Matters," *County of Sonoma*. June 2016.

<sup>44</sup> "Three Years of the Fiscal Stress Monitoring System," New York State Office of the State Controller, September 2015

the near term to amortize the higher NPLs. The result will be that budgets, already under pressure, will be squeezed further.

## **FINDINGS**

- F1. All of the agencies investigated in this report had pension liabilities in excess of pension assets as of FY 2016.
- F2. A prolonged period of declining global investment returns has led pension plan assets to underperform their targeted expected returns.
- F3. MCERA, CalPERS and CalSTRS have lowered their discount rates, which will result in significantly higher required contributions by Marin County agencies in the next few years.
- F4. If pension plan administrators discounted net pension liabilities according to accounting rules used for the private sector, increases in required contributions would be vastly larger than those required by the recent lowering of discount rates.
- F5. Most Marin County school districts have a negative net position due in part to the addition of net pension liabilities to their balance sheets.
- F6. The required contributions of Marin school districts to CalSTRS and CalPERS will nearly double within the next five to six years due to legislatively (CalSTRS) and administratively (CalPERS) mandated contribution increases.
- F7. Pension contribution increases will strain Marin County agency budgets, requiring either cutbacks in services, new sources of revenue or both.
- F8. The private sector has largely moved away from defined benefit plans primarily due to the risk of underfunding, offering instead defined contribution plans to its employees.
- F9. Taxpayers bear most of the risk of Marin County employee pension plan assets underperforming their expected targets.
- F10. Retirees' pension benefits would be reduced if an agency was unable to meet its contribution obligations.

## **RECOMMENDATIONS**

- R1. The Marin Board of Supervisors should empanel a commission to investigate methods to reduce pension debt and to find ways to keep the public informed. The panel should be comprised of Marin citizens with no financial interest in any public employee pension plan and should be allowed to engage legal and actuarial consultants to develop and propose alternatives to the current system.
- R2. CalSTRS and MCERA should provide actuarial calculations based on the risk-free rate as CalPERS does in its termination calculations.
- R3. Agencies should publish long-term budgets (i.e., covering at least five years), update them at least every other year and report what percent of total revenue they anticipate spending on pension contributions.
- R4. Each agency should provide 10 years of audited financial statements and summary pension data for the same period (or links to them) on the financial page of its public website.
- R5. For the purposes of transparency, MCERA, CalSTRS and CalPERS should publish an actuarial analysis of the effect of Cost of Living Allowances (COLA) on unfunded pension liabilities on an annual basis.
- R6. Elected state officials should support legislation to permit public agencies to offer defined contribution plans for new employees.
- R7. Elected state officials should support legislation to implement a statewide financial economic health oversight committee of all public entities similar to that implemented in NY.
- R8. Public agencies and public employee unions should begin to explore how introduction of defined contribution programs can reduce unfunded liabilities for public pensions.

## **REQUEST FOR RESPONSES**

Pursuant to Penal code section 933.05, the grand jury requests responses as follows:

From the following governing bodies:

- Bolinas-Stinson Union School District (R3, R4, R8)
- Central Marin Police Authority (R3, R4, R8)
- Central Marin Sanitation Agency (R3, R4, R8)
- City of Belvedere (R3, R4, R8)
- City of Larkspur (R3, R4, R8)
- City of Mill Valley (R3, R4, R8)
- City of Novato (R3, R4, R8)
- City of San Rafael (R3, R4, R8)
- City of Sausalito (R3, R4, R8)

- Marin Community College District (R3, R4, R8)
- Dixie Elementary School District (R3, R4, R8)
- Kentfield Fire Protection District (R3, R4, R8)
- Kentfield School District (R3, R4, R5, R8)
- Larkspur-Corte Madera School District (R3, R4, R8)
- Las Gallinas Valley Sanitary District (R3, R4, R8)
- Marin County (R1, R3, R4, R8)
- MCERA (R2, R5, R8)
- Marin County Office of Education (R3, R4, R8)
- Marin Municipal Water District (R3, R4, R8)
- Marin/Sonoma Mosquito & Vector Control (R3, R4, R8)
- Marinwood Community Services District (R3, R4, R8)
- Mill Valley School District (R3, R4, R8)
- North Marin Water District (R3, R4, R8)
- Novato Fire Protection District (R3, R4, R8)
- Novato Sanitary District (R3, R4, R8)
- Novato Unified School District (R3, R4, R8)
- Reed Union School District (R3, R4, R8)
- Richardson Bay Sanitary District (R3, R4, R8)
- Ross School District (R3, R4, R8)
- Ross Valley Fire Department (R3, R4, R8)
- Ross Valley Sanitary District (R3, R4, R8)
- Ross Valley School District (R3, R4, R8)
- San Rafael City Schools - Elementary (R3, R4, R8)
- San Rafael City Schools - Secondary (R3, R4, R8)
- Sanitary District # 5 (R3, R4, R8)
- Sausalito Marin City Sanitation District (R3, R4, R8)
- Sausalito Marin City School District (R3, R4, R8)
- Shoreline Unified School District (R3, R4, R8)
- Southern Marin Fire Protection District (R3, R4, R8)
- Tamalpais Community Services District (R3, R4, R8)
- Tamalpais Union High School District (R3, R4, R8)
- Tiburon Fire Protection District (R3, R4, R8)
- Town of Corte Madera (R3, R4, R8)
- Town of Fairfax (R3, R4, R8)
- Town of Ross (R3, R4, R8)
- Town of San Anselmo (R3, R4, R8)
- Town of Tiburon (R3, R4, R8)

The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted in accordance with Penal Code section 933 (c) and subject to the notice, agenda and open meeting requirements of the Brown Act.

The following individuals are invited to respond:

- California State Assemblymember Marc Levine (R6, R7)
- California State Senator Mike McGuire (R6, R7)
- California Governor Edmund G. Brown, Jr. (R6, R7)
- CalPERS Chief Executive Officer Marcie Frost (R5, R8)
- CalSTRS Chief Executive Officer Jack Ehnes (R2, R5, R8)

Note: At the time this report was prepared information was available at the websites listed.

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Civil Grand Jury. The California State Legislature has stated that it intends the provisions of Penal Code Section 929 prohibiting disclosure of witness identities to encourage full candor in testimony in Grand Jury investigations by protecting the privacy and confidentiality of those who participate in any Civil Grand Jury investigation.

## GLOSSARY

**401(k):** A retirement savings plan sponsored by an employer. A 401(k) allows workers to save and invest a piece of their paycheck before taxes are deducted. Taxes aren't paid until the amounts are withdrawn.<sup>45</sup>

**Actuary:** A professional specially trained in mathematics and statistics that gathers and analyzes data and estimate the probabilities of various risks, typically for insurance companies.<sup>46</sup>

**California Bill SB 400:** A California statute<sup>47</sup> passed by the legislature and signed by then Governor Grey Davis in 1999 retroactively raising the pension benefits for public employees.

**California Public Employees' Retirement System (CalPERS):** An agency in the California executive branch that serves more than 1.7 million members in its retirement system and administers benefits for nearly 1.4 million members and their families in its health program.<sup>48</sup>

**California State Teachers' Retirement System:** A pension fund in California established in 1913 to manage the retirement benefits of public school educators.

**Cost of Living Allowance (COLA):** An annual increase in pension benefits granted to retirees, typically based upon the rate of inflation in a specific geographic area.

**Comprehensive Annual Financial Report (CAFR):** A report issued by a government entity that includes the entity's audited financial statements for the fiscal year as well as other information about the entity. The report must meet accounting standards established by the Governmental Accounting Standards Board (GASB).<sup>49</sup> Audited financial reports may be referred to as "audit reports" or "financial statements" by various public agencies.

**Defined Benefit (DB):** A type of retirement plan in which an employer/sponsor promises a specified payments (or payments) on retirement that is predetermined by a formula based on factors including an employee's earnings history, tenure of service and age.<sup>50</sup>

**Defined Contribution (DC):** A type of retirement plan in which the employer, employee or both contribute on a regular basis into an account where the funds may be invested. At retirement, the employee receives a benefit whose size depends on the accumulated value of the funds in the retirement account.<sup>51</sup>

**Discount Rate:** The interest rate used in present value calculations.

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<sup>45</sup> "[What is a 401\(k\)?](#)" *WSJ.com*. Accessed 25 March 2017.

<sup>46</sup> Bodie, Zvi and Merton, Robert C. *Finance*. Upper Saddle River. Prentice-Hall Inc. 1998. Pg. 223

<sup>47</sup> [Senate Bill No. 400](#), *California Law*

<sup>48</sup> "[CalPERS Story](#)." *CalPERS*. Accessed March 2017.

<sup>49</sup> "[Comprehensive Annual Financial Report \(CAFR\)](#)." *Municipal Securities Rulemaking Board*.

<sup>50</sup> Bodie, Zvi and Merton, Robert C. *Finance*. Upper Saddle River. Prentice-Hall Inc. 1998. Pg. 50.

<sup>51</sup> *Ibid*.

**Financial Accounting Standards Board (FASB):** “Established in 1973, the Financial Accounting Standards Board (FASB) is the independent, private-sector, not-for-profit organization based in Norwalk, Connecticut, that establishes financial accounting and reporting standards for public and private companies and not-for-profit organizations that follow Generally Accepted Accounting Principles (GAAP).”<sup>52</sup>

**Fiduciary Duty:** A legal obligation of one party to act in the best interest of another. Typically, a fiduciary is entrusted with the care of money or other asset for another person.<sup>53</sup>

**Fiscal Year (FY):** A term of one year, typically beginning on the 1st day of July extending through the last day of June.

**Governmental Accounting Standards Board (GASB):** “The independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments. Established in 1984 by agreement of the Financial Accounting Foundation (FAF) and ten national associations of state and local government officials, the GASB is recognized by governments, the accounting industry, and the capital markets as the official source of generally accepted accounting principles (GAAP) for state and local governments.”<sup>54</sup>

**Hybrid Plan:** A pension plan that contains both defined benefit and defined contribution options.

**Independent Retirement Account (IRA):** Retirement accounts that permit and encourage savings by individuals through the pre-tax investment of wages and salaries. Such investment accounts accumulate returns that are not taxed until withdrawals at a later date.

**Market Value of Assets (MVA):** The value of accumulated assets at the current value of individual assets as opposed to the original cost.

**Marin County Employees Retirement Association (MCERA):** A pension fund in Marin County, CA that manages the retirement assets and benefits of several municipalities and public agencies.

**Net Pension Liability (NPL):** The total pension obligation of an organization for its employees less the value of assets held to fund those benefits.

**Normal Cost:** The present value of future pension benefits earned during the current accounting period.

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<sup>52</sup> [About the FASB](#), Financial Accounting Standards Board.

<sup>53</sup> “[Fiduciary Duty](#)” *Businessdictionary.com*.

<sup>54</sup> “[FACTS about GASB](#).” *Governmental Accounting Standards Board*. 2012–2014.

**Present Value (PV):** The current worth of a future sum of money or stream of cash flows given a specified rate of return.<sup>55</sup>

**Public Employees Pension Reform Act of 2013 (PEPRA):** An act of State Legislature, which imposes certain limits on pension benefits for public employees hired after 2013.

**Quantitative Easing:** A monetary policy whereby a central bank, such as the Federal Reserve, creates money to fund the purchase of government securities - e.g. US Treasury Bonds - with the objective of stimulating the economy.

**Risk-Free Rate:** A discount rate considered to have no risk of default over time, typically a United States Treasury obligation backed by the full faith and credit of the United States.

**Sensitivity Analysis:** An analysis of the impact of different discount rates on unfunded liabilities. Typically, the discount rates used in the analysis are minus 1% and plus 1% of the stated discount rate of the liability.

**Termination Fee:** The fee levied by a pension fund against an agency for terminating the contract between the two parties. The fee amounts to the difference between the total liabilities calculated at the nominal discount rate versus the risk-free rate, typically a mix of 10-year and 30-year US Treasury bonds. The rationale for the fee is that as no additional contributions will be forthcoming from the agency to fund existing liabilities, a basket of securities without risk is required to prevent reductions of benefits.

**Time value of money:** The core principal of finance holds that money in hand today is worth more than the expectation of the same amount to be received in the future. First, money may be invested and earn interest, resulting in a larger amount in the future. Second, the purchasing power of money may decline over time due to inflation. Third, the receipt of money expected in the future is uncertain.<sup>56</sup>

**Total Pension Liability:** The total obligation of an agency to fund pension benefits for active and retired employees.

**Unfunded Actuarial Accrued Liability (UAAL):** The excess of the Actuarial Accrued Liability (AAL) over the actuarial value of assets.<sup>57</sup>

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<sup>55</sup> Bodie, Zvi and Merton, Robert C. *Finance*. Upper Saddle River. Prentice-Hall Inc. 1998. Pg. 89.

<sup>56</sup> Bodie, Zvi and Merton, Robert C. *Finance*. Upper Saddle River. Prentice-Hall Inc. 1998. Pg. 82.

<sup>57</sup> [“Other Postemployment Benefits: A Plain-Language Summary of GASB Statements No. 43 and No. 45.”](#) *Governmental Accounting Standards Board*.

## Appendix A: Public Sector Agencies

The table below contains the list of public agencies, school districts and municipalities investigated in this report, the corresponding pension fund(s) for each and the source of audited financial statements used in this report.

For each agency, the five fiscal years from 2012 through 2016 were examined. All agencies reviewed in this report use the calendar dates of July 1 through June 30 for the fiscal year. (Note: San Rafael City Schools is a single district, but it produces separate financial statements for the elementary schools and the high schools. This report presents them separately.)

Municipality	Pension Funds	Audit Reports
County of Marin	MCERA	Comprehensive Annual Financial Report <a href="http://www.marincounty.org">www.marincounty.org</a>
City of Belvedere	CalPERS	Audited Financial Report <a href="http://www.ci.belb">www.ci.belb</a>
City of Larkspur*	CalPERS	Audited Financial Report <a href="http://www.ci.larkspur.ca.us">www.ci.larkspur.ca.us</a>
City of Mill Valley	CalPERS	Audited Financial Report <a href="http://www.cityofmillvalley.org">www.cityofmillvalley.org</a>
City of Novato	CalPERS	Comprehensive Annual Financial Report <a href="http://www.novato.org">www.novato.org</a>
City of San Rafael	MCERA	Comprehensive Annual Financial Report <a href="http://www.cityofsanrafael.org">www.cityofsanrafael.org</a>
City of Sausalito	CalPERS	Comprehensive Annual Financial Report <a href="http://www.ci.sausalito.ca.us">www.ci.sausalito.ca.us</a>
Town of Corte Madera	CalPERS	Comprehensive Annual Financial Report <a href="http://www.ci.corte-madera.ca.us">www.ci.corte-madera.ca.us</a>
Town of Fairfax*	CalPERS	Basic Financial Statements and Independent Auditor's Report <a href="http://www.town-of-fairfax.org">www.town-of-fairfax.org</a>
Town of Ross	CalPERS	Financial Report <a href="http://www.townofross.org">www.townofross.org</a>
Town of San Anselmo	CalPERS	Annual Financial Report <a href="http://www.townofsananselmo.org">www.townofsananselmo.org</a>
Town of Tiburon	CalPERS	Annual Financial Report <a href="http://www.townoftiburon.org">www.townoftiburon.org</a>

**Appendix A: Public Sector Agencies (cont'd)**

School District	Pension Funds	Audit Reports
Bolinas-Stinson Union School District	CalSTRS CalPERS	Audit Report July 1, 2012 - June 30, 2016 <a href="http://www.bolinas-stinson.org">www.bolinas-stinson.org</a>
College of Marin	CalSTRS CalPERS	Financial Statements <a href="http://www.marin.edu">www.marin.edu</a>
Dixie Elementary School District	CalSTRS CalPERS	Audit Report <a href="http://www.dixieschool.com">www.dixieschool.com</a>
Kentfield School District	CalSTRS CalPERS	Audit Report <a href="http://www.kentfieldschools.org/pages/Kentfield_School_District">http://www.kentfieldschools.org/pages/Kentfield_School_District</a>
Larkspur-Corte Madera School District	CalSTRS CalPERS	Audit Report <a href="http://www.lcmschools.org">www.lcmschools.org</a>
Marin County Office of Education	CalSTRS CalPERS	Audit Report <a href="http://www.marinschools.org">www.marinschools.org</a>
Mill Valley School District	CalSTRS CalPERS	Audit Report <a href="http://www.mvschools.org">www.mvschools.org</a>
Novato Unified School District	CalSTRS CalPERS	Audit Report <a href="http://www.nusd.org">www.nusd.org</a>
Reed Union School District	CalSTRS CalPERS	Audit Report <a href="http://www.reedschools.org">www.reedschools.org</a>
Ross School District	CalSTRS CalPERS	Audit Report <a href="http://www.rossbears.org">www.rossbears.org</a>
Ross Valley School District	CalSTRS CalPERS	Audit Report <a href="http://www.rossvalleyschools.org">www.rossvalleyschools.org</a>
San Rafael City Schools - Elementary	CalSTRS CalPERS	Audit Report <a href="http://www.srcs.org">www.srcs.org</a>
San Rafael City Schools - High School	CalSTRS CalPERS	Audit Report <a href="http://www.srcs.org">www.srcs.org</a>
Sausalito Marin City School District	CalSTRS CalPERS	Audit Report <a href="http://www.smcsd.org">www.smcsd.org</a>
Shoreline Unified School District	CalSTRS CalPERS	Annual Financial <a href="http://www.shorelineunified.org">www.shorelineunified.org</a>
Tamalpais Union High School District	CalSTRS CalPERS	Audit Report <a href="http://www.tamdistrict.org">www.tamdistrict.org</a>

*The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?*

<b>Safety District</b>	<b>Pension Funds</b>	<b>Audit Reports</b>
Central Marin Police Authority*	CalPERS	Twin Cities Police Authority (FY 2012) Financial Statements and Independent Auditor's Report <a href="http://centralmarinpolice.org">http://centralmarinpolice.org</a>
Kentfield Fire Protection District	CalPERS	Basic Financial Statements <a href="http://www.kentfieldfire.org">www.kentfieldfire.org</a>
Novato Fire Protection District	CalPERS	Independent Auditor's Report <a href="http://www.novato.org">www.novato.org</a>
Ross Valley Fire Department	CalPERS	Basic Financial Statements <a href="http://www.rossvalleyfire.org">www.rossvalleyfire.org</a>
Southern Marin Fire Protection District	MCERA	Basic Financial Statements <a href="http://southernmarinfire.org">southernmarinfire.org</a>
Tiburon Fire Protection District	CalPERS	Comprehensive Financial Report <a href="http://www.tiburonfire.org">www.tiburonfire.org</a>

<b>Utility District</b>	<b>Pension Funds</b>	<b>Audit Reports</b>
Central Marin Sanitation Agency	CalPERS	Financial Statements and Independent Auditor's Report <a href="http://www.cmsa.us">www.cmsa.us</a>
Las Gallinas Valley Sanitary District	CalPERS	Comprehensive Annual Financial Report <a href="http://www.lgvsd.org">www.lgvsd.org</a>
Marin Municipal Water District	CalPERS	Comprehensive Annual Financial Report <a href="http://www.marinwater.org">www.marinwater.org</a>
Marin/Sonoma Mosquito & Vector Control District	MCERA	Basic Financial Statements <a href="http://www.msosquito.com">www.msosquito.com</a>
Marinwood Community Services District	CalPERS	Basic Financial Statements <a href="http://www.marinwood.org">www.marinwood.org</a>
North Marin Water District	MCERA	Comprehensive Annual Financial Report <a href="http://www.nmwd.com">www.nmwd.com</a>
Novato Sanitary District	CalPERS	Comprehensive Annual Financial Report <a href="http://www.novatosan.com">www.novatosan.com</a>
Richardson Bay Sanitary District	CalPERS	Financial Statements <a href="http://www.richardsonbaysd.org">www.richardsonbaysd.org</a>
Ross Valley Sanitary District	CalPERS	Basic Financial Statements <a href="http://www.rvsd.org">www.rvsd.org</a>
Sanitary District # 5 Tiburon-Belvedere	CalPERS	Financial Statements <a href="http://www.sani5.org">www.sani5.org</a>
Sausalito Marin City Sanitation District	CalPERS	Financial Statements and Independent Auditor's Report <a href="http://www.sausalitomarincitysanitarydistrict.com">www.sausalitomarincitysanitarydistrict.com</a>
Tamalpais Community Services District	CalPERS	Financial Statements and Independent Auditor's Report <a href="http://www.tcsd.us">www.tcsd.us</a>

## **Appendix B: Methodology Detail**

The Grand Jury collected data from the sources described above: over 200 audited financial reports alone published by the entities (see Appendix A). Multiple jurors participated in the collection and review of all financial data items according to the process and methods described above.

The collected data were entered into spreadsheets to allow the Grand Jury to analyze relevant financial statistics. In order to assure a consistent interpretation of the financial data from these audited reports, and to ensure the correct transcription of the data to spreadsheets used for the analysis, multiple jurors participated in validation of each data item. In those cases where data was provided in separate portions of the report (i.e. a school district's CalPERS and CalSTRS pensions reported separately), the Grand Jury performed the appropriate summations to aid in our analysis.

In examining the audited financial reports of the public entities, the Grand Jury captured basic financial data from multiple fiscal years to determine the relative health of the entities with regard to pensions. Audited reports tend to have a similar structure, containing the following four major sections:

- The Independent Auditors Report
- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Notes to Financial Statements

Specific financial data was retrieved from these sections as follows:

### **Basic Financial Statements**

#### Total Revenue

Revenues are taken from the Statement of Revenues, Expenditures and Changes in Fund Balances using the Total Governmental Funds column. Revenue used in this investigation includes both operating revenue and non-operating revenue.

In some instances, non-operating revenue was stated net of interest expense. In those cases, the appropriate calculations were performed to reverse the reduction of non-operating revenue to provide a true total of revenue from all sources. Revenue totals were then reconciled with statistics provided in the Basic Financial Statements.

In the case of municipalities, which have diverse sources of revenue, we used revenue as stated in the MD&A section of the relevant audit report.

Total Expenses

Total Expenses came from the Statement of Activities. Expenses cited in this investigation include both operating expenses and non-operating expenses.

Financial data used in this investigation are derived primarily from balance sheets and statements of revenue and expenses.

In the case of municipalities, which have diverse expenses, we used expenses as stated in the MD&A section of the relevant audit report.

Total Assets

The total assets of each entity were collected. Total assets include both short-term assets, long-term assets and capital assets.

Cash Position

Cash positions were considered to include cash and cash equivalents, the standard method of reporting.

Net Position

Net position is the excess of total assets of an entity minus the total liabilities. In the instance where liabilities exceed assets, the net position is negative.

Net Pension Liability

The net pension liability is provided in the Notes section of the audit reports.

Net Pension Liability Sensitivity, +1%

The net pension liability sensitivity for +1% is provided in the Notes section of the audit reports.

Net Pension Liability Sensitivity, -1%

The net pension liability sensitivity for -1% is provided in the Notes section of the audit reports.

These statistics are provided in the Notes section of the audit report in compliance with GASB 68 requirements.

Pension contribution

The total contribution for pensions is included in the Notes section of the audit reports. The Grand Jury chose to use pension contributions, rather than pension expense (a new GASB 68 requirement) for comparison purposes with older financial reports.

Total pension contributions for municipalities were stated in at least three separate sections of the CAFR: as a contribution in the Notes section on pensions, in the table labeled "Contributions

subsequent to measurement date” and in the supplementary notes section. In most cases, the pension contribution was identical throughout the report. In some cases there were small differences among the values, and in one case (Town of Fairfax) there were material differences. In all of these cases the Grand Jury chose to use the “Contributions subsequent to measurement date” number and did not attempt to reconcile the differences.

The County of Marin changed its pension contribution reporting methodology in 2015 due to GASB 68. Prior to FY 2015, the County reported its pension contributions with a one-year lag. (For example, the FY 2014 report showed contributions for FY 2013). The result was that FY 2014 pension contributions were not included in either the FY 2014 or FY 2015 CAFR. Accordingly, the Grand Jury obtained FY 2014 pension contributions directly from the County Department of Finance. To address the one-year lag in reporting, the Grand Jury chose to use the contributions made in FY 2013 as provided by the Department of Finance rather than the number reported in the audit reports for FY 2012 & FY 2013.

An explanation of discount rates and present value calculations is presented as Appendix C, Discount Rate Primer.

## **Termination Statistics**

### Risk Free Liability of Termination

CalPERS provides to its participating agencies on an annual basis the one-time contribution required for the entity to terminate the pension plan. Under those circumstances, which are rare, CalPERS is no longer able to rely upon annual contributions by the entity to fund retirees and current employees.

CalPERS has determined under these circumstances that the discount rate for a termination must be “risk-free.” That is, CalPERS is not willing to assume the risk normally associated with investment of an entity’s assets in a balanced portfolio. Accordingly, CalPERS will price the termination discount rate using a combination of the 10-year and 30-year US Treasury obligations.

Neither CalSTRS nor MCERA provide a similar calculation.

## **Derived Statistics**

The Grand Jury created several statistics from the basic financial data to assist in the evaluation of pension liabilities.

### Pension Contributions as a Percentage of Revenue

### Net Pension Liability as a Percentage of Cash

Net Pension Liability as a Percentage of Assets

Fiscal Year 2015 to Fiscal Year 2016 % Change in Net Pension Liabilities

## Appendix C: Discount Rate Primer

### Calculating Present Value of an Annuity<sup>58</sup>

The calculation of the value of pension benefits offered to employees can be viewed simply as the present value of an annuity: how much should be paid for an investment at present to produce an expected payment stream in the future. The concept of present value is based on the idea that money has time value. For example, if an investor were offered \$1 today or \$1 in the future, the investor would choose the dollar today because it can be invested to earn interest and produce more than \$1 in the future. When determining how much should be paid today for an investment that is expected to produce income in the future, an adjustment, or discounting, must be applied to income received in the future to reflect the time value of money.

The calculation of present value (PV) for one time period is:

$$PV = FV \frac{1}{(1+i)^n}$$

Where:

FV = Future value

i = interest rate

n = number of years

Example: How much should an investor put into a savings account today, with a 5% expected return, in order to receive \$100 in a year?

$$PV = 100 \frac{1}{(1+.05)^1}$$
$$PV = 95.24$$

Answer: \$95.24

Expanding on this principle, the calculation of an annuity, which spans multiple years, follows:

$$PVA = R \frac{1}{(1+i)^1} + R \frac{1}{(1+i)^2} + R \frac{1}{(1+i)^3} \dots + R \frac{1}{(1+i)^n}$$

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<sup>58</sup> Brueggeman, William B. and Fisher, Jeffrey D. (2005) Real Estate Finance and Investments. New York, NY McGraw Hill.

Alternatively:

$$PVA = R \sum_{t=1}^n \frac{1}{(1+i)^t}$$

Where:

PVA = Present value of an annuity

R = payment

i = interest rate

n = number of years

Example: How much would an investor need to set aside today in order to receive \$100 a year for five years if the interest rate was 5%?

$$PVA = 100 \frac{1}{(1+.05)^1} + 100 \frac{1}{(1+.05)^2} + 100 \frac{1}{(1+.05)^3} + 100 \frac{1}{(1+.05)^4} + 100 \frac{1}{(1+.05)^5}$$

Answer: \$432.95

Example: If the interest rate was 10%?

Answer: \$379.08

This simple example illustrates how a higher discount rate results in a much lower required initial investment to meet a particular future need.

## **Appendix D: GASB Primer**

The Governmental Accounting Standards Board (GASB), founded in 1984, is an independent, nonprofit, non-governmental regulatory body charged with setting accounting and financial reporting standards for state and local governments. Prior to its founding, accounting standards for all types of enterprises were set by the Financial Accounting Standards Board (FASB).

In November 1994, GASB issued Statement 27, which established standards for accounting and financial reporting of pension benefits. Some of the key parts of GASB 27 were:

- The employer's expense for pensions was equal to the annual required contribution (ARC) as determined by the actuary in accordance with certain parameters, including the frequency of actuarial valuations and the methods and assumptions used.
- If the employer's actual contributions were different than the ARC, the accumulated difference plus interest was reported as the Net Pension Obligation in the employer's financial statements.
- Actuarial trend information was reported as Required Supplementary Information (RSI) to the financial statements, including note disclosures to the RSI.<sup>59</sup>

In June 2012, GASB 68 extensively amended GASB 27:

- Net Pension Liability on the Balance Sheet – Government employers that sponsor DB plans will now recognize a net pension liability [on their] balance sheet.
- New Discount Rate – The discount rate can continue to be the expected long-term rate of return on plan investments where current assets plus future contributions are projected to cover all future benefit payments. However, plans where current assets plus future contributions are projected not to cover all future benefit payments must use a municipal bond rate to discount the noncovered payments.
- More Variable Pension Expense – Pension expense will now be based on the net pension liability change between reporting dates, with some sources of the change recognized immediately in expense and others amortized over years. Service cost, interest on net pension liability, and expected investment earnings — as well as liability for any plan benefit change related to past service since the last reporting period — must also be expensed immediately.

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<sup>59</sup> Findlay, Gary. "GASB's Pension Accounting Standards: Déjà vu all over again.", *Pensions & Investments*, October 22, 2012

- Changes in actuarial assumptions and experience gains and losses must be amortized over a closed period equal to the average remaining service of active and inactive plan members (who have no future service) — a much shorter than typical period. Investment gains and losses must be recognized in pension expense over closed 5-year periods.
- Cost-sharing Employers (those in plans where assets are pooled and can be used to pay benefits of any employer in the pool) Report a Proportionate Liability – These employers will now report a net pension liability and pension expense equal to their proportionate share of the cost-sharing plan.
- More Extensive Disclosures and Required Supplementary Information – More extensive note disclosures are required, including types of benefits and covered employees, how plan contributions are determined, and assumptions/methods used to calculate the pension liability.<sup>60</sup>

GASB 68 was effective for fiscal years beginning after June 15, 2014, which means that FY 2014-2015 was the first year for which it was reflected in the financial statements of the agencies that are the subject of this report.

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<sup>60</sup> “GASB Approves New Pension Accounting Standards.”, *Bartel Associates, LLC*, August 5, 2012

## Appendix E: Public Agency Balance Sheet Data

FY 2016

Municipalities	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL% of Assets	NPL % of Cash
City of Belvedere	\$10,054,000	\$3,595,630	\$5,678,000	\$3,080,855	\$5,057,618	\$1,451,306	30.6%	85.7%
City of Larkspur*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City of Mill Valley	\$61,952,000	\$17,919,732	\$4,017,000	\$25,010,100	\$42,044,314	\$10,993,085	40.4%	139.6%
City of Novato	\$375,695,895	\$59,936,536	\$291,122,782	\$32,111,535	\$54,651,732	\$13,464,873	8.5%	53.6%
City of San Rafael	\$300,378,000	\$66,009,979	\$141,542,000	\$142,323,127	\$263,741,368	\$42,614,784	47.4%	215.6%
City of Sausalito	\$93,777,974	\$28,955,501	\$27,987,699	\$19,635,621	\$31,512,817	\$9,872,158	20.9%	67.8%
County of Marin	\$1,992,947,827	\$408,896,116	\$1,390,055,902	\$203,688,484	\$377,458,682	\$60,988,969	10.2%	49.8%
Town of Corte Madera	\$78,944,247	\$15,323,517	\$47,275,642	\$14,263,877	\$22,204,244	\$7,732,353	18.1%	93.1%
Town of Fairfax*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Town of Ross	\$19,557,803	\$10,528,331	\$13,434,401	\$3,548,143	\$5,793,448	\$1,701,623	18.1%	33.7%
Town of San Anselmo	\$29,217,215	\$6,606,250	\$10,925,168	\$5,299,442	\$8,601,144	\$2,573,504	18.1%	80.2%
Town of Tiburon	\$63,662,493	\$21,441,460	\$52,944,160	\$5,412,997	\$10,066,334	\$2,805,016	8.5%	25.2%
<b>Totals</b>	<b>\$3,026,187,454</b>	<b>\$639,213,052</b>	<b>\$1,984,982,754</b>	<b>\$454,374,181</b>	<b>\$821,131,701</b>	<b>\$154,197,671</b>	<b>15.0%</b>	<b>71.1%</b>

School Districts	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL% of Assets	NPL % of Cash
Bolinas-Stinson Union School District	\$4,810,121	\$2,828,769	\$1,406,313	\$3,039,017	\$4,710,035	\$1,649,952	63.2%	107.4%
Dixie Elementary School District	\$32,522,470	\$18,194,342	-\$11,279,305	\$18,296,623	\$28,111,026	\$10,138,805	56.3%	100.6%
Kentfield School District	\$36,650,017	\$16,899,110	-\$6,602,777	\$13,427,307	\$20,538,517	\$7,516,633	36.6%	79.5%
Larkspur-Corte Madera School District	\$63,370,037	\$6,262,719	-\$20,314,913	\$15,695,360	\$24,040,435	\$8,759,042	24.8%	250.6%
Marin Community College District	\$297,031,000	\$17,857,000	-\$5,569,000	\$45,723,000	\$74,506,000	\$24,466,000	15.4%	256.1%
Marin County Office of Education	\$71,319,233	\$44,767,583	\$39,274,235	\$21,263,747	\$33,325,302	\$11,236,462	29.8%	47.5%
Mill Valley School District	\$90,032,772	\$21,001,383	-\$22,426,359	\$33,102,435	\$50,864,259	\$18,356,989	36.8%	157.6%
Novato Unified School District	\$144,877,763	\$29,605,956	-\$7,019,803	\$60,585,951	\$93,087,454	\$33,570,412	41.8%	204.6%
Reed Union School District	\$52,162,124	\$10,224,426	-\$650,150	\$17,787,987	\$27,309,547	\$9,873,631	34.1%	174.0%
Ross School District	\$35,969,694	\$4,473,827	\$7,390,298	\$5,578,419	\$8,558,914	\$3,101,035	15.5%	124.7%
Ross Valley School District	\$64,424,216	\$18,159,492	-\$13,237,323	\$20,577,136	\$31,530,697	\$11,472,647	31.9%	113.3%
San Rafael City Schools - Elementary	\$123,144,010	\$50,000,124	-\$15,195,483	\$33,037,132	\$50,443,688	\$28,569,426	26.8%	66.1%
San Rafael City Schools - High School	\$109,218,754	\$54,037,304	-\$17,227,292	\$28,004,648	\$43,124,257	\$15,436,855	25.6%	51.8%
Sausalito Marin City School District	\$27,255,480	\$4,092,629	\$2,360,366	\$3,502,310	\$5,426,137	\$1,903,098	12.8%	85.6%
Shoreline Unified School District	\$22,411,328	\$7,043,760	-\$2,374,726	\$10,009,533	\$15,448,543	\$5,488,410	44.7%	142.1%
Tamalpais Union High School District	\$203,339,657	\$42,522,717	\$7,712,183	\$57,699,928	\$88,683,304	\$31,946,196	28.4%	135.7%
<b>Totals</b>	<b>\$1,378,538,676</b>	<b>\$347,971,141</b>	<b>-\$63,753,736</b>	<b>\$387,330,533</b>	<b>\$599,708,115</b>	<b>\$223,485,593</b>	<b>28.1%</b>	<b>111.3%</b>

**Appendix E: Public Agency Balance Sheet Data (cont'd)**

Special Districts Safety	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL % of Assets	NPL % of Cash
Central Marin Police Authority*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Kentfield Fire Protection District	\$9,789,704	\$3,507,855	\$2,947,286	\$4,310,797	\$7,233,383	\$1,913,867	44.0%	122.9%
Novato Fire Protection District	\$35,403,303	\$15,930,859	\$10,305,465	\$17,430,800	\$32,301,320	\$5,219,178	49.2%	109.4%
Ross Valley Fire Department	\$3,008,924	\$1,338,192	-\$6,955,625	\$7,800,931	\$13,770,507	\$2,905,473	259.3%	582.9%
Southern Marin Fire Protection District	\$13,349,870	\$9,102,154	\$7,896,367	\$6,033,143	\$11,180,122	\$1,806,460	45.2%	66.3%
Tiburon Fire Protection District	\$11,652,619	\$5,564,687	\$5,444,495	\$5,232,050	\$10,007,964	\$1,314,991	44.9%	94.0%
<b>Total</b>	<b>\$73,204,420</b>	<b>\$35,443,747</b>	<b>\$19,637,988</b>	<b>\$40,807,721</b>	<b>\$74,493,296</b>	<b>\$13,159,969</b>	<b>55.7%</b>	<b>115.1%</b>

Special Districts Utility	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL % of Assets	NPL % of Cash
Central Marin Sanitation Agency	\$106,391,299	\$14,974,538	\$45,625,458	\$6,643,602	\$11,141,784	\$2,929,830	6.2%	14.6%
Las Gallinas Valley Sanitary District	\$81,480,447	\$20,316,117	\$63,883,215	\$2,098,373	\$3,571,571	\$882,077	2.6%	10.3%
Marin Municipal Water District	\$460,030,200	\$16,947,252	\$243,058,604	\$69,753,895	\$96,972,537	\$47,010,300	15.2%	411.6%
Marin/Sonoma Mosquito & Vector Control District	\$19,472,738	\$11,634,371	\$8,780,059	\$4,135,340	\$7,663,272	\$1,238,215	21.2%	35.5%
Marinwood Community Services District	\$6,784,666	\$2,387,836	-\$470,389	\$3,322,116	\$5,238,798	\$1,624,470	49.0%	139.1%
North Marin Water District	\$136,897,391	\$5,411,426	\$92,672,784	\$8,619,837	\$14,579,649	\$3,833,847	6.3%	159.3%
Novato Sanitary District	\$201,851,460	\$19,742,079	\$108,547,505	\$3,528,249	\$6,180,933	\$1,338,148	1.7%	17.9%
Richardson Bay Sanitary District	\$17,826,465	\$1,595,379	\$16,376,465	\$1,101,797	\$1,847,790	\$485,893	6.2%	69.1%
Ross Valley Sanitary District	\$122,064,345	\$18,937,993	\$66,824,699	\$4,506,476	\$7,557,675	\$1,987,357	3.7%	23.8%
Sanitary District # 5 Tiburon-Belvedere	\$30,527,780	\$5,434,555	\$20,083,181	\$1,786,666	\$2,996,362	\$787,920	5.9%	32.9%
Sausalito Marin City Sanitary District	\$46,001,842	\$11,215,025	\$39,986,927	\$1,863,054	\$3,124,472	\$821,607	4.0%	16.6%
Tamalpais Community Services District	\$8,062,948	\$1,575,641	\$1,239,870	\$1,756,793	\$3,255,545	\$526,054	21.8%	111.5%
<b>Total</b>	<b>\$1,237,391,581</b>	<b>\$130,172,212</b>	<b>\$706,608,378</b>	<b>\$109,116,198</b>	<b>\$164,130,388</b>	<b>\$63,465,718</b>	<b>8.8%</b>	<b>83.8%</b>

**Appendix E: Public Agency Balance Sheet Data (cont'd)**

FY 2015

Municipalities	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL % of Assets	NPL% of Cash
City of Belvedere	\$9,635,000	\$2,981,537	\$5,341,000	\$2,821,673	\$5,039,427	\$986,027	29.3%	94.6%
City of Larkspur*	\$45,030,851	\$14,151,668	\$24,277,367	\$9,046,789	\$15,797,243	\$3,467,207	20.1%	63.9%
City of Mill Valley	\$61,653,195	\$20,419,625	\$2,336,678	\$21,174,403	\$37,076,950	\$8,022,272	34.3%	103.7%
City of Novato	\$372,235,251	\$60,646,987	\$284,150,160	\$29,915,448	\$51,486,548	\$11,986,247	8.0%	49.3%
City of San Rafael	\$290,551,982	\$65,829,733	\$151,480,204	\$74,253,787	\$159,506,132	\$3,692,492	25.6%	112.8%
City of Sausalito	\$65,193,649	\$11,696,520	\$17,106,631	\$17,741,671	\$29,127,780	\$8,335,668	27.2%	151.7%
County of Marin	\$1,947,970,000	\$367,440,909	\$1,342,737,000	\$142,013,491	\$304,297,935	\$7,062,046	7.3%	38.6%
Town of Corte Madera	\$74,019,098	\$9,073,608	\$42,936,160	\$12,146,336	\$19,631,470	\$5,958,264	16.4%	133.9%
Town of Fairfax*	\$11,962,960	\$2,463,991	-\$1,376,349	\$6,078,042	\$9,422,128	\$3,314,672	50.8%	246.7%
Town of Ross	\$18,236,166	\$10,234,934	\$11,490,464	\$3,465,264	\$5,999,505	\$1,374,389	19.0%	33.9%
Town of San Anselmo	\$28,956,896	\$5,822,276	\$11,059,337	\$4,002,434	\$7,131,100	\$1,405,939	13.8%	68.7%
Town of Tiburon	\$62,234,833	\$21,280,864	\$52,632,219	\$5,232,395	\$9,162,200	\$1,982,334	8.4%	24.6%
<b>Totals</b>	<b>\$2,987,679,881</b>	<b>\$592,042,652</b>	<b>\$1,944,170,871</b>	<b>\$327,891,733</b>	<b>\$653,678,418</b>	<b>\$57,587,557</b>	<b>11.0%</b>	<b>55.4%</b>

School Districts	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL % of Assets	NPL% of Cash
Bolinas-Stinson Union School District	\$4,866,633	\$2,865,817	\$1,587,636	\$2,499,021	\$4,063,986	\$1,192,965	51.4%	87.2%
Dixie Elementary School District	\$32,345,802	\$20,512,452	-\$12,361,898	\$14,791,102	\$23,752,949	\$7,405,888	45.7%	72.1%
Kentfield School District	\$36,671,347	\$16,481,560	-\$7,350,022	\$11,241,124	\$17,845,987	\$5,731,639	30.7%	68.2%
Larkspur-Corte Madera School District	\$67,710,441	\$20,180,460	-\$18,662,067	\$13,339,460	\$21,229,928	\$6,757,236	19.7%	66.1%
Marin Community College District	\$296,646,697	\$16,563,890	-\$1,453,534	\$35,165,000	\$57,576,000	\$16,323,000	11.9%	212.3%
Marin County Office of Education	\$65,200,872	\$40,080,879	\$35,148,165	\$18,141,000	\$29,793,000	\$8,340,000	27.8%	45.3%
Mill Valley School District	\$88,076,729	\$17,389,526	-\$25,517,249	\$26,623,202	\$42,487,967	\$13,316,095	30.2%	153.1%
Novato Unified School District	\$147,677,796	\$30,810,042	-\$9,238,177	\$51,786,928	\$82,735,169	\$25,967,877	35.1%	168.1%
Reed Union School District	\$52,705,559	\$9,360,996	-\$1,378,282	\$13,830,041	\$22,131,664	\$6,904,029	26.2%	147.7%
Ross School District	\$36,049,201	\$3,875,832	\$7,486,041	\$4,733,569	\$7,568,886	\$2,368,118	13.1%	122.1%
Ross Valley School District	\$58,186,120	\$12,864,248	-\$12,811,202	\$16,841,437	\$26,841,518	\$8,499,130	28.9%	130.9%
San Rafael City Schools - Elementary	\$90,671,410	\$18,526,824	-\$21,324,673	\$26,576,187	\$42,069,163	\$13,668,565	29.3%	143.4%
San Rafael City Schools - High School	\$57,092,257	\$17,649,236	-\$32,610,889	\$21,868,291	\$35,163,300	\$10,775,267	38.3%	123.9%
Sausalito Marin City School District	\$27,343,812	\$3,879,729	\$2,795,062	\$2,990,897	\$4,824,034	\$1,461,280	10.9%	77.1%
Shoreline Unified School District	\$22,894,320	\$6,451,291	-\$2,544,996	\$8,800,020	\$14,190,098	\$4,302,465	38.4%	136.4%
Tamalpais Union High School District	\$207,432,180	\$44,567,689	\$3,702,851	\$46,266,492	\$74,079,210	\$23,062,248	22.3%	103.8%
<b>Totals</b>	<b>\$1,291,571,176</b>	<b>\$282,060,471</b>	<b>-\$94,533,234</b>	<b>\$315,493,771</b>	<b>\$506,352,859</b>	<b>\$156,075,802</b>	<b>24.4%</b>	<b>111.9%</b>

**Appendix E: Public Agency Balance Sheet Data (cont'd)**

Special Districts Safety	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL % of Assets	NPL % of Cash
Central Marin Police Authority*	\$16,470,963	\$178,725	-\$1,124,490	\$11,532,085	\$18,375,103	\$5,889,395	70.0%	6452.4%
Kentfield Fire Protection District	\$9,630,272	\$3,261,202	\$1,651,848	\$5,202,429	\$8,026,436	\$2,875,079	54.0%	159.5%
Novato Fire Protection District	\$37,252,657	\$17,461,022	\$3,778,037	\$15,014,710	\$32,172,613	\$746,651	40.3%	86.0%
Ross Valley Fire Department	\$2,499,767	\$912,212	-\$8,316,114	\$7,679,794	\$13,318,349	\$3,033,390	307.2%	841.9%
Southern Marin Fire Protection District	\$12,413,494	\$7,865,476	\$5,848,381	\$3,845,243	\$8,239,354	\$191,216	31.0%	48.9%
Tiburon Fire Protection District	\$11,338,453	\$5,938,906	\$4,874,704	\$6,315,892	\$10,889,109	\$2,546,208	55.7%	106.3%
<b>Total</b>	<b>\$89,605,606</b>	<b>\$35,617,543</b>	<b>\$6,712,366</b>	<b>\$49,590,153</b>	<b>\$91,020,964</b>	<b>\$15,281,939</b>	<b>55.3%</b>	<b>139.2%</b>

Special Districts Utility	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL % of Assets	NPL % of Cash
Central Marin Sanitation Agency	\$109,050,874	\$15,998,126	\$45,345,155	\$6,024,473	\$10,784,954	\$2,073,726	5.5%	37.7%
Las Gallinas Valley Sanitary District	\$77,052,295	\$19,742,483	\$58,063,598	\$1,693,868	\$3,065,929	\$555,188	2.2%	8.6%
Marin Municipal Water District	\$462,338,812	\$19,959,569	\$243,685,640	\$62,139,077	\$87,637,727	\$40,725,228	13.4%	311.3%
Marin/Sonoma Mosquito & Vector Control District	\$18,321,390	\$10,672,765	\$7,632,034	\$3,378,396	\$7,239,023	\$168,001	18.4%	31.7%
Marinwood Community Services District	\$6,030,417	\$1,858,999	-\$294,365	\$3,142,286	\$4,975,627	\$1,628,944	52.1%	169.0%
North Marin Water District	\$134,483,309	\$4,943,414	\$88,155,270	\$6,701,264	\$12,079,630	\$2,237,730	5.0%	135.6%
Novato Sanitary District	\$203,141,502	\$18,102,303	\$105,599,405	\$3,335,896	\$5,943,534	\$1,171,804	1.6%	18.4%
Richardson Bay Sanitary District	\$17,887,393	\$1,303,363	\$16,613,138	\$901,425	\$1,793,212	\$161,327	5.0%	69.2%
Ross Valley Sanitary District	\$119,157,291	\$14,295,359	\$62,983,772	\$3,708,693	\$6,068,264	\$1,750,473	3.1%	25.9%
Sanitary District # 5 Tiburon-Belvedere	\$30,993,246	\$3,622,532	\$18,117,614	\$2,757,064	\$3,943,406	\$1,772,512	8.9%	76.1%
Sausalito Marin City Sanitary District	\$39,718,939	\$9,218,762	\$32,797,172	\$1,759,386	\$3,134,682	\$618,021	4.4%	19.1%
Tamalpais Community Services District	\$8,676,425	\$1,662,061	\$1,698,672	\$1,028,347	\$2,203,480	\$51,138	11.9%	61.9%
<b>Total</b>	<b>\$1,226,851,893</b>	<b>\$121,379,736</b>	<b>\$680,397,105</b>	<b>\$96,570,175</b>	<b>\$148,869,468</b>	<b>\$52,914,092</b>	<b>7.9%</b>	<b>79.6%</b>

**Appendix E: Public Agency Balance Sheet Data (cont'd)**

2016 Totals

Agencies	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL % of Assets	NPL % of Cash
Municipalities	\$3,026,187,454	\$639,213,052	\$1,984,982,754	\$454,374,181	\$821,131,701	\$154,197,671	15.0%	71.1%
School Districts	\$1,378,538,676	\$347,971,141	-\$63,753,736	\$387,330,533	\$599,708,115	\$223,485,593	28.1%	111.3%
Special Districts Safety	\$73,204,420	\$35,443,747	\$19,637,988	\$40,807,721	\$74,493,296	\$13,159,969	55.7%	115.1%
Special Districts Utility	\$1,237,391,581	\$130,172,212	\$706,608,378	\$109,116,198	\$164,130,388	\$63,465,718	8.8%	83.8%
<b>Total</b>	<b>\$5,715,322,131</b>	<b>\$1,152,800,152</b>	<b>\$2,647,475,384</b>	<b>\$991,628,633</b>	<b>\$1,659,463,500</b>	<b>\$454,308,951</b>	<b>17.4%</b>	<b>86.0%</b>

2015 Totals

Agencies	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL % of Assets	NPL % of Cash
Municipalities	\$2,987,679,881	\$592,042,652	\$1,944,170,871	\$327,891,733	\$653,678,418	\$57,587,557	11.0%	55.4%
School Districts	\$1,291,571,176	\$282,060,471	-\$94,533,234	\$315,493,771	\$506,352,859	\$156,075,802	24.4%	111.9%
Special Districts Safety	\$89,605,606	\$35,617,543	\$6,712,366	\$49,590,153	\$91,020,964	\$15,281,939	55.3%	139.2%
Special Districts Safety	\$1,226,851,893	\$121,379,736	\$680,397,105	\$96,570,175	\$148,869,468	\$52,914,092	7.9%	79.6%
<b>Total</b>	<b>\$5,595,708,556</b>	<b>\$1,031,100,402</b>	<b>\$2,536,747,108</b>	<b>\$789,545,832</b>	<b>\$1,399,921,709</b>	<b>\$281,859,390</b>	<b>14.1%</b>	<b>76.6%</b>

## Appendix: F: Public Agency Income Statement Data

FY 2016

Municipalities	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
City of Belvedere	\$7,855,000	\$7,404,000	\$327,816	4.2%
City of Larkspur*	N/A	N/A	N/A	N/A
City of Mill Valley	\$39,916,000	\$38,133,000	\$2,551,885	6.4%
City of Novato	\$47,954,000	\$42,687,000	\$2,604,320	5.4%
City of San Rafael	\$100,490,000	\$110,893,000	\$19,339,577	19.2%
City of Sausalito	\$26,588,325	\$24,491,036	\$1,763,040	6.6%
County of Marin	\$611,801,000	\$554,877,000	\$48,302,323	7.9%
Town of Corte Madera	\$23,593,928	\$20,264,214	\$1,810,099	7.7%
Town of Fairfax*	N/A	N/A	N/A	N/A
Town of Ross	\$9,264,385	\$7,320,448	\$1,339,398	14.5%
Town of San Anselmo	\$19,216,454	\$19,350,623	\$466,182	2.4%
Town of Tiburon	\$11,341,758	\$11,029,817	\$753,153	6.6%
<b>Totals</b>	<b>\$898,020,850</b>	<b>\$836,450,138</b>	<b>\$79,257,793</b>	<b>8.8%</b>

School Districts	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Bolinas-Stinson Union School District	\$4,070,898	\$4,252,221	\$254,367	6.2%
Dixie Elementary School District	\$25,361,193	\$24,220,753	\$1,463,819	5.8%
Kentfield School District	\$19,712,081	\$18,964,836	\$1,065,278	5.4%
Larkspur-Corte Madera School District	\$21,966,152	\$23,618,998	\$1,214,607	5.5%
Marin Community College District	\$67,403,849	\$82,922,415	\$3,922,649	5.8%
Marin County Office of Education	\$56,776,827	\$55,642,573	\$1,851,569	3.3%
Mill Valley School District	\$50,815,837	\$47,724,947	\$2,592,161	5.1%
Novato Unified School District	\$94,185,666	\$91,973,207	\$4,150,779	4.4%
Reed Union School District	\$25,711,228	\$24,983,096	\$1,333,084	5.2%
Ross School District	\$8,748,369	\$8,844,112	\$440,091	5.0%
Ross Valley School District	\$29,323,920	\$29,952,113	\$1,621,067	5.5%
San Rafael City Schools - Elementary	\$62,306,271	\$59,610,089	\$2,888,024	4.6%
San Rafael City Schools - High School	\$37,919,147	\$39,926,631	\$2,009,294	5.3%
Sausalito Marin City School District	\$7,421,237	\$7,798,127	\$253,588	3.4%
Shoreline Unified School District	\$14,823,677	\$14,594,704	\$723,686	4.9%
Tamalpais Union High School District	\$92,371,238	\$88,169,381	\$5,256,408	5.7%
<b>Totals</b>	<b>\$618,917,590</b>	<b>\$623,198,203</b>	<b>\$31,040,471</b>	<b>5.0%</b>

**Appendix: F: Public Agency Income Statement Data (cont'd)**

Special Districts Safety	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Police Authority*	N/A	N/A	N/A	N/A
Kentfield Fire Protection District	\$5,014,333	\$4,243,041	\$951,986	19.0%
Novato Fire Protection District	\$27,838,320	\$21,367,857	\$4,848,895	17.4%
Ross Valley Fire Department	\$9,598,396	\$8,237,907	\$1,119,907	11.7%
Southern Marin Fire Protection District	\$14,911,632	\$12,863,646	\$2,072,079	13.9%
Tiburon Fire Protection District	\$7,184,792	\$7,604,639	\$1,471,646	20.5%
<b>Total</b>	<b>\$64,547,473</b>	<b>\$54,317,090</b>	<b>\$10,464,513</b>	<b>16.2%</b>

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Sanitation Agency	\$16,952,527	\$16,834,929	\$936,613	5.5%
Las Gallinas Valley Sanitary District	\$12,976,695	\$7,881,853	\$295,427	2.3%
Marin Municipal Water District	\$62,502,430	\$68,704,175	\$5,725,637	9.2%
Marin/Sonoma Mosquito & Vector Control District	\$8,638,747	\$8,584,599	\$968,417	11.2%
Marinwood Community Services District	\$5,837,007	\$6,013,031	\$321,909	5.5%
North Marin Water District	\$17,912,719	\$17,534,252	\$828,792	4.6%
Novato Sanitary District	\$19,299,289	\$16,587,829	\$280,935	1.5%
Richardson Bay Sanitary District	\$2,993,714	\$3,239,823	\$77,297	2.6%
Ross Valley Sanitary District	\$23,623,985	\$19,998,903	\$543,759	2.3%
Sanitary District # 5 Tiburon-Belvedere	\$6,264,746	\$4,558,920	\$1,781,586	28.4%
Sausalito Marin City Sanitary District	\$8,391,876	\$5,167,530	\$276,804	3.3%
Tamalpais Community Services District	\$5,245,439	\$5,655,202	\$308,274	5.9%
<b>Total</b>	<b>\$190,639,174</b>	<b>\$180,761,046</b>	<b>\$12,345,450</b>	<b>6.5%</b>

**Appendix: F: Public Agency Income Statement Data (cont'd)**

FY 2015

Municipalities	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
City of Belvedere	\$7,475,000	\$7,191,000	\$280,813	3.8%
City of Larkspur*	\$21,009,094	\$16,693,255	\$802,226	3.8%
City of Mill Valley	\$37,844,000	\$36,158,000	\$2,077,981	5.5%
City of Novato	\$46,154,000	\$41,545,000	\$2,421,183	5.2%
City of San Rafael	\$94,752,000	\$80,572,000	\$17,802,358	18.8%
City of Sausalito	\$20,603,504	\$17,970,673	\$2,007,707	9.7%
County of Marin	\$602,627,000	\$538,354,000	\$41,871,696	6.9%
Town of Corte Madera	\$21,324,184	\$16,988,011	\$1,667,545	7.8%
Town of Fairfax*	\$9,212,366	\$8,630,597	\$1,276,895	13.9%
Town of Ross	\$10,081,926	\$6,667,416	\$217,566	2.2%
Town of San Anselmo	\$18,707,969	\$15,807,161	\$359,492	1.9%
Town of Tiburon	\$12,271,586	\$9,589,263	\$463,611	3.8%
<b>Totals</b>	<b>\$902,062,629</b>	<b>\$796,166,376</b>	<b>\$71,249,073</b>	<b>7.9%</b>

School Districts	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Bolinas-Stinson Union School District	\$4,133,985	\$3,839,557	\$212,334	5.1%
Dixie Elementary School District	\$21,577,176	\$23,137,648	\$1,223,806	5.7%
Kentfield School District	\$17,024,884	\$16,763,254	\$879,311	5.2%
Larkspur-Corte Madera School District	\$19,285,300	\$22,676,756	\$1,016,124	5.3%
Marin Community College District	\$65,743,077	\$76,103,061	\$3,955,070	6.0%
Marin County Office of Education	\$53,863,696	\$53,522,613	\$1,571,597	2.9%
Mill Valley School District	\$46,142,878	\$44,916,603	\$2,194,414	4.8%
Novato Unified School District	\$84,447,074	\$86,629,909	\$3,710,767	4.4%
Reed Union School District	\$23,536,480	\$22,614,955	\$1,130,735	4.8%
Ross School District	\$7,831,472	\$8,062,949	\$367,499	4.7%
Ross Valley School District	\$26,202,736	\$26,800,628	\$1,343,461	5.1%
San Rafael City Schools - Elementary	\$53,530,867	\$52,374,844	\$2,370,708	4.4%
San Rafael City Schools - High School	\$34,638,111	\$35,691,740	\$1,672,501	4.8%
Sausalito Marin City School District	\$6,650,074	\$7,478,427	\$243,111	3.7%
Shoreline Unified School District	\$13,717,171	\$15,547,928	\$684,755	5.0%
Tamalpais Union High School District	\$84,711,887	\$82,324,797	\$3,866,993	4.6%
<b>Totals</b>	<b>\$563,036,868</b>	<b>\$578,485,669</b>	<b>\$26,443,186</b>	<b>4.7%</b>

**Appendix: F: Public Agency Income Statement Data (cont'd)**

Special Districts Safety	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Police Authority*	\$11,087,891	\$12,682,790	\$1,486,735	13.4%
Kentfield Fire Protection District	\$4,949,898	\$4,477,793	\$828,090	16.7%
Novato Fire Protection District	\$25,295,007	\$21,313,411	\$4,604,649	18.2%
Ross Valley Fire Department	\$8,900,504	\$9,225,977	\$973,697	10.9%
Southern Marin Fire Protection District	\$14,038,197	\$14,067,722	\$759,752	5.4%
Tiburon Fire Protection District	\$6,966,748	\$7,294,411	\$2,159,000	31.0%
<b>Total</b>	<b>\$71,238,245</b>	<b>\$69,062,104</b>	<b>\$10,811,923</b>	<b>15.2%</b>

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Sanitation Agency	\$17,873,113	\$16,220,247	\$2,319,236	13.0%
Las Gallinas Valley Sanitary District	\$11,621,316	\$7,930,633	\$266,914	2.3%
Marin Municipal Water District	\$61,455,537	\$69,478,882	\$4,633,745	7.5%
Marin/Sonoma Mosquito & Vector Control District	\$8,396,908	\$9,652,593	\$856,583	10.2%
Marinwood Community Services District	\$5,224,022	\$4,919,009	\$269,828	5.2%
North Marin Water District	\$18,506,716	\$17,456,194	\$669,066	3.6%
Novato Sanitary District	\$18,571,214	\$15,799,078	\$173,410	0.9%
Richardson Bay Sanitary District	\$2,874,017	\$2,976,836	\$69,002	2.4%
Ross Valley Sanitary District	\$22,228,230	\$20,570,289	\$443,292	2.0%
Sanitary District # 5 Tiburon-Belvedere	\$6,316,447	\$4,500,449	\$1,600,837	25.3%
Sausalito Marin City Sanitary District	\$7,640,843	\$5,596,332	\$302,863	4.0%
Tamalpais Community Services District	\$5,161,781	\$5,086,144	\$306,954	5.9%
<b>Total</b>	<b>\$185,870,144</b>	<b>\$180,186,686</b>	<b>\$11,911,730</b>	<b>6.4%</b>

**Appendix: F: Public Agency Income Statement Data (cont'd)**

FY 2014

Municipalities	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
City of Belvedere	\$7,151,000	\$7,771,000	\$280,312	3.9%
City of Larkspur*	\$23,430,272	\$16,496,021	\$1,174,703	5.0%
City of Mill Valley	\$35,104,000	\$36,651,000	\$1,832,914	5.2%
City of Novato	\$45,725,000	\$42,849,000	\$4,167,992	9.1%
City of San Rafael	\$93,536,000	\$90,637,000	\$17,576,796	18.8%
City of Sausalito	\$19,374,007	\$18,302,083	\$1,339,935	6.9%
County of Marin	\$578,298,000	\$566,596,000	\$46,803,624	8.1%
Town of Corte Madera	\$18,827,611	\$16,188,853	\$1,591,599	8.5%
Town of Fairfax	\$9,854,550	\$8,703,418	\$964,694	9.8%
Town of Ross	\$7,521,177	\$5,161,437	\$292,890	3.9%
Town of San Anselmo	\$17,157,724	\$15,292,443	\$426,878	2.5%
Town of Tiburon	\$11,283,722	\$9,040,229	\$460,630	4.1%
<b>Totals</b>	<b>\$867,263,063</b>	<b>\$833,688,484</b>	<b>\$76,912,967</b>	<b>8.9%</b>

School Districts	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Bolinas-Stinson Union School District	\$3,682,417	\$3,611,583	\$195,036	5.3%
Dixie Elementary School District	\$20,650,150	\$21,303,737	\$1,075,058	5.2%
Kentfield School District	\$15,874,438	\$15,651,915	\$782,734	4.9%
Larkspur-Corte Madera School District	\$18,407,176	\$18,693,706	\$919,073	5.0%
Marin Community College District	\$58,598,119	\$69,675,296	\$2,747,044	4.7%
Marin County Office of Education	\$54,109,107	\$53,845,241	\$1,488,826	2.8%
Mill Valley School District	\$43,586,940	\$40,709,942	\$1,931,950	4.4%
Novato Unified School District	\$76,012,499	\$80,693,043	\$3,710,767	4.9%
Reed Union School District	\$21,716,462	\$22,510,117	\$1,022,230	4.7%
Ross School District	\$7,437,995	\$7,755,357	\$342,318	4.6%
Ross Valley School District	\$25,052,122	\$25,063,637	\$1,202,960	4.8%
San Rafael City Schools - Elementary	\$48,715,280	\$48,643,315	\$2,003,613	4.1%
San Rafael City Schools - High School	\$33,065,771	\$32,764,963	\$1,458,967	4.4%
Sausalito Marin City School District	\$6,831,391	\$7,212,560	\$223,849	3.3%
Shoreline Unified School District	\$13,215,928	\$14,468,849	\$660,935	5.0%
Tamalpais Union High School District	\$80,916,231	\$78,209,897	\$3,931,527	4.9%
<b>Totals</b>	<b>\$527,872,026</b>	<b>\$540,813,158</b>	<b>\$23,696,887</b>	<b>4.5%</b>

**Appendix: F: Public Agency Income Statement Data (cont'd)**

Special Districts Safety	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Police Authority*	\$10,971,094	\$12,540,840	\$2,202,617	20.1%
Kentfield Fire Protection District	\$4,346,334	\$4,410,646	\$640,419	14.7%
Novato Fire Protection District	\$24,921,522	\$27,094,328	\$4,365,000	17.5%
Ross Valley Fire Department	\$8,319,924	\$8,100,563	\$757,240	9.1%
Southern Marin Fire Protection District	\$13,177,067	\$12,739,358	\$1,661,560	12.6%
Tiburon Fire Protection District	\$6,338,309	\$5,793,305	\$901,000	14.2%
<b>Total</b>	<b>\$68,074,250</b>	<b>\$70,679,040</b>	<b>\$10,527,836</b>	<b>15.5%</b>

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Sanitation Agency	\$16,421,864	\$18,386,011	\$2,724,054	16.6%
Las Gallinas Valley Sanitary District	\$11,490,884	\$8,624,424	\$262,743	2.3%
Marin Municipal Water District	\$70,673,150	\$70,431,104	\$4,576,450	6.5%
Marin/Sonoma Mosquito & Vector Control District	\$7,861,221	\$8,860,632	\$865,130	11.0%
Marinwood Community Services District	\$5,096,846	\$5,133,110	\$408,037	8.0%
North Marin Water District	\$20,817,357	\$20,329,069	\$819,854	3.9%
Novato Sanitary District	\$17,963,721	\$19,865,633	\$258,904	1.4%
Richardson Bay Sanitary District	\$2,824,511	\$3,009,245	\$88,999	3.2%
Ross Valley Sanitary District	\$20,868,467	\$18,309,740	\$796,725	3.8%
Sanitary District # 5 Tiburon-Belvedere	\$5,963,722	\$4,748,503	\$172,890	2.9%
Sausalito Marin City Sanitary District	\$7,486,444	\$5,131,337	\$258,040	3.4%
Tamalpais Community Services District	\$5,149,167	\$5,396,435	\$328,757	6.4%
<b>Total</b>	<b>\$192,617,354</b>	<b>\$188,225,243</b>	<b>\$11,560,583</b>	<b>6.0%</b>

**Appendix: F: Public Agency Income Statement Data (cont'd)**

FY 2013

Municipalities	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
City of Belvedere	\$6,898,000	\$7,778,000	\$360,315	5.2%
City of Larkspur*	\$18,603,639	\$15,991,539	\$1,117,173	6.0%
City of Mill Valley	\$32,911,000	\$35,373,000	\$1,690,435	5.1%
City of Novato	\$42,845,000	\$40,203,000	\$3,600,767	8.4%
City of San Rafael	\$97,329,000	\$84,881,000	\$15,522,832	15.9%
City of Sausalito	\$17,435,854	\$19,290,681	\$1,885,718	10.8%
County of Marin	\$539,291,000	\$578,123,000	\$82,141,000	15.2%
Town of Corte Madera	\$16,917,648	\$15,662,631	\$1,420,037	8.4%
Town of Fairfax*	\$8,185,597	\$8,393,424	\$861,992	10.5%
Town of Ross	\$5,954,371	\$6,908,283	\$426,227	7.2%
Town of San Anselmo	\$16,613,802	\$15,335,139	\$706,204	4.3%
Town of Tiburon	\$10,080,056	\$8,564,576	\$473,302	4.7%
<b>Totals</b>	<b>\$813,064,967</b>	<b>\$836,504,273</b>	<b>\$110,206,002</b>	<b>13.6%</b>

School Districts	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Bolinas-Stinson Union School District	\$4,166,654	\$3,431,372	\$181,797	4.4%
Dixie Elementary School District	\$19,038,568	\$20,037,236	\$1,025,538	5.4%
Kentfield School District	\$15,347,703	\$14,949,309	\$751,520	4.9%
Larkspur-Corte Madera School District	\$16,692,448	\$17,232,998	\$760,498	4.6%
Marin Community College District	\$73,695,039	\$78,071,240	\$2,867,705	3.9%
Marin County Office of Education	\$53,965,926	\$55,824,402	\$1,537,897	2.8%
Mill Valley School District	\$37,909,411	\$36,847,491	\$1,708,730	4.5%
Novato Unified School District	\$74,691,071	\$78,375,760	\$3,564,105	4.8%
Reed Union School District	\$20,866,279	\$20,722,970	\$954,501	4.6%
Ross School District	\$7,208,553	\$7,757,976	\$328,289	4.6%
Ross Valley School District	\$23,544,533	\$23,706,265	\$1,126,078	4.8%
San Rafael City Schools - Elementary	\$45,813,222	\$45,904,573	\$1,891,069	4.1%
San Rafael City Schools - High School	\$29,829,654	\$30,110,447	\$1,349,835	4.5%
Sausalito Marin City School District	\$7,348,906	\$7,412,975	\$222,638	3.0%
Shoreline Unified School District	\$15,141,029	\$13,384,148	\$582,511	3.8%
Tamalpais Union High School District	\$75,744,653	\$73,616,062	\$3,790,319	5.0%
<b>Totals</b>	<b>\$521,003,649</b>	<b>\$527,385,224</b>	<b>\$22,643,030</b>	<b>4.3%</b>

**Appendix: F: Public Agency Income Statement Data (cont'd)**

Special Districts Safety	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Police Authority*	\$8,760,972	\$9,741,410	\$1,546,456	17.7%
Kentfield Fire Protection District	\$4,266,495	\$4,027,584	\$719,000	16.9%
Novato Fire Protection District	\$23,981,238	\$22,959,399	\$4,347,000	18.1%
Ross Valley Fire Department	\$8,283,616	\$8,324,612	\$1,352,592	16.3%
Southern Marin Fire Protection District	\$13,009,009	\$12,479,816	\$1,798,760	13.8%
Tiburon Fire Protection District	\$5,935,355	\$5,505,107	\$843,000	14.2%
<b>Total</b>	<b>\$64,236,685</b>	<b>\$63,037,928</b>	<b>\$10,606,808</b>	<b>16.5%</b>

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Sanitation Agency	\$15,760,045	\$16,292,627	\$1,202,050	7.6%
Las Gallinas Valley Sanitary District	\$11,585,053	\$8,366,225	\$411,624	3.6%
Marin Municipal Water District	\$69,738,216	\$63,938,837	\$3,963,600	5.7%
Marin/Sonoma Mosquito & Vector Control District	\$7,957,709	\$8,665,503	\$891,511	11.2%
Marinwood Community Services District	\$4,770,868	\$5,053,618	\$414,833	8.7%
North Marin Water District	\$18,605,081	\$16,568,138	\$1,608,211	8.6%
Novato Sanitary District	\$17,332,035	\$15,759,901	\$316,059	1.8%
Richardson Bay Sanitary District	\$2,646,912	\$2,867,406	\$61,929	2.3%
Ross Valley Sanitary District	\$20,314,968	\$16,831,688	\$778,004	3.8%
Sanitary District # 5 Tiburon-Belvedere	\$5,409,761	\$3,786,385	\$186,990	3.5%
Sausalito Marin City Sanitary District	\$6,804,580	\$5,047,168	\$165,778	2.4%
Tamalpais Community Services District	\$4,782,049	\$4,925,928	\$278,274	5.8%
<b>Total</b>	<b>\$185,707,277</b>	<b>\$168,103,424</b>	<b>\$10,278,863</b>	<b>5.5%</b>

**Appendix: F: Public Agency Income Statement Data (cont'd)**

FY 2012

<b>Municipalities</b>	<b>Revenue</b>	<b>Expenses</b>	<b>Pension Contribution</b>	<b>Pension Contribution as % of Revenue</b>
City of Belvedere	\$6,809,417	\$7,082,918	\$386,682	5.7%
City of Larkspur*	\$17,286,549	\$18,920,650	\$1,216,411	7.0%
City of Mill Valley	\$30,695,904	\$32,412,000	\$1,939,954	6.3%
City of Novato	\$47,129,000	\$44,317,469	\$3,897,198	8.3%
City of San Rafael	\$87,243,000	\$84,304,491	\$14,627,709	16.8%
City of Sausalito	\$19,515,672	\$20,402,997	\$2,407,997	12.3%
County of Marin	\$452,987,000	\$461,104,000	\$47,541,000	10.5%
Town of Corte Madera	\$15,809,424	\$14,025,216	\$1,734,141	11.0%
Town of Fairfax*	\$8,032,233	\$8,190,115	\$783,933	9.8%
Town of Ross	\$5,711,293	\$6,086,653	\$744,696	13.0%
Town of San Anselmo	\$15,240,865	\$15,053,414	\$1,103,350	7.2%
Town of Tiburon	\$8,838,698	\$8,520,072	\$509,588	5.8%
<b>Totals</b>	<b>\$715,299,055</b>	<b>\$720,419,995</b>	<b>\$76,892,659</b>	<b>10.7%</b>

<b>School Districts</b>	<b>Revenue</b>	<b>Expenses</b>	<b>Pension Contribution</b>	<b>Pension Contribution as % of Revenue</b>
Bolinas-Stinson Union School District	\$3,366,497	\$3,171,763	\$168,417	5.0%
Dixie Elementary School District	\$19,027,021	\$19,498,458	\$1,000,029	5.3%
Kentfield School District	\$14,441,839	\$14,841,354	\$731,248	5.1%
Larkspur-Corte Madera School District	\$16,554,817	\$16,167,730	\$833,718	5.0%
Marin Community College District	\$73,985,992	\$76,108,423	\$2,628,704	3.6%
Marin County Office of Education	\$56,294,422	\$56,662,756	\$1,537,812	2.7%
Mill Valley School District	\$34,740,584	\$35,382,157	\$1,657,232	4.8%
Novato Unified School District	\$72,505,743	\$77,553,300	\$3,453,655	4.8%
Reed Union School District	\$20,662,117	\$19,941,589	\$918,955	4.4%
Ross School District	\$6,834,205	\$7,670,742	\$296,989	4.3%
Ross Valley School District	\$22,059,245	\$21,179,617	\$1,023,687	4.6%
San Rafael City Schools - Elementary	\$43,858,815	\$43,856,979	\$1,774,074	4.0%
San Rafael City Schools - High School	\$29,847,934	\$29,862,827	\$1,311,053	4.4%
Sausalito Marin City School District	\$7,285,990	\$6,899,490	\$197,027	2.7%
Shoreline Unified School District	\$13,436,120	\$12,479,865	\$546,884	4.1%
Tamalpais Union High School District	\$73,882,043	\$71,289,091	\$3,630,314	4.9%
<b>Totals</b>	<b>\$508,783,384</b>	<b>\$512,566,141</b>	<b>\$21,709,798</b>	<b>4.3%</b>

**Appendix: F: Public Agency Income Statement Data (cont'd)**

Special Districts Safety	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Police Authority*	\$6,845,710	\$7,930,868	\$1,152,082	16.8%
Kentfield Fire Protection District	\$4,040,717	\$3,935,793	\$706,000	17.5%
Novato Fire Protection District	\$23,162,755	\$23,503,892	\$4,420,000	19.1%
Ross Valley Fire Department	\$6,188,574	\$6,222,678	\$3,822,902	61.8%
Southern Marin Fire Protection District	\$9,514,727	\$8,852,899	\$1,321,376	13.9%
Tiburon Fire Protection District	\$5,692,247	\$5,532,857	\$900,000	15.8%
<b>Total</b>	<b>\$55,444,730</b>	<b>\$55,978,987</b>	<b>\$12,322,360</b>	<b>22.2%</b>

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Sanitation Agency	\$15,242,715	\$15,762,771	\$1,130,652	7.4%
Las Gallinas Valley Sanitary District	\$11,493,702	\$6,665,852	\$403,005	3.5%
Marin Municipal Water District	\$61,957,837	\$60,474,500	\$3,962,731	6.4%
Marin/Sonoma Mosquito & Vector Control District	\$7,573,456	\$8,219,315	\$1,820,548	24.0%
Marinwood Community Services District	\$4,115,789	\$4,592,674	\$438,549	10.7%
North Marin Water District	\$15,972,477	\$16,405,522	\$1,031,112	6.5%
Novato Sanitary District	\$16,313,384	\$16,052,483	\$215,351	1.3%
Richardson Bay Sanitary District	\$2,672,170	\$2,658,572	\$60,129	2.3%
Ross Valley Sanitary District	\$22,056,782	\$18,228,904	\$702,054	3.2%
Sanitary District # 5 Tiburon-Belvedere	\$4,927,600	\$3,612,300	\$240,305	4.9%
Sausalito Marin City Sanitary District	\$6,350,068	\$4,319,548	\$315,887	5.0%
Tamalpais Community Services District	\$4,938,176	\$4,935,448	\$249,495	5.1%
<b>Total</b>	<b>\$173,614,156</b>	<b>\$161,927,889</b>	<b>\$10,569,818</b>	<b>6.1%</b>

**Appendix: F: Public Agency Income Statement Data (cont'd)**

Totals 2016

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Municipalities	\$898,020,850	\$836,450,138	\$79,257,793	8.8%
School Districts	\$618,917,590	\$623,198,203	\$31,040,471	5.0%
Special Districts Safety	\$64,547,473	\$54,317,090	\$10,464,513	16.2%
Special Districts Utility	\$190,639,174	\$180,761,046	\$12,345,450	6.5%
<b>Total</b>	<b>\$1,772,125,087</b>	<b>\$1,694,726,477</b>	<b>\$133,108,227</b>	<b>7.5%</b>

Totals 2015

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Municipalities	\$902,062,629	\$796,166,376	\$71,249,073	7.9%
School Districts	\$563,036,868	\$578,485,669	\$26,443,186	4.7%
Special Districts Safety	\$71,238,245	\$69,062,104	\$10,811,923	15.2%
Special Districts Utility	\$185,870,144	\$180,186,686	\$11,911,730	6.4%
<b>Total</b>	<b>\$1,722,207,886</b>	<b>\$1,623,900,835</b>	<b>\$120,415,912</b>	<b>7.0%</b>

Totals 2014

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Municipalities	\$867,263,063	\$833,688,484	\$76,912,967	8.9%
School Districts	\$527,872,026	\$540,813,158	\$23,696,887	4.5%
Special Districts Safety	\$68,074,250	\$70,679,040	\$10,527,836	15.5%
Special Districts Utility	\$192,617,354	\$188,225,243	\$11,560,583	6.0%
<b>Total</b>	<b>\$1,655,826,693</b>	<b>\$1,633,405,925</b>	<b>\$122,698,273</b>	<b>7.4%</b>

**Appendix: F: Public Agency Income Statement Data (cont'd)**

Totals 2013

<b>Special Districts Utility</b>	<b>Revenue</b>	<b>Expenses</b>	<b>Pension Contribution</b>	<b>Pension Contribution as % of Revenue</b>
Municipalities	\$813,064,967	\$836,504,273	\$110,206,002	13.6%
School Districts	\$521,003,649	\$527,385,224	\$22,643,030	4.3%
Special Districts Safety	\$64,236,685	\$63,037,928	\$10,606,808	16.5%
Special Districts Utility	\$185,707,277	\$168,103,424	\$10,278,863	5.5%
<b>Total</b>	<b>\$1,584,012,578</b>	<b>\$1,595,030,849</b>	<b>\$153,734,703</b>	<b>9.7%</b>

Totals 2012

<b>Special Districts Utility</b>	<b>Revenue</b>	<b>Expenses</b>	<b>Pension Contribution</b>	<b>Pension Contribution as % of Revenue</b>
Municipalities	\$715,299,055	\$720,419,995	\$76,892,659	10.7%
School Districts	\$508,783,384	\$512,566,141	\$21,709,798	4.3%
Special Districts Safety	\$55,444,730	\$55,978,987	\$12,322,360	22.2%
Special Districts Utility	\$173,614,156	\$161,927,889	\$10,569,818	6.1%
<b>Total</b>	<b>\$1,453,141,325</b>	<b>\$1,450,893,012</b>	<b>\$121,494,635</b>	<b>8.4%</b>

## Appendix G: CalPERS Termination Fees

The table below lists the estimated termination payments at assumed rates of 2.00% and 3.25% for participating agencies, excepting school districts, per the annual CalPERS Actuarial Report for 6/30/2015.

AGENCY	NPL as Reported in FY 2015 Financials	Assumed Discount Rate 2.00%	Assumed Discount Rate 3.25%
Central Marin Police Authority*	\$6,024,473	\$71,565,039	\$51,696,369
Central Marin Sanitation Agency	\$3,324,578	\$45,302,181	\$33,168,333
City of Belvedere	\$2,821,673	\$22,330,041	\$16,034,899
City of Larkspur	\$9,046,789	\$64,068,837	\$46,794,380
City of Mill Valley	\$21,174,403	\$164,006,306	\$119,143,571
City of Novato	\$29,915,448	\$210,899,167	\$154,434,070
City of Sausalito	\$17,741,671	\$111,095,700	\$80,854,968
College of Marin - CalPERS	\$14,503,000	\$4,413,804	\$3,117,900
Kentfield Fire Protection District	\$5,202,429	\$25,682,839	\$18,599,480
Las Gallinas Valley Sanitary District	\$1,693,868	\$12,363,061	\$9,004,250
Marin Municipal Water District	\$62,139,077	\$291,279,084	\$222,708,365
Marinwood Community Services District	\$3,142,286	\$19,402,506	\$13,677,782
North Marin Water District	\$6,701,264	\$46,278,897	\$34,041,789
Novato Sanitary District	\$3,335,896	\$23,194,067	\$17,250,223
Richardson Bay Sanitary District	\$901,425	\$6,964,774	\$5,134,984
Ross Valley Fire Department	\$7,679,794	\$56,572,810	\$40,834,714
Ross Valley Sanitary District	\$3,708,693	\$21,982,458	\$16,055,544
Sanitary District # 5	\$2,757,064	\$11,272,815	\$8,312,243
Sausalito Marin City Sanitation District	\$1,759,386	\$12,874,490	\$9,642,427
Tiburon Fire Protection District	\$6,315,892	\$42,833,280	\$30,695,410
Town of Corte Madera	\$12,146,336	\$77,386,425	\$56,430,103
Town of Fairfax	\$6,078,042	\$40,460,118	\$29,676,098
Town of Ross	\$3,465,264	\$24,932,090	\$17,959,639
Town of San Anselmo	\$4,002,434	\$59,135,515	\$44,288,748
Town of Tiburon	\$5,232,395	\$38,702,774	\$28,540,001
<b>TOTAL</b>	<b>\$240,813,580</b>	<b>\$1,504,999,078</b>	<b>\$1,108,096,290</b>

## Appendix J: Private Pension Discount Rates

The table below lists the discount rates used by the 10 largest US corporate pension funds by total assets under management. Information was obtained from the 2015 Annual Reports and 10K filings of the listed corporations.

<b>Corporation</b>	<b>Pension Fund Assets (\$Mils.)</b>	<b>Pension Discount Rate</b>	<b>OPEB Discount Rate</b>
Boeing	\$101,931	4.20%	3.80%
IBM	\$96,382	4.00%	3.70%
AT&T	\$83,414	4.60%	4.50%
General Motors	\$82,427	3.73%	3.83%
General Electric	\$70,566	4.38%	NA
Lockheed Martin	\$63,370	4.38%	4.25%
Ford	\$55,344	4.27%	4.22%
Bank of America	\$51,000	4.51%	4.32%
UPS	\$46,443	4.40%	4.18%
Northrop Grumman	\$43,387	4.53%	4.47%
<b>Average</b>		<b>4.30%</b>	<b>4.14%</b>

# DRAFT

July 11, 2017

The Honorable Judge Kelly V. Simmons  
Marin County Superior Court  
P.O. Box 4988  
San Rafael, CA 94913-4988

Jay Hamilton-Roth, Foreperson  
Marin County Grand Jury  
3501 Civic Center Drive, Room #275  
San Rafael, CA 94903

Re: Response to Recommendations R3, R4, and R8, Grand Jury Report, “The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?” dated June 5, 2017.

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The Novato Sanitary District (“District” or “Novato Sanitary”), as a utility providing sanitary services in and about Novato, California, is required to respond to recommendations R3, R4, and R8 of the subject Grand Jury Report (Report). The District Board of Directors met and discussed the Report in the open session portions of its following publicly noticed meetings, and in accordance with the notice, agenda, and open meeting requirements of the Ralph M. Brown Act:

- June 12, 2017, Board of Directors Meeting.
- July 10, 2017, Board of Directors Meeting.

The District’s responses are provided below, and follow a format where each recommendation is separately listed and responded to individually (with *responses in italics*).

## Responses to Recommendations

**R3. Agencies should publish long-term budgets (i.e., covering at least five years), update them at least every other year and report what percent of total revenue they anticipate spending on pension contributions.**

Response to R3: *The District views Recommendation R3 to provide two separate recommendations, to wit: (1) To publish five-year budgets, and update them at least every other*

year; and (2) Report the percentage of total revenue it anticipates spending on pension contributions. Viewing these as severable recommendations, the District will address them separately as follows:

1. Pursuant to Penal Code section 933.05(b)(1), the District considers that it has implemented the recommendation to publish five-year budgets, and update them at least every other year.

The District traditionally prepares a five-year rate study as part of its Proposition 218 rate setting efforts. The rate study, typically projects revenues and expenditures over the five-year effective term of study, and incorporates a projected five-year budget.

The District's most recent five-year rate study was performed in 2016 by the well regarded public finance firm of Bartle Wells Associates (Berkeley, CA), and is available at the District's website at: <http://www.novatosan.com/assets/uploads/documents/finance/2016-Sewer-Rate-Study-prepared-by-Bartle-Wells-Associates.pdf>

The District also traditionally prepares a detailed two-year budget (for the current or upcoming fiscal year as well as for the following fiscal year). Given the District's relatively small size and staffing structure, the District is of the opinion that going forward its current practice will serve to provide an adequately accurate picture of the District's finances from a budgeting perspective. This is further supported by the fact as noted in the Grand Jury's Report (page 19 of 61), that "The Novato Sanitary District stood out as being in particularly good financial condition in that it spends less than 2% of its revenues on pension contributions and has a NPL that is 18% of its cash position." As further noted, the Grand Jury considered the last five years of the District's financial data in making this statement.

2. Pursuant to Penal Code section 933.05(b)(1), the District considers that it has implemented this recommendation beginning with its FY17-18 budget year.

Page 4 of the District's FY17-18 Preliminary Budget is a detailed expenditures breakdown table of the District's FY17-18 Operating Budget by Cost Center and Account Category. This table lists a budgeted Pension Expenses (Trust) amount of \$223,152, or 2.16% of the Operating Budget, which equates to about 1.01% of overall expenditures budget (Operating + Capital) for FY17-18.

**R4. Each agency should provide 10 years of audited financial statements and summary pension data for the same period (or links to them) on the financial page of its public website.**

Response to R4: Pursuant to Penal Code section 933.05(b)(2), the District will implement this recommendation on a going forward basis in each of its upcoming fiscal years.

The District began to prepare Comprehensive Annual Financial Reports (CAFRs) with its FY10-11, which include the District's audited financials. The District's currently carries the last five

years of its Comprehensive Annual Financial Reports (CAFRs) on its website. The CAFRs also include the summary pension data for the District, where applicable. Given that the District only has six years of available CAFRs at this time, the District will adopt a practice of maintaining all of its past and current CAFRs on its web-site until it reaches an inventory of ten years of CAFRs on its website, and then transition to a rolling, most recent ten year inventory of CAFRs.

**R8. Public agencies and public employee unions should begin to explore how introduction of defined contribution programs can reduce unfunded liabilities for public pensions.**

*Response to R8:* Pursuant to Penal Code section 933.05(b)(4), this recommendation will not be implemented, as the District believes that it is not warranted for the District.

While generally being in agreement with this recommendation, the District believes that this exercise would be of limited strategic utility to the District at this time in addressing its unfunded pension liability. The District initiated a pension-liability containment strategy in 2012, when it limited all new employees hired after January 1, 2012 to a less generous 2% at age 60 CalPERS pension plan. Subsequently under PEPRAs, all new employees hired after January 1, 2013 are limited to an even less generous 2% at age 62 plan.

The District believes that this strategy led (in part at least), to the District being in a position where the Grand Jury was able to state (on page 19 of the Report) that: "The Novato Sanitary District stood out as being in particularly good financial condition in that it spends less than 2% of its revenues on pension contributions and has a NPL that is 18% of its cash position."

Further, as the Grand Jury acknowledges (page 22 of the Report), there are significant hurdles to practical implementation of defined contribution plans to limit pension liabilities, including legal (CalPERS approval under PEPRAs section 20502); financial (CalPERS termination fees); and the requirement for collective bargaining through labor union negotiations.

In closing, the District would like to acknowledge and appreciate all of the Grand Jury's hard work and efforts in preparing this timely Report on a significant issue facing all public agencies.

As always, please feel welcome to contact us if you have any questions or require additional information.

Very truly yours,

NOVATO SANITARY DISTRICT

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A. Gerald Peters  
President, Board of Directors

**AGENCY RESPONSE TO GRAND JURY REPORT**

Report Title: **The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?**

Report Date: **June 5, 2017**

Response Date: **September 5, 2017**

Agency Name: Novato Sanitary District

Agenda Date: 6/12/17 & 7/10/17

Response by: A. Gerald Peters

Title: Board President

**FINDINGS**

- I (we) agree with the findings numbered: Not Applicable
- I (we) disagree *partially* with the findings numbered: Not Applicable
- I (we) disagree *wholly* with the findings numbered: Not Applicable

(Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons therefor.)

**RECOMMENDATIONS**

- Recommendations numbered R3 - see attached letter have been implemented.  
(Attach a summary describing the implemented actions.)
- Recommendations numbered R4 - see attached letter have not yet been implemented, but will be implemented in the future.  
(Attach a timeframe for the implementation.)
- Recommendations numbered Not Applicable require further analysis.  
(Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.)
- Recommendations numbered R8 - see attached letter will not be implemented because they are not warranted or are not reasonable.  
(Attach an explanation.)

Date: \_\_\_\_\_ Signed: \_\_\_\_\_

Number of pages attached \_\_\_\_\_

# NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

<b>TITLE: Administration: District participation in Operating Engineers Local 3 (OE3) Health &amp; Welfare trust fund.</b>	<b>MEETING DATE: July 10, 2017.</b>  <b>AGENDA ITEM NO.: 10.a.,b.,&amp;c.</b>
<b>RECOMMENDED ACTION(S):</b> a. Receive report on the District’s participation in the Operating Engineers Local 3 (OE3) trust fund for post-retirement medical expenses; b. Approve change of trust fund service provider to ICMA-RC, c. Authorize the General Manager-Chief Engineer to execute an agreement with ICMA-RC, and transfer existing funds from the OE3 Health and Welfare Trust Fund into a new ICMA-RC account.	
<b>SUMMARY AND DISCUSSION:</b>  For employees hired on or after July 1, 2008, the District began contributing 1.5% of an employee’s base salary into a Medical After Retirement Account or MARA (and also referred to under the Internal Revenue Code (IRC) as a Voluntary Employees’ Beneficiary Association or VEBA), in lieu of a retirement medical program. As of May 15, 2017: (a) There were eight (8) employees participating in the MARA, (b) A total of \$26,970 had been contributed by the District, and (c) The funds have been deposited into the Operating Engineers 3 (OE3) Health and Welfare Trust Fund, which currently utilizes Zenith American Solutions as the Third Party Administrator (TPA) for the trust fund.  In March 2017, the OE3 fund notified the District that its administrative fee was increasing to \$15/month/employee, retroactive to January 1, 2017 (this was subsequently changed to July 1, 2017). The increased administrative fee would also be deducted from the funds being deposited on behalf of eligible District employees. The increased fee would result in an average administrative fee of approximately 18% on District employees’ individual MARA accounts.  Staff conducted a search for companies familiar with our industry with a core focus in this area of account management. Based on that search, staff reviewed MARA/VEBA offerings from Prudential, Inc., Nationwide, Inc., and International City/County Management Association – Retirement Corporation (ICMA-RC) in more detail. ICMA-RC stood out as a respected, non-profit, nationwide administrator of <i>public employee</i> retirement accounts. According to its website, ICMA-RC is a non-profit independent financial services corporation founded in 1972 with the assistance of a Ford Foundation grant. It provides retirement plans and related services for over a million public sector participant accounts and approximately 9,300 retirement plans consistent with its mission is to help build retirement security for local and state government employees.  Moreover, ICMA-RC appears to be the only entity willing and able to accept small accounts such as the District’s on a standalone basis. In addition, for comparative purposes, ICMA-RC has indicated that administrative fees for similar accounts are in the range of \$25/year/employee.  Staff is recommending that the Board approve the change of the trust fund service provider to ICMA-RC, authorize the General Manager-Chief Engineer to execute an agreement with ICMA-RC, and transfer existing funds from OE3 Health and Welfare Trust Fund into a new MARA/VEBA account with ICMA-RC.	
<b>STRATEGIC PLAN INFORMATION:</b> This item addresses Goal 3 (Board District and Community, Alignment and Communications), and Goal 4 (Well Planned Finances with a Long-Range Outlook) of the latest Strategic Plan Update.	
<b>DEPT. MGR.:</b> drt	<b>GENERAL MANAGER:</b> SSK

# NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

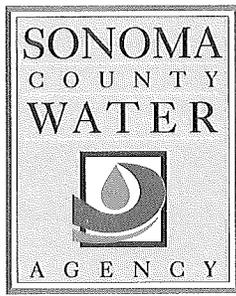
<b>TITLE:</b> CalPERS Health Plan Premium Rates for 2018 – Information only	<b>MEETING DATE:</b> July 10, 2017.  <b>AGENDA ITEM NO.:</b> 11.a.																								
<b>RECOMMENDED ACTION:</b> Receive report on CalPERS Health Plan Premium Rates for 2018 –information only.																									
<b>SUMMARY AND DISCUSSION:</b>  <p>The District has received notification of health plan premiums for calendar year 2018 from CalPERS as follows:</p> <p style="text-align: center;"><b>CalPERS Health Plan (Kaiser North rates):</b></p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: center;">2017 Rates (for comparison)</th> <th style="text-align: center;">2018 Rates</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>Basic Premium rates – Bay Area:</b></td> </tr> <tr> <td style="padding-left: 20px;">Subscriber</td> <td style="text-align: right;">\$733.39/mo</td> <td style="text-align: right;">\$779.86/mo</td> </tr> <tr> <td style="padding-left: 20px;">Subscriber +1</td> <td style="text-align: right;">\$1466.78/mo</td> <td style="text-align: right;">\$1559.72/mo</td> </tr> <tr> <td style="padding-left: 20px;">Family Rate</td> <td style="text-align: right;">\$1906.81/mo</td> <td style="text-align: right;">\$2027.64/mo</td> </tr> <tr> <td colspan="3"><b>Medicare Eligible Retiree</b></td> </tr> <tr> <td style="padding-left: 20px;">Single Supplemental Medicare</td> <td style="text-align: right;">\$300.48/mo</td> <td style="text-align: right;">\$316.34/mo</td> </tr> <tr> <td style="padding-left: 20px;">2-Party Supplemental Medicare</td> <td style="text-align: right;">\$600.96/mo</td> <td style="text-align: right;">\$632.68/mo</td> </tr> </tbody> </table> <p>This represents an increase of 6.34% for regular health coverage and 5.28% increase in Medicare rates. The preliminary FY2017-18 budget had projected an increase of 8% across both sets of rates. The Final FY2017-18 budget will be revised to reflect actual rates.</p>			2017 Rates (for comparison)	2018 Rates	<b>Basic Premium rates – Bay Area:</b>			Subscriber	\$733.39/mo	\$779.86/mo	Subscriber +1	\$1466.78/mo	\$1559.72/mo	Family Rate	\$1906.81/mo	\$2027.64/mo	<b>Medicare Eligible Retiree</b>			Single Supplemental Medicare	\$300.48/mo	\$316.34/mo	2-Party Supplemental Medicare	\$600.96/mo	\$632.68/mo
	2017 Rates (for comparison)	2018 Rates																							
<b>Basic Premium rates – Bay Area:</b>																									
Subscriber	\$733.39/mo	\$779.86/mo																							
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Family Rate	\$1906.81/mo	\$2027.64/mo																							
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Single Supplemental Medicare	\$300.48/mo	\$316.34/mo																							
2-Party Supplemental Medicare	\$600.96/mo	\$632.68/mo																							
<b>STRATEGIC PLAN INFORMATION:</b> This item addresses Goal 3 (Board District and Community, Alignment and Communications) and Goal 4 (Well Planned Finances with a long-Range Outlook) of the latest Strategic Plan Update.																									
<b>BUDGET INFORMATION:</b> The preliminary FY2017-18 budget had projected an eight percent (8%) increase in these rates.																									
<b>DEPT. MGR.:</b> drt	<b>GENERAL MANAGER:</b> SSK																								

# NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

<b>TITLE: Staff Reports: Uniform Public Construction Cost Accounting Act (UPCCAA) Implementation for FY16-17.</b>	<b>MEETING DATE: July 10, 2017</b> <b>AGENDA ITEM NO.: 11.b.</b>
<b>RECOMMENDED ACTION:</b> Receive report on Uniform Public Construction Cost Accounting Act (UPCCAA) implementation for Fiscal Year (FY) 2016-17 – Information only.	
<b>SUMMARY AND DISCUSSION:</b> <p>The District utilizes the Uniform Public Construction Cost Accounting Act (UPCCAA, or the “Act”) to perform certain projects each year. The Act allows a local agency to perform these projects if the agency elects to follow the cost accounting procedures set forth in the Cost Accounting Policies and Procedures Manual of the California Uniform Construction Cost Accounting Commission. The Act is enacted under Public Contracts Code Sections 22000 through 22045. The District utilizes this Act under its Resolution No. 2947 adopting Ordinance No. 109 dated August 28, 2006, and updated by Ordinance No. 118 adopted on August 12, 2013.</p> <p>The District utilizes provisions of the Act for alternative bidding procedures as follows: (a) Projects of \$45,000 or less may be performed by negotiated contract or by purchase order, (b) Projects of \$175,000 or less may be let to contract by the informal procedures set forth in the Act, and (c) Projects of more than \$175,000 are to be let to contract by formal bidding procedures. In short, the District uses the relevant provisions of the Act to allow the District to complete projects with less administrative effort while maintaining work quality.</p> <p>For FY2016-17, the District utilized the Act provisions under item (a) and (b) above to complete work across the following projects/accounts:</p> <ol style="list-style-type: none"> <li>1. Account No. 60150 (Collections: Repairs &amp; Maintenance) – total amount \$19,624.00, three contractors.</li> <li>2. Account No. 60153 (Collections: Outside Services) - total amount \$15,000.00, one contractor.</li> <li>3. Account No. 63150 (Reclamation: Repairs &amp; Maintenance) - total amount \$43,027.69, eight contractors.</li> <li>4. Account No. 65150 (Pump Stations: Repairs &amp; Maintenance) – total amount \$17,923.34, six contractors</li> <li>5. Account No. 65153 (Pump Stations: Outside Services, Electrical) – total amount \$4,883.88, two contractors.</li> <li>6. Account No. 66150 (Admin/Engineering: Repairs &amp; Maintenance) – total amount \$9,931.90, three contractors.</li> <li>7. Account No. 72706 (Collection System Improvements) – total amount \$242,727.48, two contractors.</li> <li>8. Account No. 72803 (Annual Collection System Repairs) - total amount \$26,753.13, two contractors.</li> <li>9. Account No. 72804 (Annual Reclamation Facilities Improvements) - total amount \$85,024.08, three contractors.</li> <li>10. Account No. 72805 (Annual Treatment Plant) - total amount \$36,497.20, three contractors.</li> <li>11. Account No. 72806 (Annual Pump Station Improvements) – total amount \$50,250.23, three contractors.</li> <li>12. Account No. 73003 (Admin/Maintenance Building) – total amount \$2,307.00, one contractor.</li> <li>13. Account No. 73004 (Odor Control &amp; NTP Landscaping) – total amount \$29,713.00, one contractor.</li> <li>14. Account No. 73006 (NTP Corrosion Control) – total amount \$126,000.00, one contractor.</li> <li>15. Account No. 61000-3 (Treatment Facilities: Major Repair/Replacement) - \$275.00, one contractor.</li> </ol> <p>The total amount of work performed under the Act provisions in FY2016-17 was \$711,783.33. Of this, three projects were over \$45,000 but less than \$175,000, under Account No. 72706 (\$123,123.00 &amp; \$110,506.52) and Account No. 72706 (\$76,172.60 &amp; \$99,460.76), Account No. 73006 (\$126,000).</p>	
<b>STRATEGIC PLAN INFORMATION:</b> This item addresses Goal 1 (Operational Excellence) and Goal 2 (Reliable and Efficient Facilities) of the latest Strategic Plan Update.	
<b>DEPT. MGR.:</b> eb, srk	<b>GENERAL MANAGER:</b> SSK

## NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

<b>TITLE:</b> North Bay Water Reuse Authority (NBWRA), Account No. 72508: Refund to District – Information only.	<b>MEETING DATE:</b> July 10, 2017  <b>AGENDA ITEM NO.:</b> 12.a.
<b>RECOMMENDED ACTION:</b> Receive report on refund of \$179,458 to District from Sonoma County Water Agency (SCWA) as the District’s share of cost savings to NBWRA’s three year (FY14-15, FY15-16, and FY16-17) Phase 2 Feasibility Study program budget from new members joining the program – information only.	
<b>SUMMARY AND DISCUSSION:</b>  <p>Over the years, the District’s potential projects, costs, and benefits from participating in the NBWRA Phase 2 Feasibility Study were discussed at District Budget Workshops and Strategic Planning &amp; New Facilities Committee meetings for Fiscal Years FY14-15, FY15-16, and FY16-17, and approved by the Board as part of the annual budget approval and adoption process each year.</p> <p>NBWRA had initially identified the total cost for this study to its member agencies at \$4,985,479 over the three-year period of FY14-15, FY15-16, and FY16-17. The NBWRA Board of Directors approved its FY14-15, FY15-16, and FY16-17 budgets and the member agencies’ cost allocations at its May 19, 2014 meeting. The resulting initial cost allocation for the District over the three-year period was \$1,134,778, with payments spread out as \$343,005 in FY14-15, \$377,090 in FY15-16, and \$414,684 in FY16-17. The District has made payments of \$343,005 in FY14-15, \$377,090 in FY15-16, and \$207,344 in FY16-17, or a total of \$927,434.</p> <p>While project scopes evolved and costs were refined further as part of the Phase 2 Feasibility Study, the 3-year budget cost allocation for individual agencies (including the District), did not change until recently. A final “truing-up” process is expected at the end of the Phase 2 Feasibility Study (similar to what occurred after the Phase 1 Feasibility Study), to match each NBWRA agency’s cost to the benefit it will receive. In the meanwhile, an intermediate truing up has occurred to account for new agencies joining the NBWRA Phase 2 program, and costs reallocated between the member agencies. The result is that the District has received a refund of \$179,458 (see Attachment 1) from Sonoma County Water Agency (SCWA) in its role as the NBWRA administrative entity, leaving the amount contributed to date by the District at \$747,976 towards the NBWRA Phase 2 program.</p>	
<b>ATTACHMENTS:</b> 1. Correspondence from SCWA.	
<b>STRATEGIC PLAN INFORMATION:</b> This item addresses Goal 1 (Operational Excellence) and Goal 2 (Build and Maintain Safe, Reliable, and Efficient Facilities) of the latest Strategic Plan Update.	
<b>DEPT. MGR.:</b> eb, ssk	<b>GENERAL MANAGER:</b> SSK



Item 12.a.  
Attachment 1  
(Pages 201 to 205)

CF/71-700-21.7 Among Parties (Memorandum of Understanding (MOU) for North Bay Water Reuse Authority) TW No (ID 1726)

June 15, 2017

Mr. Sandeep Karkal  
General Manager  
Novato Sanitary District  
500 Davidson Street  
Novato, CA 94945-3399

**Subject: Costs Refunded Due to New Member Agencies, Three Year Budget**

Dear Mr. Karkal:

The North Bay Water Reuse Authority's (NBWRA) Board of Directors approved an amended budget to include two new member agencies on March 27, 2017. As a result, these new agencies will be participating in cost share for Phase 2 Support, Phase 2 Feasibility Study and Joint Use from the current three year budget (FY 14/15, FY 15/16, and FY 16/17), and any future costs associated with these phases. Based upon the approved budget with the new member agencies, and the amounts already paid in the installment one invoice, NBWRA will be refunding your agency the following amount:

Phase 2 – Support	\$16,062.00
Phase 2 – Feasibility Study	\$162,552.00
Joint Use	\$ 844.00
<b>Total</b>	<b>\$ 179,458</b>

Please find enclosed a reimbursement in the amount of \$179,458.00.

Sincerely,

Jake Spaulding  
Water Agency Grants and Funded Projects Manager  
North Bay Water Reuse Authority, Administrative Agency

c: SCWA: Kevin Booker, Brad Elliott  
NBWRA: Chuck Weir

rw S:\Clerical\Pinks\06-12-2017\Novato\_FY\_1617\_-\_Refund.docx

RECEIVED  
JUL 03 2017  
NOVATO SANITARY DISTRICT



TO THE TREASURER OF THE  
COUNTY OF SONOMA  
SANTA ROSA, CALIFORNIA

CLAIMS CHECK

CHECK NO.  
1631122

11-35  
1210

VOID

DATE 06/29/2017

VOID AFTER SIX MONTHS

PAY THIS AMOUNT

\*\*\*\*\*\$179,458.00

BANK OF AMERICA

PAY *One hundred seventy nine thousand four hundred fifty eight and 00/100 Dollars*

To The  
Order  
Of

NOVATO SANITARY DISTRICT  
ATTN: SANDEEP KARKAL  
500 DAVIDSON STREET  
NOVATO CA 94945-3399

ERICK ROESER  
AUDITOR-CONTROLLER

⑈01631122⑈ ⑆121000358⑆ 00439⑈80050⑈



TO THE TREASURER OF THE  
COUNTY OF SONOMA  
SANTA ROSA, CALIFORNIA

VENDOR NO. 0000009714      01      DATE PAID 06/29/2017      201      1631122      No. 1631122

VOUCHER NUMBER	P.O. NUMBER	DESCRIPTION	AMOUNT
00043863		06/22/2017 NBWRA REIMBURSEMENT FY16-17	179,458.00
00043863		INSTALLMENT TWO INVOICE REIMBURSEMENT	0.00
			\$179,458.00

RECEIVED  
JUL 03 2017

NOVATO SANITARY DISTRICT

## Exhibit A

North Bay Water Reuse Authority's (NBWRA) Board of  
Directors approved budget for the FY 2016/2017 and Invoice  
Amounts

# Amended Budget with New Agencies

Item No. 10

Budget Remaining for Each Agency FY16/17 Approved by the Board March 27 2017

	LGVSD	Napa SD	Novato SD	SVCSD	SCWA	NMWD	Napa County	Petaluma	MMWD	American Canyon
Remaining Costs for FY16/17	\$5,612	-\$313,856	-\$171,782	\$366,529	\$139,190	\$14,882	\$2,339	\$219,684	\$260,874	\$379,584

## Basis of the Budget Remaining for FY16/17

	LGVSD	Napa SD	Novato SD	SVCSD	SCWA	NMWD	Napa County	Petaluma	MMWD	American Canyon
Sept 2016 w/ SVCSD mod (Current Agencies)	\$113,168	\$973,266	\$755,657	\$680,483	\$563,060	\$167,197	\$94,114	\$1,007,918	\$260,874	\$379,584
Net Costs	\$113,168	\$973,266	\$755,657	\$680,483	\$563,060	\$167,197	\$94,114	\$1,007,918	\$260,874	\$379,584
Paid to Date	\$107,556	\$1,287,122	\$927,439	\$313,954	\$423,870	\$152,315	\$91,775	\$788,234	\$0	\$0
Remaining Costs for FY16/17	\$5,612	-\$313,856	-\$171,782	\$366,529	\$139,190	\$14,882	\$2,339	\$219,684	\$260,874	\$379,584
Future (FY 16/17) Phase 2 Study Grant Refund	\$0	\$102,812	\$83,383	\$57,478	\$51,002	\$0	\$0	\$83,383	\$22,745	\$35,697
Remaining Costs after Future Refund	\$5,612	-\$416,668	-\$255,165	\$309,050	\$88,188	\$14,882	\$2,339	\$136,300	\$238,129	\$343,887

100

FY 16/17 Invoices Installment One						
Invoice #	Member Agency	Invoice Amount	Phase 1	Phase 2 - Support	Phase 2 - Feasibility Study	JU
WTRN-20	Las Gallinas Valley Sanitary District	\$ 20,816.00	5,410.00	-	-	15,406.00
WTRN-16	Novato Sanitary District	\$ 207,344.00	6,436.00	23,443.00	162,058.00	15,407.00
WTRN-17	Napa Sanitation District	\$ 283,881.00	23,838.00	30,916.00	213,721.00	15,406.00
WTRN-18	County of Napa	\$ 18,076.00	2,669.00	-	-	15,407.00
WTRN-19	North Marin Water District	\$ 28,590.00	13,184.00	-	-	15,406.00
WTRN-11	Sonoma Valley County Sanitation District	\$ 63,133.00	20,532.00	3,437.00	23,757.00	15,407.00
WTRN-10	Sonoma County Water Agency	\$ 93,759.00	2,669.00	9,565.00	66,118.00	15,407.00
WTRN-14	City of Petaluma	\$ 177,628.00	-	20,501.00	141,721.00	15,406.00
	<b>Total</b>	<b>\$ 893,227.00</b>	<b>\$ 74,738.00</b>	<b>\$ 87,862.00</b>	<b>\$ 607,375.00</b>	<b>\$ 123,252.00</b>

FY 16/17 Invoices Installment Two						
Invoice #	Member Agency	Invoice Amount	Phase 1	Phase 2 - Support	Phase 2 - Feasibility Study	JU
WTRN-36	Las Gallinas Valley Sanitary District	\$ 5,612	6,453	-	-	(841)
WTRN-32	Novato Sanitary District	\$ (171,783)	7,675	(16,062)	(162,552)	(844)
WTRN-33	Napa Sanitation District	\$ (313,857)	28,426	(53,429)	(288,012)	(842)
WTRN-34	County of Napa	\$ 2,339	3,182	-	-	(843)
WTRN-35	North Marin Water District	\$ 14,882	15,724	-	-	(842)
WTRN-28	Sonoma Valley County Sanitation District	\$ 366,527	24,489	83,968	258,914	(844)
WTRN-27	Sonoma County Water Agency	\$ 139,187	3,186	53,327	83,516	(842)
WTRN-30	City of Petaluma	\$ 219,682	-	(1,352)	221,876	(842)
WTRN-31	Marin Municipal Water District	\$ 260,873	-	27,503	213,051	20,319
WTRN-29	American Canyon	\$ 379,583	-	27,503	331,761	20,319
	<b>Total</b>	<b>\$ 903,045</b>	<b>\$ 89,135</b>	<b>\$ 121,458</b>	<b>\$ 658,554</b>	<b>\$ 33,898</b>

Approved budget and actual amount invoiced slightly off due to rounding

# NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

<b>TITLE: Board of Directors – City of Novato, Draft Urban Growth Boundary Ordinance.</b>	<b>MEETING DATE: July 10, 2017</b>  <b>AGENDA ITEM NOS.: 13.a.,b.,c.,d.&amp;e.</b>
<b>RECOMMENDED ACTION(S): (INFORMATION ONLY)</b> <ul style="list-style-type: none"> <li>a. Receive copy of e-mail (and attachment) - City of Novato Draft 2017 Urban Growth Boundary (UGB) ordinance.</li> <li>b. Receive copy of Marin LAFCO staff response to the City on the draft UGB ordinance.</li> <li>c. Receive copy of District response to the City on the draft UGB ordinance</li> <li>d. Receive copy of North Marin Water District (NMWD) response to the City on the draft UGB ordinance.</li> <li>e. Receive copy of article published in the Novato Advance newspaper for the week of July 5, 2017 – “Details of growth boundary ordinance examined”.</li> </ul>	
<b>SUMMARY AND DISCUSSION:</b> <p>On June 20, 2017, staff received an e-mail from City of Novato Community Development Director Bob Brown (Attachment 1) containing a draft ordinance extending the 20-year term of the City's 2017 Urban Growth Boundary (UGB), and making other regulatory and General Plan changes (Attachment 2). Per City staff, the Novato City Council intends to place this ordinance on the November ballot. Also per City staff, the City Council reviewed this draft ordinance on June 27, 2017, and is expected to approve a final version at their July 11, 2017 meeting.</p> <p>As background, Marin LAFCO and the County of Marin are the agencies with jurisdictional responsibility on such matters. Marin LAFCO’s response is provided as Attachment 3.</p> <p>District staff reviewed the draft ordinance language, and worked with District Counsel Kent Alm to prepare the attached response letter (Attachment 4). The response letter essentially addresses the City's draft language requesting that the District adopt policies and ordinances consistent with the City's Urban Growth Boundary, and also enter into a Memorandum of Understanding (MOU) with the City to implement the Urban Growth Boundary Ordinance.</p> <p>In summary, consistent with applicable State laws, and consistent with long standing District policy, the District response letter takes the position that the District does not have land-use powers, and therefore cannot adopt any new policies or ordinances nor enter into any MOU with the City related to the 2017 UGB ordinance.</p>	
<b>ATTACHMENTS:</b> <ul style="list-style-type: none"> <li>1. Copy of e-mail from City of Novato Community Development Director Bob Brown.</li> <li>2. Copy of Draft 2017 Urban Growth Boundary (UGB) Ordinance.</li> <li>3. Copy of Marin LAFCO staff comment letter.</li> <li>4. Copy of District response letter.</li> <li>5. Copy of North Marin Water District (NMWD) response letter.</li> <li>6. Copy of article published in the Novato Advance newspaper for the week of July 5, 2017 – “Details of growth boundary ordinance examined”.</li> </ul>	
<b>STRATEGIC PLAN INFORMATION:</b> This item addresses Goal 3 (Alignment and Communications) of the latest Strategic Plan Update.	
<b>DEPT. MGR.:</b> KA, SSK	<b>GENERAL MANAGER:</b> SSK

**From:** [Bob Brown](#)  
**To:** [Keene Simonds](#); [Brian Crawford](#); [Sandeep Karkal](#); [Drew McIntyre](#)  
**Subject:** Novato Urban Growth Boundary Draft Ordinance for Ballot  
**Date:** Tuesday, June 20, 2017 2:26:49 PM  
**Attachments:** [UGB 2017 Voter Amendments Version 2.pdf](#)  
[Original 1997 UGB Ballot Measure.pdf](#)

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Dear Keene, Brian, Sandeep and Drew:

Attached please find a draft of an ordinance extending the 20-year term of the City's Urban Growth Boundary and making other regulatory and General Plan changes. This ordinance is intended to be placed on the ballot by the Novato City Council. They will review this draft on June 27 and we expect to bring a final version to the Council on July 11. Veronica Nebb and I would be happy to discuss the draft language with you, and would welcome your comments in advance of the final Council action in July.

I've highlighted what I believe are the most relevant sections of the ordinance, and also attached a copy of the original 1997 ballot language. The current UGB ordinance allows amendment of the UGB as "the only feasible method of addressing a significant threat to the public health, safety and welfare...would not provide for new development, and...only involves developed or substantially developed lands." This section has been used in the past to justify a sewer connection in the event of a failed septic system. This provision has been replaced by one that allows utility connections for existing residential parcels with an existing single-family home, but where future subdivision is precluded by deed restriction, and for existing parcels with non-residential development where an additional 10% of existing building area may be developed. The intent is to allow utility connections for existing, but not substantially expanded, development.

The ordinance also requests that LAFCO, the County and the utility districts adopt policies/ordinances consistent with the City's UGB and enter into MOUs with the City to implement the UGB ordinance.

Again, I appreciate your consideration of these provisions that affect our joint permitting processes and applicants. Let me know if you'd like to schedule a meeting or phone conference with Veronica and myself.

**Bob Brown**

Community Development Director  
922 Machin Avenue  
Novato, CA 94945  
415-899-8938

 Please consider the environment before printing this email.

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE CITY OF NOVATO AMENDING THE  
GENERAL PLAN TO CONTINUE THE  
URBAN GROWTH BOUNDARY

THE PEOPLE OF THE CITY OF NOVATO DO ORDAIN AS FOLLOWS:

SECTION 1. Findings and Purpose

**A. Purpose.** The purpose of this ordinance is to provide for the health, safety, and welfare of the residents of the City of Novato, to preserve agricultural uses which are vital to the region's economy, to encourage planned and managed growth, and to implement the goals, objectives and policies of the City of Novato General Plan and its provisions that development should be compact.

This ordinance amends the City of Novato General Plan to continue the Urban Growth Boundary (UGB) adopted by the voters on November 4, 1997 to extend the effective date of the Urban Growth Boundary to a date that is the same date as the certification of results of the City's 2038 General Municipal Election.

The Urban Growth Boundary (sometimes UGB) is established for a 20 year period, beginning with the effective date of this ordinance, during which urban development is restricted outside the boundary, stipulating that development proposals will not be approved for land outside of the UGB except under limited circumstances consistent with other applicable General Plan policies. This initiative would, with certain exceptions, require any extension of the UGB to be approved by a vote of the people. The UGB may be updated and/or extended at the expiration of the 20 year period.

**B. Findings.** The people of the City of Novato find that this ordinance:

- (1) Protects agricultural uses outside the UGB by promoting, on lands outside the UGB, ongoing agricultural and other natural resource and open space uses, such as preservation of natural resources, public and private outdoor recreation, uses that foster public health and safety, and productive investment for farming enterprises;
- (2) Encourages efficient growth patterns and protects the quality of life of the citizens of Novato by concentrating future residential, commercial and industrial growth in areas already served by urban services, consistent with the availability of infrastructure and services;
- (3) Improves the City's ability to provide municipal services, and discourages the provision of City services to sprawling developments in outlying agricultural and open space lands which greatly increases the cost of such services, while allowing for the possibility of residential development at a rural scale on existing legal lots;

- (4) Protects open space and community separators surrounding the City;
- (5) Manages the City's growth in a manner that fosters and protects the rural character of Novato while encouraging appropriate economic development in accordance with the City's unique local conditions;
- (6) Does not impose any numerical or percentage limit on the development of housing units in the City;
- (7) Allows the City to continue to meet its fair share of the affordable and low cost housing needs of the region; and
- (8) Promotes stability in long term planning for the City by establishing a cornerstone policy within the General Plan designating the geographic limits of long term urban development and allowing sufficient flexibility within those limits to respond to the City's changing needs over time.

## SECTION 2. General Plan Amendment: Urban Growth Boundary

A. The General Plan shall be amended as follows:

1. Map 1 is revised to depict the Urban Growth Boundary as set forth in the attached Exhibit A.
2. Text Amendments:

The following text shall be added to the General Plan Land Use or equivalent chapter:

### **Urban Growth Boundary**

The City seeks to protect agricultural, natural resource, open space and community separator uses, public and private outdoor recreation, uses that foster public health and safety, and farming enterprises as well as encourage efficient growth patterns that foster and protect the rural character of Novato while encouraging appropriate economic development in accordance with the City's unique local conditions.

The establishment of an Urban Growth Boundary will protect the quality of life of the citizens of Novato by concentrating future residential, commercial and industrial growth in areas already served by urban services. The Urban Growth Boundary will improve the City's ability to provide municipal services and discourage the provision of City services to sprawling developments in outlying areas, including agricultural and open space lands which greatly increases the cost of such services.

3. The following Goals, Policies and Programs are added to the General Plan Land Use or equivalent chapter to read as follows (numbering to replace X shall be as provided by the City):

**Goal X: Establish clear limits to urban development outside the Novato City Limits.**

**Policy X**

Urban Growth Boundary Established. An Urban Growth Boundary is established, as shown on LU Map 1. Land use designations outside the Urban Growth Boundary have been established for long term planning purposes. For the 20 year duration of the Urban Growth Boundary, development outside the Urban Growth Boundary shall be limited to non-urban agricultural, conservation, parkland, and open space uses except as provided herein.

**Program X**

City Action on Proposals Outside the Urban Growth Boundary.

a. The City, its departments, boards, commissions, officers and employees, shall not grant or approve any general plan amendment, rezoning or zoning ordinance amendment, specific plan, master plan, precise development plan, tentative or final subdivision map, conditional use permit, building permit or any other discretionary or ministerial land use or development approval or entitlement for urban land uses outside the Urban Growth Boundary except as provided in this policy. All City departments, boards, commissions, officers and employees shall act on all referrals from other agencies regarding the extension or connection of urban services such as sewer or water service, outside the Urban Growth Boundary consistent with the requirements of this policy.

b. (1) All City departments, boards, commissions, officers and employees shall act on applications for land use approvals, entitlements and permits on properties outside the Urban Growth Boundary consistent with the requirements of this policy and state law in a manner that avoids any approval of such applications by operation of state or other law.

(2) All City departments, boards, commissions, officers and employees shall act on all referrals from other agencies regarding the extension or connection of urban services such as sewer or water service, outside the Urban Growth Boundary consistent with the requirements of this policy and state law in a manner that avoids any approval of such applications by operation of state or other law.

c. Until date that is the same date as the certification of results of the City's 2038 General Municipal Election, the foregoing Policy Xa, Xb and LU Map 1 as it depicts the Urban Growth Boundary may be amended only by a vote of the people or pursuant to the procedures set forth below.

(1) To comply with state law regarding the provision of housing for all economic segments of the community, the City Council may amend the Urban Growth Boundary in order to accommodate lands to be designated for residential uses, provided that no more than ten acres of land may be brought within the Urban Growth Boundary in any calendar year. Such an amendment may be adopted only upon the affirmative vote of a majority of the Council, and if the City Council makes each of the following findings:

- (i) That the land is immediately adjacent to existing comparably developed areas and the applicant for the redesignation (or the City if City-initiated) has provided evidence that the Novato Fire Protection District, Novato Police Department, Novato Community Development Department, the North Marin Water District, Novato Sanitary District, and the School District have adequate capacity to accommodate the proposed development and provide it with adequate public services;
- (ii) That the proposed development will consist of primarily low and very low income housing pursuant to the Housing Element of the General Plan;
- (iii) That there is no existing residentially designated land available within the Urban Growth Boundary that can feasibly accommodate the proposed development;
- (iv) That it is not reasonably feasible to accommodate the proposed development by redesignating lands within the Urban Growth Boundary for low and very low income housing; and
- (v) That the proposed development is necessary to comply with state law requirements for the provision of low and very low income housing.

- (2) To avoid an unconstitutional taking of private property, the City Council may extend the Urban Growth Boundary, by the affirmative vote of a majority of the Council, if it finds that:
- (i) The implementation and/or application of the UGB would otherwise constitute a taking of a landowner=s property for which compensation must be paid; and
  - (ii) The extension of the UGB and land use designations associated with the extension will allow additional land uses only to the minimum extent necessary to avoid such a taking of the landowner=s property.
- (3) To promote the public health, safety, and welfare, the City Council may, by the affirmative vote of a majority of the Council, amend the Urban Growth Boundary if it finds that such amendment is necessary for the development of a public park, public school, public facility, or public open space project, and such amendment is otherwise consistent with the General Plan then in effect.

(4) To promote the public health, safety and welfare, the City Council may, by the affirmative vote of a majority of the Council amend the Urban Growth Boundary if the Council makes the following findings:

(a) Residential

- (i) The amendment will permit the construction or expansion of a single family residential structure and one accessory dwelling unit on a legal conforming lot which lot existed on November 7, 2017; and
- (ii) Further subdivision of the lot upon which the proposed single family residential structure and/or accessory dwelling unit is to be built is prohibited by deed restriction or other legally enforceable covenant.

OR

(b) Non-Residential

- (i) The amendment will permit the expansion of existing non-residential development by no more than 10% from the floor area existing on November 7, 2017.

(5) The City Council may, by the affirmative vote of a majority of the Council, exempt projects that have a vested right under law to proceed with development, if the Council determines that the exemption is necessary for the project to proceed consistent with that vested right.

**Program X: Sphere of Influence.** Request that the Marin County Local Agency Formation Commission (LAFCO) revise, consistent with state law and Marin LAFCO policies, the Novato Sphere of Influence as appropriate to assist the City with the implementation of the Urban Growth Boundary.

**Program X: Urban Service Areas.** Study potential Urban Service Areas as defined by LAFCO and consider amending the General Plan to delineate them and adopt appropriate policies.

**Program X: Annexation and Connection to the Novato Sanitary District.**

a. Request that the Marin County Local Agency Formation Commission refer proposals for inclusion in the area served by the Novato Sanitary District to the City for review and comment and act favorably on the City's recommendations in a manner consistent with the purpose and intent of the Urban Growth Boundary.

b. Consider, on a case-by-case basis, supporting connection of property outside the City limits to the Novato Sanitary District, if the City determines it necessary for public health and safety, or for any reason defined in the exceptions to the Urban Growth Boundary contained in Program Xc.

**Program X: Policies and Ordinances of LAFCO, County of Marin, Novato Sanitary District and North Marin Water District.** Request that LAFCO, the County of Marin, the Novato Sanitary District and the North Marin Water District recognize the Urban Growth Boundary in their official plans and adopt policies and ordinances consistent with the Urban Growth Boundary consistent with the intent of the voters.

**Program X: MOUs with LAFCO, County of Marin, Novato Sanitary District and North Marin Water District.** Request that LAFCO, the County of Marin, the Novato Sanitary District and the North Marin Water District enter into a Memorandum of Understanding (MOU) with the City

to recognize the Urban Growth Boundary and assist in the implementation of the policies and programs of the UGB consistent with the intent of the voters.

**Program X: Coordination with Marin County.** Request the County of Marin to work with the City when preparing or amending Community Plans or Specific Plans for the Gness Field, Black Point, Indian Valley, and other identified community areas outside the UGB.

### SECTION 3. Implementation

- A. Upon the effective date of this initiative, the initiative shall be deemed to have amended the General Plan in accordance with its terms, except that if the four amendments of the mandatory elements of the General Plan permitted by state law for any given calendar year have already been utilized in the year of this initiative's effective date and prior to such effective date, then the General Plan amendment specified herein shall be deemed effective on January 1 of the following year.
- B. If another ballot measure is placed on the same ballot as this initiative, and if such other ballot measure governs growth boundaries or growth policies for the City of Novato or otherwise purports to deal with the same subject matter as this initiative, and if both measures should pass, the voters expressly declare their intent that this measure conflicts with such other measure, and that the measure which obtains the most votes shall control.
- C. Should any section, subsection, clause or provision of this Ordinance for any reason be held to be invalid or unconstitutional, such invalidity or unconstitutionality shall not affect the validity of the remaining portions of this Ordinance; it being hereby expressly declared that this Ordinance, and each section, subsection, sentence, clause and phrase hereof would have been prepared, proposed, and adopted by the people, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared invalid or unconstitutional.
- D. The General Plan may be reorganized, individual provisions of the General Plan may be renumbered or reordered, and provisions of the General Plan other than the provisions added by this initiative may be amended, by the City Council in the course of ongoing updates of the General Plan in accordance with the requirements of state law. Notwithstanding any such reorganization, renumbering, reordering or amendment of the General Plan, the provisions added to the Plan by this initiative shall continue to be included in the General Plan until the twentieth anniversary of the effective date of this initiative, except to the extent that this initiative has been earlier repealed or amended consistent with its provisions.
- E. Unless a different statute of limitation applies under applicable state or federal law, no action or proceeding challenging all or any part of this initiative shall be maintained

unless commenced and service made on the City within 120 days from the date that the vote on this initiative is declared.

- F Pursuant to California Elections Code Section 9217, if the majority of the voters voting on this initiative vote in its favor, it shall become a valid and binding ordinance ten (10) days after the vote is declared by the City Council.



Marin Local Agency Formation Commission  
Regional Service Planning | Subdivision of the State of California

June 26, 2017

**Delivered by E-Mail:**

Mr. Bob Brown, Director  
Community Development Department  
City of Novato  
922 Machin Avenue  
Novato, California 94945  
[bbrown@novato.org](mailto:bbrown@novato.org)

**SUBJECT: Staff Comments |  
Draft Ordinance to Renew Novato’s Urban Growth Boundary**

Mr. Brown:

Thank you for providing the Marin Local Agency Formation Commission (LAFCO) an advance copy of the draft ordinance the City Council is scheduled to review at its June 27, 2017 meeting that takes aim in renewing the Novato’s Urban Growth Boundary (UGB). The purpose of this letter is to provide staff comments on the draft ordinance and specific to the relationship therein with Marin LAFCO’s own planning policies in overseeing the orderly provision and – when appropriate – expansion of municipal services in the greater Novato region. This latter component includes, most notably, overseeing the service areas of three independent agencies that provide urban-supporting municipal services within and outside Novato’s UGB: North Marin Water District; Novato Fire Protection District; and Novato Sanitary District.

With the preceding in mind the following staff comments are offered for your consideration as Novato proceeds forward in this process.

1. Marin LAFCO commends Novato for taking proactive measures in establishing and now renewing a UGB to help clearly signal and guide City development priorities over the next 20-year period. It is also relevant to note Marin LAFCO affirmatively responded to the UGB’s establishment in the late 1990s by significantly drawing-back Novato’s assigned sphere of influence to reflect the City’s development priorities. This included removing from the sphere the unincorporated communities of Indian Valley, Black Point, and Green Point.
2. The remaining unincorporated lands currently located within Novato’s assigned sphere of influence while outside the UGB currently total close to 1,400 acres and divided between four distinct areas as summarized below. Importantly, while outside the UGB, Marin LAFCO has independently determined relative to State planning law these lands bear a direct and germane economic and social relationship with Novato. Accordingly, it is the Commission’s standing

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Keene Simonds, Executive Officer  
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T: 415-448-5877 E: [staff@marinlafco.org](mailto:staff@marinlafco.org)  
[www.marinlafco.org](http://www.marinlafco.org)

**Damon Connolly, Regular**  
County of Marin  
**Dennis J. Rodoni, Regular**  
County of Marin  
**Judy Arnold, Alternate**  
County of Marin

**Carla Condon, Vice Chair**  
Town of Corte Madera  
**Sashi McEntee, Regular**  
City of Mill Valley  
**Matthew Brown, Alternate**  
City of San Anselmo

**Jack Baker, Regular**  
North Marin Water District  
**Craig K. Murray, Regular**  
Las Gallinas Valley Sanitary  
**Lew Kiou, Alternate**  
Almonte Sanitary

**Jeffrey Blanchfield, Chair**  
Public Member  
**Chris Skelton, Alternate**  
Public Member  
NSD Board Agenda Packet  
July 10, 2017 (Page 216 of 222)

expectation these lands be annexed to Novato when the timing is deemed appropriate. The four unincorporated areas within the sphere and outside the UGB are noted below and shown in the attached map.

- a) Vineyard Road Area  
Approximately 515 acres comprising 426 assessor parcels.
  - b) Atherton Avenue Area  
Approximately 251 acres comprising 176 assessor parcels.
  - c) North St. Vincent's  
Approximately 430 acres comprising 5 assessor parcels.
  - d) Loma Verde  
Approximately 173 acres comprising 483 assessor parcels.
3. Marin LAFCO is schedule to prepare a comprehensive sphere of influence update for the Novato region in 2017-2018. The update – and among other purposes – will review whether changes to the Novato sphere are merited as well as explore options and opportunities to establish related implementing conditions. This schedule update serves as an ideal venue to mutually explore policies with Novato to align and effectuate shared planning goals as requested in the draft ordinance.
  4. Marin LAFCO is separately scheduled to conduct a countywide review of its dual annexation policy in 2017-2018. The policy – and among other intended purposes – is used by Marin LAFCO to help reconcile and rationalize the otherwise orderly delivery of municipal services to unincorporated lands within the Novato sphere that lie outside the UGB. This policy is drawn from Marin LAFCO's city-centered planning orientation and requires all affected landowners seeking municipal services from the applicable special district consent to annex into Novato either concurrently or in the future through a deferral process.<sup>1</sup> The scheduled policy review is an opportunity for Marin LAFCO and Novato to consider potential improvements with particular focus on developing shared criteria and commitments in addressing the expansion of public sewer and water as a means to address existing and pending public health threats in the region.

Thank you again for the opportunity to comment on the draft ordinance aimed at renewing Novato's UGB. Should you or your staff have any questions please contact me by telephone at 415.448.5877 or by e-mail at [ksimonds@marinlafco.org](mailto:ksimonds@marinlafco.org).

My best,



Keene Simonds  
Executive Officer

Attachment: as stated

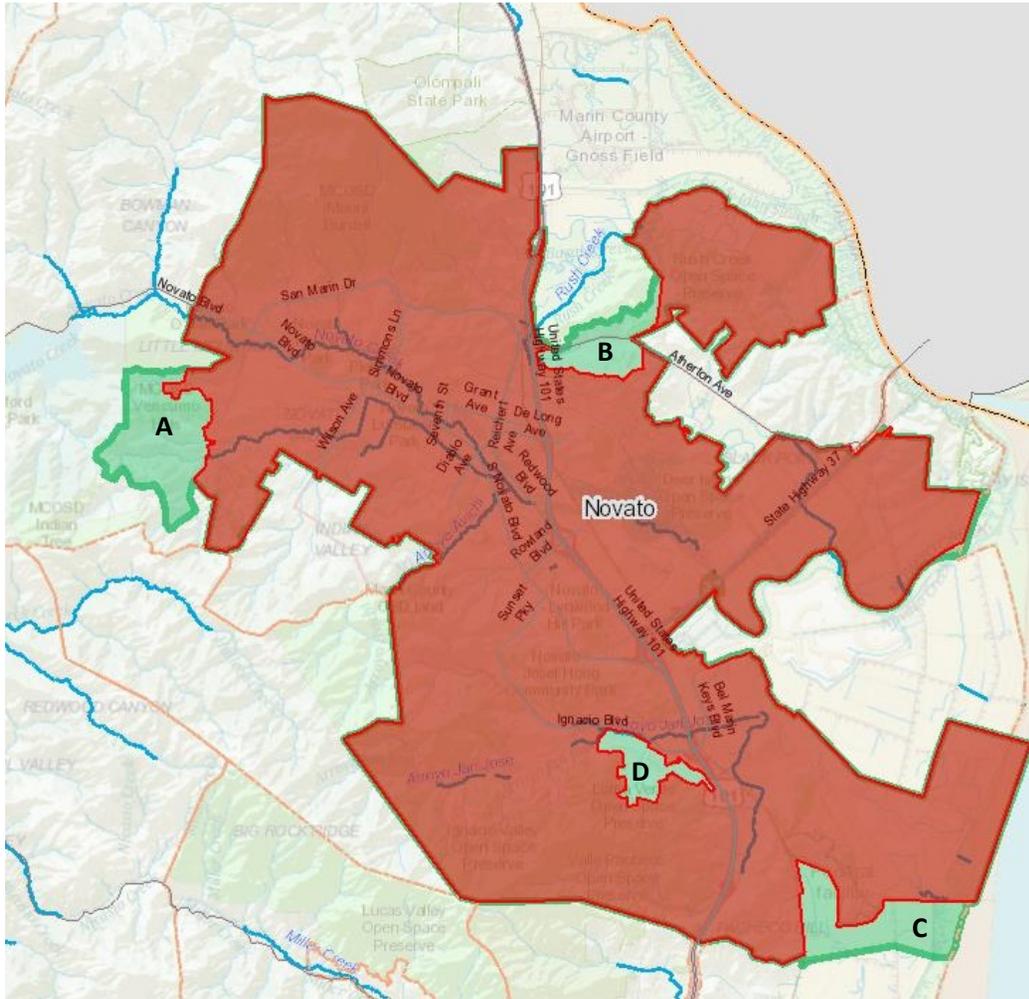
cc: Commissioners  
Brian Crawford, County of Marin  
Sandeep Karkal, Novato Sanitary District  
Drew McIntyre, North Marin Water District  
Mark Heine, Novato Fire Protection District

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<sup>1</sup> The referenced deferral process involves all affected landowners signing and recording an agreement running with the property waiving their and any successors' rights to protest an annexation should it be initiated in the future.

# City of Novato

Planning Boundaries | Novato UGB v. Sphere



## LEGEND

City of Novato |  
Baseline Boundaries

- Jurisdictional Boundary
  - Existing UGB
  - LAFCO Adopted Sphere |  
Showing SOI Outside UGB
- A Vineyard Road Area  
B Atherton Ave Area  
C North St. Vincent's  
D Loma Verde



**Marin Local Agency Formation Commission**

Regional Service Planning | Subdivision of the State of California



# NOVATO SANITARY DISTRICT

500 DAVIDSON STREET + NOVATO + CALIFORNIA 94945 + PHONE (415) 892-1694 + FAX (415) 898-2279  
www.novatosan.com

**BOARD OF DIRECTORS**

JERRY PETERS, President  
CAROLE DILLON-KNUTSON, President Pro-Tem  
WILLIAM C. LONG  
JEAN MARIANI  
BRANT MILLER

SANDEEP KARKAL, P.E.  
General Manager-Chief Engineer

KENTON L. ALM  
Legal Counsel

June 30, 2017

Mr. Robert Brown  
Community Development Director  
City of Novato  
922 Machin Avenue  
Novato, CA 94945

Subject: City of Novato 2017 Urban Growth Boundary – Draft Ordinance

Dear Mr. Brown:

Thank you for the opportunity to comment on your June 20, 2017 email, which included the City of Novato 2017 Urban Growth Boundary (UGB) Draft Ordinance. It is our understanding that the City Council reviewed this draft on June 27, 2017 and a final version will be brought to the Council on July 11, 2017 for consideration. The Novato Sanitary District (District or NSD) offers the below responses to the relevant provisions of the draft ordinance:

**Section 2, Page 6 of 8 (approximate item A.3.c.(5))**

**Program X: Policies and Ordinances of LAFCO, County of Marin, Novato Sanitary District and North Marin Water District, and**

**Program X: MOUs with LAFCO, County of Marin, Novato Sanitary District and North Marin Water District,**

**Novato Sanitary District Response:**

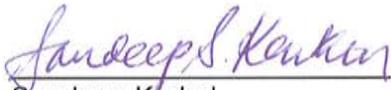
Consistent with District Board policy, and current statutes and case law, the Novato Sanitary District is not in a position to adopt any new policies/ordinances nor enter into an MOU with the City regarding the proposed 2017 UGB ordinance. The District was organized under and exists pursuant to State law (viz. the Sanitary District Act within the California Health and Safety Code), and we are not aware of any State law (or case law) that:

- a. Authorizes the District to choose between land use agencies, or
- b. Allows the District to deny service to a land use approved by the appropriately authorized land use agency in the absence of constraints on its available capacity or facilities, where the District is the municipal service provider as determined by LAFCO.

If the District were to deny service, based upon a City ordinance, to a development lawfully approved by the County, this would put the District in a legally untenable position.

Again, thank you for the opportunity to comment. The District will be happy to revisit this issue, if there are modifications to applicable laws that may provide the District with authority to implement the terms of your draft ordinance. Please feel free to contact us if you have any questions or require additional information.

Sincerely,



Sandeep Karkal  
General Manager-Chief Engineer

cc: Keene Simonds, Marin LAFCO  
Drew McIntyre, NMWD  
Brian Crawford, County of Marin  
Kenton Alm, District Counsel, NSD



**NORTH MARIN  
WATER DISTRICT**

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Bob Brown  
Community Development Director  
City of Novato  
922 Machin Ave.  
Novato, CA 94945

June 29, 2017

Item 13.d.  
Attachment 5

RE: City of Novato 2017 Urban Growth Boundary

Dear Mr. Brown:

Thank you for the opportunity to comment on your June 20, 2017 email which contained the City of Novato 2017 Urban Growth Boundary (UGB) Draft Ordinance. It is our understanding that the City Council reviewed this draft on June 27 and a final version will be brought to the Council on July 11 for consideration.

Comments to the ordinance draft are as follows:

**Section 2, Pg. 6**

**Program X: Policies and Ordinances of LAFCO, County of Marin, Novato Sanitary District and North Marin Water District, and**

**Program X: MOUs with LAFCO, County of Marin, Novato Sanitary District and North Marin Water District,**

*Comment:*

The North Marin Water District is not in the position to adopt any new policies/ordinances nor enter into an MOU with the City regarding the proposed 2107 UGB ordinance.

The North Marin Water District was organized under and exists pursuant to the County Water District Law, Division 13 of the Water Code. Nothing in that Law (or any other statute or caselaw with which we are familiar) authorizes the District to choose between land use agencies, or, where it is the municipal service provider as determined by LAFCO, to deny service to a land use approved by the land use agency with authority over that property in the absence of constraints on its available supplies or facilities. If the District were to deny service, based upon a City ordinance, to a development approved by the County (where the County has authority to approve development), this could result in significant legal liability being imposed on the District.

Thank you for the opportunity comment.

Sincerely

Drew McIntyre  
General Manager

cc: Keene Simonds, Marin LAFCo

t:\gmt2017 misc\ltg to con re ugb.docx

DIRECTORS: JACK BAKER • RICK FRAITES • MICHAEL JOLY • STEPHEN PETTERLE • JOHN SCHOONOVER

OFFICERS: DREW MCINTYRE, General Manager • KATIE YOUNG, District Secretary • DAVID L. BENTLEY, Auditor-Controller • ROCKY VOGLER, Chief Engineer

Local Government | Planning

# Details of growth boundary ordinance examined

## BALLOT MEASURE IS EXPECTED TO ALLOW FOR BETTER COORDINATION WITH OTHER LOCAL AGENCIES

By **Corey Pride**  
*Marinscope contributor*

Novato officials, who are crafting a ballot measure to continue protection of green space, are also attempting to maintain some influence over what happens outside of its boundary.

Last week the Novato City Council directed staff to add language dealing with infrastructure concerns like septic systems for new developments just outside of the town's urban growth boundary.

In 1997 Novato residents approved Measure G, establishing the growth boundary and keeping open space and hillsides mostly free of sprawl. The ballot measure expires four days before Election Day on Nov. 7, at which time the city is planning to ask voters to renew the boundary for another 20 years.

"The UGB has been successful at precluding annexations by the city, but it's not been ironclad. Implementation has been complicated by the fact that the regulations restrict actions only of the city of Novato," said Community Development Director Bob Brown. "In some cases, applicants have obtained county approvals and utility approvals for new development extensions, but the city hasn't been able to grant encroachment permits, for example, to allow trenching in the city street to extend that utility line."

Brown said that lack of flexibility currently has the city involved in litigation brought by someone who received county approval for a home near the urban growth boundary but is not being allowed a permit for a septic system.

Brown said in other instances Marin County and the Local Agency Formation Commission have failed to tell the city of utility extensions and development requests.

Language in the upcoming measure is expected to allow for better coordination with other local agencies and try to draw a distinct line between small exemptions to the urban growth boundary and large residential or commercial developments.

Councilwoman Pat Eklund suggested using lot size as a determining factor. Brown said the issue with that is Novato does not have final say.

Teri Shore, a regional director with the San Francisco-based Greenbelt Alliance, said the Urban Growth Boundary is strong and effective.

"We all really do share the same vision for the city of Novato, to protect the open space and the farmlands around us," Shore said.

She said she would like to see the Urban Growth Boundary extended for the next 40 years.

City staff is expected to unveil the language proposed for the ballot measure on Tuesday.

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Corey Pride can be reached  
at [cpride@marinscope.com](mailto:cpride@marinscope.com).