

NOVATO SANITARY DISTRICT

Meeting Date: June 10, 2013

The Board of Directors of Novato Sanitary District will hold a regular meeting at 6:00 p.m., Monday, June 10, 2013, at the District Offices, 500 Davidson Street, Novato.

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

AGENDA

1. **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. **REVIEW OF MINUTES:**
 - a. Consider approval of minutes of the May 13, 2013 meeting.
5. **CONSENT CALENDAR:**

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

- a. Approve a contract in the amount of \$71,132 with Duke's Root Control, Inc., and authorize the Manager-Engineer to execute the contract.
 - b. Approve temporary Discharge Permit for Groundwater Discharge - Caltrans Bridge Construction Project.
 - c. Approve regular disbursements and ratify May payroll and payroll-related disbursements.
6. **WASTEWATER TREATMENT PLANT:**
 - a. Odor Control and Landscaping Report.
 - b. Consider approval of purchase order with Stiles Construction to replenish the media in the odor control biofilters.

- c. Consider approval of a proposal from Pi2 Technologies to cover and treat the air from the anoxic zones in the aeration basins.
7. **WASTEWATER TREATMENT PLANT UPGRADE PROJECT 73001, CONTRACT C:**
 - a. Consider approval of a proposal from RMC Water to provide design services during construction and authorize Manager-Engineer to execute an agreement on a time and materials basis for an amount not-to-exceed \$248,000.
8. **COLLECTION SYSTEM IMPROVEMENTS PROJECT 72706:**
 - a. Review bids received for the Olive Street Pump Station Force Main Project, reject all bids, and authorize the Manager-Engineer to so inform all bidders.
9. **STRATEGIC PLAN:**
 - a. Review Draft Final Strategic Plan and provide direction to staff.
10. **MARIN COUNTY CIVIL GRAND JURY**
 - a. Receive 2012/13 Marin County Civil Grand Jury Report: Marin's Retirement Health Care Benefits: The Money Isn't There.
11. **BOARD OF DIRECTORS:**
 - a. Presidential appointment of Adhoc Labor Relations Committee.
12. **FINANCIAL**
 - a. Presentation of the Preliminary Budget for fiscal years 2013/14 and 2014/15.
 - b. Set date of July 8, 2013 for public hearing on individual sewer service charges and adoption of resolution confirming report on sewer service charges.
13. **STAFF REPORTS:**
 - a. Public Outreach events.
 - b. North Bay Water Reuse Authority May Workshop.
14. **BOARD MEMBER REPORTS:**
 - a. North Bay Water Reuse Authority May Workshop.
 - b. North Bay Watershed Association June meeting.
15. **MANAGER'S ANNOUNCEMENTS:**
16. **ADJOURN:**

AGENDA/Board of Directors
Meeting Date: June 10, 2013

Next resolution no. 3058

Next regular meeting date: Monday, June 24, 2013, 6:00 PM at the Novato Sanitary District office, 500 Davidson Street, Novato, CA

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District at (415) 892-1694 at least 24 hours prior to the meeting. Notification prior to the meeting will enable the District to make reasonable accommodation to help ensure accessibility to this meeting. 0

May 13, 2013

A meeting of the Board of Directors of the Novato Sanitary District was held at 6:00 p.m., Monday, May 13th, 2013, at the District Office, 500 Davidson Street, Novato.

BOARD MEMBERS PRESENT: President Michael Di Giorgio, Members William C. Long, Jean Mariani, and Jerry Peters. Member Dennis Welsh was absent.

STAFF PRESENT: Manager-Engineer-Secretary Beverly B. James, Deputy Manager-Engineer Sandeep Karkal and Administrative Secretary Julie Swoboda.

ALSO PRESENT: John Bailey, Project Manager, Veolia Water
Brant Miller, Novato resident
Bob Guinan, Novato resident
Wally Holmes, Novato resident
Ed O'Brien, Construction Manager, The Covello Group

PLEDGE OF ALLEGIANCE:

AGENDA APPROVAL: The agenda was approved as written.

PUBLIC COMMENT: None.

REVIEW OF MINUTES:

Consider approval of the April 8th and April 22nd, 2013 meeting minutes.

On motion of Member Peters, seconded by Member Mariani, and carried unanimously by those present, the minutes of the April 8 and April 22, 2013 Board meetings were approved.

CONSENT CALENDAR:

On motion of Member Long, seconded by Member Peters and carried unanimously by those present, the following Consent Calendar items were approved:

- a. Receive accounts receivable summary.
- b. Receive Quarterly Investment report.
- c. Approval of regular disbursements in the amount of \$90,228.91 and project account disbursements in the amount of \$296,830.09. The approval and ratification of April's regular disbursements in the amount of \$160,142.78, project account disbursements in the amount of \$25,725.87, payroll related disbursements in the amount of \$240,372.50 and Board member disbursements in the amount of \$2,028.24.

WASTEWATER TREATMENT PLANT:

- Odor control and landscaping report. The Manager introduced Novato resident Bob Guinan. Mr. Guinan gave a Powerpoint presentation which gave an overview of the wastewater treatment plant upgrade project from the viewpoint of the Lea Drive neighborhood. He discussed the current status of the project and outlined the concerns of the Lea Drive residents. He stated that aeration basin odors still persist and that noise abatement has not been completely effective. Mr. Guinan expressed his desire to be cooperative with the District and hoped that solutions would be found for the odor issue.

Novato resident Wally Holmes commented that he was working on his landscaping over the weekend and experienced strong sewer odors.

The Manager thanked Mr. Guinan for his report. She stated that the District has a copy of his presentation and she will provide it to all Board members. The Manager gave an overview of the District's continuing work to address odor control, noise abatement and visual screening.

- Review Statement of Qualifications and authorize Manager-Engineer to execute an agreement with Brown & Caldwell to evaluate odor control alternatives. The Deputy Manager-Engineer stated that the District had received a proposal from Brown and Caldwell (B&C) to evaluate current issues associated with residential complaints regarding the plant's aeration basin odors. He stated that B&C will provide guidance in addressing the complaints and improving plant operations. The Deputy Manager-Engineer stated that David McEwen, local odor control specialist, has been completing odor control studies and designs since 1999 and stated he is confident with B&C's field testing and scientific approach to odor control.

The Deputy Manager-Engineer stated that staff presented B&C's Statement of Qualifications to the District's Strategic Planning and New Facilities Committee at its May 6, 2013 meeting. He stated that the committee reviewed the information and concurred with staff's recommendation to move forward with requesting a proposal from B&C. He recommended the Board consider B&C's proposal and authorize the Manager-Engineer to execute a contract with B&C for an initial time and materials budget estimate of \$34,000 to implement their proposed scope of work.

The Manager stated that she joins the Deputy Manager-Engineer's recommendation to move forward with B&C's contract.

On motion of Member Peters, seconded by Member Long and carried unanimously by those members present, the Board authorized the Manager-Engineer to execute a contract with Brown and Caldwell for an initial time and materials budget estimate of \$34,000 to implement their proposed scope of work.

The Manager stated she will request that the contract with B&C begin immediately. She stated that during the summer months the District will be testing a “cover and treat mechanism” system for odor control.

-Review bids and consider acceptance of the lowest responsive bid and authorize the Manager-Engineer to execute the contract for the Wastewater Treatment Plant Upgrade Project 73001-Contract C. The Deputy Manager-Engineer stated that the District has been completing the Wastewater Upgrade Project in phases and stated the District is now ready to proceed with Phase C: Solids Handling/Digester No. 2 Upgrades; Project No. 73001. He stated that RE Smith Contractor Inc. (RESC) has been identified as the apparent low bidder for the project. He noted that the bid was challenged by the second apparent low bidder, West Bay Builders (WBB) and he detailed the interactions between RESC, the District and District Counsel. The Deputy Manager-Engineer stated that after review of the matter, it was concluded that RESC was eligible for contract award.

The Deputy Manager-Engineer stated that the information and staff’s recommendation were presented to the Board’s Strategic Planning and New Facilities Committee and they concurred with staff’s recommendations. He recommends the Board award the contract and authorize the Manager-Engineer to execute the contract.

On motion of Member Mariani, seconded by Member Peters and carried unanimously by those members present, the Board awarded the Contract C: Solids Handling/Digester No. 2 Upgrades Project to RE Smith Contractor, Inc. for a bid amount of \$2,814,928 and authorized the Manager-Engineer to execute the contract. In addition the Board authorized the District to waive minor bid irregularities.

- Consider approval of a contract with The Covello Group (TCG) for construction management services, and authorize the Manger-Engineer to execute an agreement with TCG on a time and materials basis for an amount not-to-exceed \$305,000. The Deputy Manager-Engineer stated that Staff has negotiated a fee estimate and scope of services with TCG to provide construction management services on the WWTP Upgrade Project 73001-Contract C. He recommended that the Board approve the contract with TCG and authorize the Manager-Engineer to execute an agreement with TCG on a time-and-materials basis in an amount not-to-exceed \$305,000.

On motion of Member Long, seconded by Member Peters and carried unanimously by those members present, the Board approved a contract with The Covello Group on a time-and-materials basis for construction management services for the WWTP Upgrade Project 73001-Contract C in an amount not-to-exceed \$305,000 and authorized the Manager-Engineer to execute the agreement.

Ed O’Brien, Construction Manager, The Covello Group, introduced himself and stated that he is looking forward to working with the District. He stated that he has replaced

Steve Wrightson who has been relocated to another project site. The Board welcomed Mr. O'Brien.

At 7:25 p.m., President Di Giorgio announced that the Board would take a short recess.

At 7:35 p.m., President Di Giorgio reconvened the Board meeting.

COMMITTEE REPORTS:

- Wastewater Operations Committee report. The Manager asked if the Board would like to review the report in entirety or have the Deputy Manager-Engineer only respond to questions. The Board decided to discuss questions only as each member had reviewed the report to their satisfaction.

- Finance Committee Report. The Manager stated that the Finance Committee met on May 3, 2013 to review the Reserve Policy, the updated retiree medical actuarial report and the CalPERS pension plan update. She noted that the Committee recommended consolidating the reserve funds into the following three funds: Operating Fund, Capital Fund and Rate Stabilization/Emergency Reserve Fund.

The Manager discussed the Districts future obligations to fund retiree medical and stated that the District is investigating the option of a trust fund for this purpose. She stated that information collected will be brought back to the Finance Committee for consideration before it comes before the full board.

- Strategic Plan and New Facilities Committee. The Manager stated that the committee met on May 6, 2013 to review the notes from the Strategic Plan Workshop and pre-workshop interviews. She noted that direction was given to staff regarding the mission, vision, values, goals and objectives. She stated that staff will work with Martin Rauch, Rauch Communication Consultants, Inc. to complete a draft.

The Manager noted that the committee discussed the option of installing "floating type" solar panels inside the District's effluent storage pond no. 1 at the Reclamation facility. She stated that after discussion, the committee decided not to proceed with the proposal but may consider the installation of solar panels at the District's main site after the completion of the maintenance building. She discussed the District's return on investment objective which will drive the decision to install and use solar energy.

NORTH BAY WATER REUSE AUTHORITY (NBWRA):

- Consider approval of the revised NBWRA Memorandum of Understanding (MOU). The Manager discussed the revised NBWRA MOU. She noted that the MOU is scheduled to expire on November 4, 2013, and outlined the significant changes to the revised version. She stated that staff and attorneys of each of the participating

agencies have reviewed the MOU and recommends the board approve the revised NBWRA MOU.

On motion of Member Long, seconded by Member Peters and carried unanimously by those members present, the Board approved the North Bay Water Reuse Authority Third Revised Memorandum of Understanding and authorized the Board President to sign the Memorandum of Understanding.

ADMINISTRATION:

- Review Quarterly Revenue and Expenditure Report for period ended March 31, 2013. The Manager reviewed the quarterly report and discussed the items that varied significantly from the final budget.

- 2013-14 Budget Workshop. The Manager gave a Powerpoint presentation titled "Implementing the Strategic Plan: Budget Workshop 2013-14" which discussed the District's 2013 strategic goals. She stated that she would forward a copy of the presentation to all of the Directors.

- Authorize an Operating budget amendment to transfer \$47,500 from Collection Account 60201-Permits and Fees- to the Permit and Fee Accounts for the Treatment Plant (\$30,000), Reclamation (\$2,500), and Pump stations (\$15,000). As of March 31, 2013, the Collection account, 60201-Permits & Fees, had a surplus while the same accounts for the Treatment Plant, Reclamation and Pump Stations are over budget. The Manager requested a reallocation of the surplus.

On motion of Member Peters, seconded by Member Mariani and carried unanimously by those members present, the Board authorized the Manager to amend the Operating budget to transfer \$47,500 from Collection Account 60201-Permits and Fees- to the Permit and Fee Accounts for the Treatment Plant (\$30,000), Reclamation (\$2,500), and Pump stations (\$15,000).

- Authorize a Capital Budget amendment to (a) Reallocate \$665,000 from Account 72706 Collection System Improvements to Account 73002 – contract D (Recycled Water Facility), Account 72508 – N. Bay Recycling Authority, and Account 72403 – Pump station Rehabilitation, and (b) Reallocate \$40,000 from Account 72804 – Annual Reclamation Facilities Improvements to Account 72805 – Annual Treatment Plant and Pump Stations. The Manager clarified the need for the budget reallocations and noted that the changes would not result in any net change to the overall FY 2012/13 Capital Improvement Budget amount of \$15,023,469.

On motion of Member Peters, seconded by Member Long and carried unanimously by those members present, the Board authorized a Capital Budget amendment to (a) Reallocate \$665,000 from Account 72706 Collection System Improvements to Account 73002 – contract D (Recycled Water Facility), Account 72508 – N. Bay Recycling

Authority, and Account 72403 – Pump station Rehabilitation, and (b) Reallocate \$40,000 from Account 72804 – Annual Reclamation Facilities Improvements to Account 72805 – Annual Treatment Plant and Pump Stations.

- Receive Single Audit report. The Manager reviewed the Single Audit Report as prepared by the District's auditor Maze and Associates. She stated that the report was a single audit and was prepared for the State Revolving Fund (SRF) loan. She noted that the audit was considered an "unqualified report" and there were no findings to report.

- Report on 2013-14 Workers' Compensation Experience Modification Factor. The Manager stated that the District's workers compensation insurance carrier, CSRMA, had notified the District that there will be a decrease in the Experience Modification Factor for policy year 2013-14 from 1.95% to 1.29%. She was pleased to report that this will translate into lower worker's compensation premiums for the coming fiscal year.

DISTRICT BOARD MEMBER ELECTION:

- Consider adoption of a resolution proposing an election and requesting the county Elections Department to Conduct Election Services. The Manger noted that terms for three seats on the District's board expire in 2013 and she requested the Board adopt a resolution to submit to the Marin County Registrar of Voters.

On motion of Member Peters, seconded by Member Mariani and carried unanimously by those members present, the Board adopted Resolution No. 3057: Proposing an election be held in its jurisdiction; requesting the Board of Supervisors to consolidate with any other election conducted on said date; and requesting election services by the Marin County Elections Department.

STAFF REPORTS:

- Public Outreach events. The Manager discussed two successful public outreach events that the District participated in: the Novato Chamber of Commerce Business Fair on April 18th at the Margaret Todd Center; and the School Fuel event on May 4th. The Manager stated that the District would also be participating in the Novato Art and Wine Festival taking place on June 8th and 9th.

- California Association of Sanitation Agencies (CASA) conference report. The Manager reported on her attendance at the mid-year CASA conference which was held in Indian Wells, CA, from January 15th through January 18th. She stated that there were excellent presentations on pensions and retirement programs.

- California Sanitation Risk Management Authority (CSRMA) Board meeting. The Manager stated that there was a discussion of environmental storms which impact the insurance industry.

- California Water Environment Association (CWEA) Annual Conference. The Deputy Manager-Engineer reported on his attendance at the CWEA conference which was held in Palm Springs from April 15th through the 18th. He stated that he gave a presentation on the District's recycled water facility and that it was well received.

BOARD MEMBER REPORTS:

- California Association of Sanitation Agencies (CASA) mid-year conference report. Member Long commented on his participation at the CASA meeting which was held in Indian Wells, CA, and gave an overview of a recycled water tour that he attended. He also reported on a presentation which discussed streamlining the State Revolving Fund (SRF) loan process.

- North Bay Watershed Association (NBWA) meeting. President Di Giorgio commented on his attendance at the May 3rd meeting which was held at the Marin Community Foundation in which fish monitoring and flood mapping were discussed. He stated that the next agenda would include a discussion of water sustainability. President Di Giorgio also commented on a meeting he attended for the NBWA Watershed Council which was held on May 7th.

- The North Bay Water Reuse Authority (NBWRA) Workshop. Member Long commented on his attendance at the NBWRA workshop which was held at 9:30 a.m. on April 18th at the Novato City Hall. He stated that he will work with the Manager to condense the information so a presentation can be made to the District board.

- North Bay Watershed Association Cost of Compliance Forum. Member Mariani commented on her attendance at the NBWA forum which was held on April 18th. She discussed a presentation regarding storm water collection and treatment as an upcoming governmental requirement. She questioned how new regulations would effect and challenge the District.

MANAGER'S ANNOUNCEMENTS:

- The North Bay Water Reuse Authority workshop will be held on May 20th at 9:30 a.m. at the Novato City Hall.

- The Wastewater Operations Committee will hold a meeting on May 20th at 2:00 p.m. at the District Office.

- The Solid Waste Committee will hold a meeting on May 21st at 3:00 p.m. at the District office.

- The next Regular Board Meeting will be held on Monday, June 10th at 6:00 p.m.

ADJOURNMENT: There being no further business to come before the Board, President Di Giorgio adjourned the meeting at 9:20 p.m.

Respectfully submitted,

Beverly B. James
Secretary

Julie Swoboda, Recording

DRAFT

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Consent Calendar: Collection System Maintenance, 2013 Root Control Treatment - Account No. 60153 (Outside Services)	MEETING DATE: June 10, 2013 AGENDA ITEM NO.: 5.a.
RECOMMENDED ACTION: Approve a contract in the amount of \$71,132 with Duke's Root Control, Inc., (Duke's), and authorize the Manager-Engineer to execute the contract.	
SUMMARY AND DISCUSSION: <p>An important part of the District's annual Collection System maintenance activities is to control and abate tree roots that intrude into its sewers. If left unchecked, these roots can grow within the sewers to where they can impede or completely block flow in the sewers, either by themselves or in combination with grease and debris build-up, and potentially result in overflow events.</p> <p>Based on maintenance history records, staff has identified 53,589 feet of 6 and 8 inch sewers, 3,726 feet of 10 inch sewers, 1,258 feet of 12 inch sewers, and 2,550 feet of 15 inch sewers in inaccessible easements and in accessible streets that will benefit from root abatement. It is estimated that approximately 70% of the sewer lines that need treatment are located in easement areas. Duke's can provide root abatement services using a chemical root control foaming agent to control this problem. Staff has verified that the use of this chemical will not affect the District's ability to meet its discharge permit requirements.</p> <p>Staff has negotiated a scope of services with Duke's on a time-and-materials basis in the not-to-exceed amount of \$71,132 to accomplish this work. Staff therefore recommends that the Board approve a contract with Duke's in this amount, and authorize the Manager-Engineer to execute it.</p>	
ALTERNATIVES: Do not approve the contract.	
BUDGET INFORMATION: This work will be funded from Account No. 60153 (Outside Services). The FY12-13 budget amount for this account is \$75,000, of which \$2,025 has been expended as of May 31, 2013.	
DEPT.MGR.:	MANAGER:

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Consent Calendar: Temporary Discharge Permit for Groundwater Discharge - Caltrans Bridge Construction Project.	MEETING DATE: June 10, 2013 AGENDA ITEM NO.: 5.b.
RECOMMENDED ACTION: Approve an application from R.M. Harris Co. Inc. on behalf of Caltrans and authorize the Manager-Engineer to issue a one-time, temporary, Class I non-domestic discharge permit for discharge of groundwater.	
SUMMARY AND DISCUSSION: <p>The District received a permit application from R.M. Harris on May 30, 2013, for a temporary, Class I non-domestic discharge permit. The application is to discharge groundwater generated during bridge footing excavation as part of Caltrans' Rush Landing Rd. bridge construction project. Encountered groundwater will be pumped to a holding tank for settling and filtration prior to discharge to the District's collection system.</p> <p>The reason Caltrans would like to discharge to the District's system is that the water contains low levels of hydrocarbons which precludes discharge of the water to the storm drain system. As part of the application, R.M. Harris submitted water quality data, including laboratory reports which list specific hydrocarbon levels. The submitted lab data indicates that the water meets water quality criteria for discharge to the District's system.</p> <p>Therefore, staff recommends that the Board approve the application and authorize the Manager-Engineer to issue a one-time, temporary Class I non-domestic discharge permit to Caltrans which includes the following conditions:</p> <ol style="list-style-type: none"> 1. The total discharge shall not exceed 1,350,000 gallons over a three month period, 2. The discharger shall not exceed a maximum discharge rate of 20 gpm, and 3. The discharger is required to have a 100 micron sediment filter on its discharge. 	
ALTERNATIVES: Do not approve the discharge.	
BUDGET INFORMATION: Permit, monitoring, and discharge fees will offset the cost of preparing the permit and monitoring the discharge.	
DEPT.MGR.:	MANAGER:

Novato Sanitary District Operating Check Register

June 10, 2013

Date	Num	Name	Credit
Jun 10, 13			
6/10/2013	55744	Johnson, Dee	7,923.61
6/10/2013	55750	Patricia Elliot, Attorney at Law	6,824.50
6/10/2013	55732	Aqua Science	6,110.00
6/10/2013	55733	Bartle Wells Assoc, Inc	4,125.00
6/10/2013	55759	U.S. Bank Card (2)(June)	3,791.98
6/10/2013	55754	Preferred Benefit	3,230.56
6/10/2013	55740	Frontier Analytical Laboratory...	2,300.00
6/10/2013	55746	Meyers, Nave, Riback, Silver ...	1,614.50
6/10/2013	55737	Comet Building Maintenance,...	1,424.02
6/10/2013	55736	Cintas Corporation	1,293.98
6/10/2013	55764	North Bay Truck Service	1,271.54
6/10/2013	55743	IEDA, INC	1,020.00
6/10/2013	55735	Cagwin & Dorward Inc.	950.00
6/10/2013	55755	Rauch Communication Cons...	906.25
6/10/2013	55763	WECO	615.31
6/10/2013	55738	CT Promotions	562.19
6/10/2013	55739	Fire King Fire Protection, Inc.	540.00
6/10/2013	55762	Vision Service Plan	531.15
6/10/2013	55749	North Marin Water District	451.64
6/10/2013	55753	Pitney Bowes Reserve Account	400.00
6/10/2013	55756	Siemens Industry Inc. - Lab	389.55
6/10/2013	55742	HACH/American Sigma Inc	333.14
6/10/2013	55745	Labworks Equipment, Inc.	262.50
6/10/2013	55761	Verizon Wireless-	231.76
6/10/2013	55751	Petty Cash	201.98
6/10/2013	55734	BoundTree Medical, LLC	189.01
6/10/2013	55731	Able Tire & Brake Inc.	171.03
6/10/2013	55752	Pini Hardware	147.75
6/10/2013	55748	North Bay Portables, Inc.	92.20
6/10/2013	55741	Grainger	85.19
6/10/2013	55758	U.S. Bank Card (1)(Bev)	35.43
6/10/2013	55747	National Notary Association	33.00
6/10/2013	55757	T-Mobile	22.97
6/10/2013	55760	United Parcel Service	17.29
Jun 10, 13			48,099.03

Novato Sanitary District
Operating Check Register Detail
For June 10, 2013

	<u>Date</u>	<u>Account</u>	<u>Debit</u>
Able Tire & Brake Inc.			
	05/29/2013	60150 · Repairs & Maintenance	55.79
	05/30/2013	60150 · Repairs & Maintenance	54.80
	05/30/2013	64150 · Repairs & Maintenance	60.44
Total Able Tire & Brake Inc.			<u>171.03</u>
Aqua Science			
	05/20/2013	64160 · Research & Monitoring	2,610.00
	05/28/2013	64160 · Research & Monitoring	3,500.00
Total Aqua Science			<u>6,110.00</u>
Bartle Wells Assoc, Inc			
	05/20/2013	66123 · O/S Contractual	4,125.00
Total Bartle Wells Assoc, Inc			<u>4,125.00</u>
BoundTree Medical, LLC			
	05/21/2013	67500 · Household Hazardous Waste	189.01
Total BoundTree Medical, LLC			<u>189.01</u>
Cagwin & Dorward Inc.			
	05/31/2013	63157 · Ditch/Dike Maintenance	950.00
Total Cagwin & Dorward Inc.			<u>950.00</u>
Cintas Corporation			
	05/30/2013	64100 · Operating Supplies	158.66
	05/30/2013	66100 · Engineering Supplies	492.76
	05/30/2013	60100 · Operating Supplies	642.56
Total Cintas Corporation			<u>1,293.98</u>
Comet Building Maintenance, Inc.			
	05/21/2013	66150 · Repairs & Maintenance	1,090.00
	05/21/2013	60150 · Repairs & Maintenance	152.50
	05/21/2013	65150 · Repairs & Maintenance	152.50
	05/21/2013	66090 · Office Expense	29.02
Total Comet Building Maintenance, Inc.			<u>1,424.02</u>
CT Promotions			
	06/04/2013	67500 · Household Hazardous Waste	562.19
Total CT Promotions			<u>562.19</u>
Fire King Fire Protection, Inc.			
	05/23/2013	60085 · Safety	540.00
Total Fire King Fire Protection, Inc.			<u>540.00</u>
Frontier Analytical Laboratory, Inc.			
	05/31/2013	64160 · Research & Monitoring	2,300.00
Total Frontier Analytical Laboratory, Inc.			<u>2,300.00</u>
Grainger			
	05/30/2013	65085 · Safety Expenses	65.19
	05/30/2013	66085 · Safety	20.00
Total Grainger			<u>85.19</u>
HACH/American Sigma Inc			
	05/23/2013	64150 · Repairs & Maintenance	333.14
Total HACH/American Sigma Inc			<u>333.14</u>
IEDA, INC			
	06/01/2013	66123 · O/S Contractual	1,020.00
Total IEDA, INC			<u>1,020.00</u>
Johnson, Dee			
	06/01/2013	67400 · Consulting Services	3,416.43
	06/01/2013	67530 · Used Oil Program	155.42
	06/01/2013	67400 · Consulting Services	4,351.76
Total Johnson, Dee			<u>7,923.61</u>
Labworks Equipment, Inc.			
	05/21/2013	64150 · Repairs & Maintenance	262.50
Total Labworks Equipment, Inc.			<u>262.50</u>

Novato Sanitary District
Operating Check Register Detail
For June 10, 2013

	<u>Date</u>	<u>Account</u>	<u>Debit</u>
Meyers, Nave, Riback, Silver & Wilson			
	06/07/2013	66122 · Attorney Fees	1,614.50
Total Meyers, Nave, Riback, Silver & Wilson			<u>1,614.50</u>
National Notary Association			
	04/01/2013	66070 · Insurance	33.00
Total National Notary Association			<u>33.00</u>
North Bay Portables, Inc.			
	05/21/2013	63100 · Operating Supplies	92.20
Total North Bay Portables, Inc.			<u>92.20</u>
North Bay Truck Service			
	03/06/2013	63150 · Repairs and Maintenance	467.12
	05/21/2013	63150 · Repairs and Maintenance	804.42
Total North Bay Truck Services			<u>1,271.54</u>
North Marin Water District			
	05/23/2013	61000-4 · Water/Permits/Telephone	79.82
	05/23/2013	65192 · Water	371.82
Total North Marin Water District			<u>451.64</u>
Patricia Elliot, Attorney at Law			
	04/07/2013	66122 · Attorney Fees	3,026.30
	06/01/2013	66122 · Attorney Fees	3,798.20
Total Patricia Elliot, Attorney at Law			<u>6,824.50</u>
Petty Cash			
	06/05/2013	66090 · Office Expense	41.95
	06/05/2013	66170 · Travel, Meetings & Training	135.00
	06/05/2013	60060 · Gas, Oil & Fuel	25.03
Total Petty Cash			<u>201.98</u>
Pini Hardware			
	05/30/2013	64100 · Operating Supplies	14.16
	05/30/2013	60150 · Repairs & Maintenance	27.77
	05/30/2013	60100 · Operating Supplies	14.68
	05/30/2013	65152 · Small Tools	31.60
	05/30/2013	65150 · Repairs & Maintenance	59.54
Total Pini Hardware			<u>147.75</u>
Pitney Bowes Reserve Account			
	05/29/2013	66090 · Office Expense	400.00
Total Pitney Bowes Reserve Account			<u>400.00</u>
Preferred Benefit			
	06/03/2013	66020 · Employee Benefits	3,230.56
Total Preferred Benefit			<u>3,230.56</u>
Rauch Communication Consultants. Inc.			
	05/29/2013	66123 · O/S Contractual	690.00
	05/29/2013	67540 · Beverage Container Grant	216.25
Total Rauch Communication Consultants. Inc.			<u>906.25</u>
Siemens Industry Inc. - Lab			
	05/23/2013	64100 · Operating Supplies	389.55
Total Siemens Industry Inc. - Lab			<u>389.55</u>
T-Mobile			
	06/01/2013	65193 · Telephone	22.97
Total T-Mobile			<u>22.97</u>
U.S. Bank Card (1)(Bev)			
	06/03/2013	66170 · Travel, Meetings & Training	26.00
	06/03/2013	66060 · Gasoline & Oil	9.43
Total U.S. Bank Card (1)(Bev)			<u>35.43</u>
U.S. Bank Card (2)(June)			
	06/03/2013	63150 · Repairs & Maintenance	1,053.00
	06/03/2013	64150 · Repairs & Maintenance	148.82

Novato Sanitary District
Operating Check Register Detail
For June 10, 2013

	<u>Date</u>	<u>Account</u>	<u>Debit</u>
	06/03/2013	65150 · Repairs & Maintenance	95.68
	06/03/2013	66090 · Office Expense	152.94
	06/03/2013	21016 · U.S. Bank Visa	1,766.17
	06/03/2013	66124 · IT/Misc Electrical	575.37
Total U.S. Bank Card (2)(June)			<u>3,791.98</u>
United Parcel Service			
	05/18/2013	66090 · Office Expense	17.29
Total United Parcel Service			<u>17.29</u>
Verizon Wireless-			
	06/01/2013	60193 · Telephone	87.74
	06/01/2013	65193 · Telephone	58.50
	06/01/2013	66193 · Telephone	85.52
Total Verizon Wireless-			<u>231.76</u>
Vision Service Plan			
	05/20/2013	66020 · Employee Benefits	531.15
Total Vision Service Plan			<u>531.15</u>
WECO			
	05/22/2013	60150 · Repairs & Maintenance	615.31
Total WECO			<u>615.31</u>
TOTAL			<u><u>48,099.03</u></u>

**Novato Sanitary District
Capital Projects Check Register**

June 10, 2013

Date	Num	Name	Credit
Jun 10, 13			
6/10/2013	2528	Cagwin & Dorward Inc.	17,475.00
6/10/2013	2531	RMC Water & Environment, I...	15,744.31
6/10/2013	2530	Rauch Communication Cons...	5,610.00
6/10/2013	2529	Heavenly Greens	5,520.00
Jun 10, 13			44,349.31

**Novato Sanitary District
Capital Projects Check Register Detail
June 10, 2013**

	<u>Date</u>	<u>Account</u>	<u>Amount</u>
Cagwin & Dorward Inc.			
	05/29/2013	72403 · Pump Station Rehabilitation	5,935.00
	05/31/2013	72609 · WWTP Upgrade - Contract B	11,540.00
Total Cagwin & Dorward Inc.			<u>17,475.00</u>
Heavenly Greens			
	05/20/2013	72403 · Pump Station Rehabilitation	5,520.00
Total Heavenly Greens			<u>5,520.00</u>
Rauch Communication Consultants. Inc.			
	05/29/2013	72808 · Strategic Plan Update	5,610.00
Total Rauch Communication Consultants. Inc.			<u>5,610.00</u>
RMC Water & Environment, Inc.			
	05/15/2013	73002 · WWTP Up - Cont D - Rec- ARR/	5,737.73
	05/15/2013	73001 · WWTP Upgrade - Contract C	10,006.58
Total RMC Water & Environment, Inc.			<u>15,744.31</u>
TOTAL			<u><u>44,349.31</u></u>

Novato Sanitary District Operating Check Register

May 28, 2013

Date	Num	Name	Credit
May 28, 13			
5/28/2013	55727	Veolia Water North America, ...	158,258.03
5/28/2013	55716	Pacific, Gas & Electric	50,196.96
5/28/2013	55717	PSC	14,662.30
5/28/2013	55724	Siemens Industry, Inc.	13,695.85
5/28/2013	55712	Novato, City	10,000.00
5/28/2013	55699	Control Systems West, Inc.	5,867.00
5/28/2013	55694	Caltest Analytical Lab Inc.	5,602.40
5/28/2013	55695	CDW Government, Inc.	5,262.28
5/28/2013	55708	Meyers, Nave, Riback, Silver ...	4,264.04
5/28/2013	55686	3T Equipment Company Inc.	3,848.59
5/28/2013	55688	American Express-21007	3,620.66
5/28/2013	55713	Occumetric Inc.	3,229.21
5/28/2013	55726	Stiles Construction Company	2,660.00
5/28/2013	55722	RMC Water & Environment, L...	2,637.50
5/28/2013	55689	Aqua Science	2,610.00
5/28/2013	55687	Able Tire & Brake Inc.	1,983.44
5/28/2013	55709	MME	1,618.53
5/28/2013	55693	Cagwin & Dorward Inc.	1,369.00
5/28/2013	55729	Water Components & Buildin...	1,325.90
5/28/2013	55705	Grainger	1,089.14
5/28/2013	55720	Restoration Management Co...	1,088.69
5/28/2013	55730	WECO	993.68
5/28/2013	55700	CT Promotions	945.69
5/28/2013	55707	MarinScope Inc.	850.50
5/28/2013	55702	Empire Mini Storage - Novato	779.00
5/28/2013	55706	Hertz Corporation	697.13
5/28/2013	55719	Reliable Crane & Rigging, Inc.	666.50
5/28/2013	55690	Associated Corrosion Engine...	540.00
5/28/2013	55697	Central Marin Sanitation Distr...	530.00
5/28/2013	2575	Karkal, Sandeep	411.63
5/28/2013	55698	Claremont EAP, Inc.	295.00
5/28/2013	55718	R & B Company	232.39
5/28/2013	55692	BoundTree Medical, LLC	222.72
5/28/2013	55703	Environmental Products and ...	222.65
5/28/2013	55728	Verizon California	211.94
5/28/2013	55725	Staples Business Adv Inc.	161.17
5/28/2013	55715	Orkin Pest Control, Inc.	116.00
5/28/2013	55701	Department Of Consumer Aff...	115.00
5/28/2013	55696	CED Santa Rosa, Inc	97.83
5/28/2013	55723	Schwaab Inc.	91.00
5/28/2013	55691	Barnett Medical LLC	90.00
5/28/2013	55721	Ricoh USA, Inc.	83.19
5/28/2013	2576	Long, William C.	76.33
5/28/2013	55711	North Marin Water District	72.00
5/28/2013	55714	One Stop Auto Service Inc.	31.08
5/28/2013	55704	Federal Express	13.53
5/28/2013	55710	North Marin Auto Parts	13.01
May 28, 13			303,448.49

Novato Sanitary District
Operating Check Register Detail
 May 28, 2013

	<u>Date</u>	<u>Account</u>	<u>Amount</u>
3T Equipment Company Inc.			
	05/09/2013	60100 · Operating Supplies	115.54
	05/14/2013	60150 · Repairs & Maintenance	1,364.27
	05/14/2013	60150 · Repairs & Maintenance	1,795.55
	05/20/2013	60150 · Repairs & Maintenance	253.57
	05/20/2013	60150 · Repairs & Maintenance	319.66
Total 3T Equipment Company Inc.			<u>3,848.59</u>
Able Tire & Brake Inc.			
	05/14/2013	60150 · Repairs & Maintenance	1,983.44
Total Able Tire & Brake Inc.			<u>1,983.44</u>
American Express-21007			
	05/13/2013	60100 · Operating Supplies	33.90
	05/13/2013	64160 · Research & Monitoring	349.17
	05/13/2013	65100 · Operating Supplies	222.56
	05/13/2013	66085 · Safety	140.43
	05/13/2013	66090 · Office Expense	427.62
	05/13/2013	66170 · Travel, Meetings & Training	1,566.38
	05/13/2013	67520 · Outreach/Publicity/Education	157.20
	05/13/2013	21015 · American Express	723.40
Total American Express-21007			<u>3,620.66</u>
Aqua Science			
	05/08/2013	64160 · Research & Monitoring	2,610.00
Total Aqua Science			<u>2,610.00</u>
Associated Corrosion Engineers			
	05/15/2013	66123 · O/S Contractual	540.00
Total Associated Corrosion Engineers			<u>540.00</u>
Barnett Medical LLC			
	05/01/2013	67500 · Household Hazardous Waste	45.00
	05/17/2013	67500 · Household Hazardous Waste	45.00
Total Barnett Medical LLC			<u>90.00</u>
BoundTree Medical, LLC			
	05/08/2013	67500 · Household Hazardous Waste	222.72
Total BoundTree Medical, LLC			<u>222.72</u>
Cagwin & Dorward Inc.			
	05/01/2013	66150 · Repairs & Maintenance	329.00
	05/17/2013	63150 · Repairs & Maintenance	1,040.00
Total Cagwin & Dorward Inc.			<u>1,369.00</u>
Caltest Analytical Lab Inc.			
	05/17/2013	64160 · Research & Monitoring	5,293.40
	05/17/2013	64160 · Research & Monitoring	309.00
Total Caltest Analytical Lab Inc.			<u>5,602.40</u>
CDW Government, Inc.			
	12/07/2012	66124 · IT/Misc Electrical	210.00
	05/03/2013	66124 · IT/Misc Electrical	65.09
	05/07/2013	66124 · IT/Misc Electrical	3,670.07
	05/08/2013	66124 · IT/Misc Electrical	405.00
	05/08/2013	66124 · IT/Misc Electrical	27.25
	05/09/2013	66124 · IT/Misc Electrical	563.00
	05/14/2013	66124 · IT/Misc Electrical	321.55
	05/14/2013	66124 · IT/Misc Electrical	0.32
Total CDW Government, Inc.			<u>5,262.28</u>
CED Santa Rosa, Inc			
	05/16/2013	65150 · Repairs & Maintenance	97.83
Total CED Santa Rosa, Inc			<u>97.83</u>
Central Marin Sanitation District			
	05/14/2013	66170 · Travel, Meetings & Training	530.00

Novato Sanitary District
Operating Check Register Detail
 May 28, 2013

	<u>Date</u>	<u>Account</u>	<u>Amount</u>
Total Central Marin Sanitation District			530.00
Claremont EAP, Inc.			
	05/15/2013	66123 · O/S Contractual	295.00
Total Claremont EAP, Inc.			295.00
Control Systems West, Inc.			
	05/01/2013	65153 · Outside Services, Electrical	465.00
	05/01/2013	63150 · Repairs & Maintenance	620.00
	05/06/2013	65153 · Outside Services, Electrical	3,697.00
	05/07/2013	65153 · Outside Services, Electrical	1,085.00
Total Control Systems West, Inc.			5,867.00
CT Promotions			
	05/20/2013	67500 · Household Hazardous Waste	945.69
Total CT Promotions			945.69
Department Of Consumer Affairs			
	04/22/2013	66080 · Memberships	115.00
Total Department Of Consumer Affairs			115.00
Empire Mini Storage - Novato			
	05/24/2013	66123 · O/S Contractual	779.00
Total Empire Mini Storage - Novato			779.00
Environmental Products and Accessories			
	05/17/2013	60100 · Operating Supplies	222.65
Total Environmental Products and Accessories			222.65
Federal Express			
	05/17/2013	66090 · Office Expense	13.53
Total Federal Express			13.53
Grainger			
	05/09/2013	60085 · Safety	83.31
	05/15/2013	65100 · Operating Supplies	921.38
	05/20/2013	66085 · Safety	32.32
	05/21/2013	66085 · Safety	52.13
Total Grainger			1,089.14
Hertz Corporation			
	05/01/2013	67500 · Household Hazardous Waste	697.13
Total Hertz Corporation			697.13
Karkal, Sandeep			
	05/21/2013	66170 · Travel, Meetings & Training	411.63
Total Karkal, Sandeep			411.63
Long, William C.			
	05/21/2013	66170 · Travel, Meetings & Training	76.33
Total Long, William C.			76.33
MarinScope Inc.			
	04/25/2013	67500 · Household Hazardous Waste	850.50
Total MarinScope Inc.			850.50
Meyers, Nave, Riback, Silver & Wilson			
	05/22/2013	66122 · Attorney Fees	4,264.04
Total Meyers, Nave, Riback, Silver & Wilson			4,264.04
MME			
	04/17/2013	60150 · Repairs & Maintenance	197.65
	04/29/2013	60150 · Repairs & Maintenance	282.06
	04/30/2013	60150 · Repairs & Maintenance	1,138.82
Total MME			1,618.53
North Marin Auto Parts			
	05/08/2013	60150 · Repairs & Maintenance	13.01
Total North Marin Auto Parts			13.01

Novato Sanitary District
Operating Check Register Detail
 May 28, 2013

	<u>Date</u>	<u>Account</u>	<u>Amount</u>
North Marin Water District			
	05/09/2013	65192 · Water	72.00
Total North Marin Water District			<u>72.00</u>
Novato, City			
	05/06/2013	67610 · City AB 939 Admin Services	10,000.00
Total Novato, City			<u>10,000.00</u>
Occumetric Inc.			
	05/01/2013	66070 · Insurance	3,229.21
Total Occumetric Inc.			<u>3,229.21</u>
One Stop Auto Service Inc.			
	05/08/2013	66150 · Repairs & Maintenance	31.08
Total One Stop Auto Service Inc.			<u>31.08</u>
Orkin Pest Control, Inc.			
	04/24/2013	66150 · Repairs & Maintenance	116.00
Total Orkin Pest Control, Inc.			<u>116.00</u>
Pacific, Gas & Electric			
	05/01/2013	65191 · Gas & Electricity	1.55
	05/01/2013	65191 · Gas & Electricity	13.23
	05/06/2013	65191 · Gas & Electricity	107.72
	05/14/2013	61000-5 · Gas & Electricity	40,353.98
	05/14/2013	63191 · Gas & Electricity	3,031.04
	05/14/2013	65191 · Gas & Electricity	6,657.96
	05/14/2013	65191 · Gas & Electricity	31.48
Total Pacific, Gas & Electric			<u>50,196.96</u>
PSC			
	04/30/2013	67500 · Household Hazardous Waste	14,662.30
Total PSC			<u>14,662.30</u>
R & B Company			
	05/10/2013	65150 · Repairs & Maintenance	64.38
	05/13/2013	63150 · Repairs & Maintenance	168.01
Total R & B Company			<u>232.39</u>
Reliable Crane & Rigging, Inc.			
	05/12/2013	65150 · Repairs & Maintenance	666.50
Total Reliable Crane & Rigging, Inc.			<u>666.50</u>
Restoration Management Company			
	04/30/2013	66071 · Insurance Claim Expense	1,088.69
Total Restoration Management Company			<u>1,088.69</u>
Ricoh USA, Inc.			
	04/30/2013	66090 · Office Expense	83.19
Total Ricoh USA, Inc.			<u>83.19</u>
RMC Water & Environment, Inc.			
	05/13/2013	64160 · Research & Monitoring	2,210.00
	05/13/2013	64160 · Research & Monitoring	427.50
Total RMC Water & Environment, Inc.			<u>2,637.50</u>
Schwaab Inc.			
	04/26/2013	66090 · Office Expense	91.00
Total Schwaab Inc.			<u>91.00</u>
Siemens Industry, Inc.			
	04/23/2013	65101 · Operating Chemicals	13,695.85
Total Siemens Industry, Inc.			<u>13,695.85</u>
Staples Business Adv Inc.			
	02/05/2013	66090 · Office Expense	
	05/13/2013	66090 · Office Expense	161.17
Total Staples Business Adv Inc.			<u>161.17</u>

Novato Sanitary District
Operating Check Register Detail
 May 28, 2013

	<u>Date</u>	<u>Account</u>	<u>Amount</u>
Stiles Construction Company			
	05/08/2013	65150 · Repairs & Maintenance	2,660.00
Total Stiles Construction Company			<u>2,660.00</u>
Veolia Water North America, Inc.			
	04/01/2013	61000-1 · Fixed Fee	158,258.03
Total Veolia Water North America, Inc.			<u>158,258.03</u>
Verizon California			
	05/10/2013	66193 · Telephone	211.94
Total Verizon California			<u>211.94</u>
Water Components & Building, Inc.			
	04/12/2013	60150 · Repairs & Maintenance	1,253.50
	05/15/2013	63150 · Repairs & Maintenance	72.40
Total Water Components & Building, Inc.			<u>1,325.90</u>
WECO			
	05/01/2013	60150 · Repairs & Maintenance	110.98
	05/01/2013	60150 · Repairs & Maintenance	882.70
Total WECO			<u>993.68</u>
TOTAL			<u><u>303,448.49</u></u>

Novato Sanitary District Capital Projects Check Register

May 28, 2013

Date	Num	Name	Credit
May 28, 13			
5/28/2013	2524	Nute Engineering Inc.	33,519.13
5/28/2013	2521	Hydrosims	28,980.00
5/28/2013	2527	Pi2 Technologies, Inc.	15,000.00
5/28/2013	2519	Covello Group, The	12,751.00
5/28/2013	2525	Stiles Construction Company	4,560.00
5/28/2013	2518	Arntz Builders, Inc.	1,663.00
5/28/2013	2522	Lateral-Steddin	1,500.00
5/28/2013	2523	Marin Independent Journal	739.10
5/28/2013	2520	Daniel Macdonald AIA Archit...	600.00
5/28/2013	2526	void	
May 28, 13			99,312.23

Novato Sanitary District
Capital Projects Check Register Detail
 May 28, 2013

	<u>Date</u>	<u>Account</u>	<u>Amount</u>
Arntz Builders, Inc.			
	05/20/2013	72403 · Pump Station Rehabilitation	1,663.00
Total Arntz Builders, Inc.			<u>1,663.00</u>
Covello Group, The			
	05/01/2013	73002 · WWTP Up - Cont D - Rec- ARRA Fu	9,316.00
	05/01/2013	73001 · WWTP Upgrade - Contract C	3,435.00
Total Covello Group, The			<u>12,751.00</u>
Daniel Macdonald AIA Architects, Inc.			
	04/30/2013	72805 · Annual Trtmt Plnt/Pump St Impr	600.00
Total Daniel Macdonald AIA Architects, Inc.			<u>600.00</u>
Hydrosims			
	03/25/2013	73002 · WWTP Up - Cont D - Rec- ARRA Fu	28,980.00
Total Hydrosims			<u>28,980.00</u>
Lateral-Steddin			
	05/21/2013	72706 · 2008 Collection System Improv	1,500.00
Total Lateral-Steddin			<u>1,500.00</u>
Marin Independent Journal			
	04/30/2013	72706 · 2008 Collection System Improv	739.10
Total Marin Independent Journal			<u>739.10</u>
Nute Engineering Inc.			
	05/14/2013	72706 · 2008 Collection System Improv	455.00
	05/14/2013	72403 · Pump Station Rehabilitation	2,820.50
	05/15/2013	72706 · 2008 Collection System Improv	5,445.50
	05/15/2013	72706 · 2008 Collection System Improv	20,453.00
	05/15/2013	72706 · 2008 Collection System Improv	1,937.13
	05/15/2013	72403 · Pump Station Rehabilitation	2,408.00
Total Nute Engineering Inc.			<u>33,519.13</u>
Stiles Construction Company			
	05/08/2013	72804 · Annual Reclamation Fac Imp	4,560.00
Total Stiles Construction Company			<u>4,560.00</u>
Pi2 Technologies, Inc.			
	05/22/2013	72609 · WWTP Upgrade - Contract B	15,000.00
Total Pi2 Technologies, Inc.			<u>15,000.00</u>
TOTAL			<u><u>99,312.23</u></u>

Novato Sanitary District
Payroll and Payroll Related Check Register
May 2013

<u>Date</u>	<u>Description</u>	<u>Amount</u>
05/31/2013	May Payroll	114,004.91
05/23/2013	May Retiree Health Benefits	16,206.97
05/23/2013	CalPers Health	31,822.87
05/23/2013	CALPERS Retirement	21,418.77
05/23/2013	United States Treasury	23,459.08
05/23/2013	CalPers Supplemental Income Plan	6,750.00
05/23/2013	EDD	6,359.91
05/23/2013	Lincoln Financial Group	6,185.21
05/23/2013	Lincoln Financial Group-401a Plan	4,299.06
05/23/2013	Lincoln Financial Group-401a Plan	4,025.12
05/23/2013	CALPERS Retirement	4,554.98
05/23/2013	Local Union 315	600.00
05/23/2013	Marin Employ Federal Credit Union	517.00
05/23/2013	Operating Engineers Local 3 RHSP	310.32
		<u>240,514.20</u>

Novato Sanitary District Board Fees

For May 2013

Date	Num	Name	Credit
Jun 7, 13			
6/7/2013	3169	Di Giorgio, Michael	1,098.88
6/7/2013	2596	Long, William C	954.55
6/7/2013	2597	Mariani, Jean M	785.39
6/7/2013	3170	Welsh, Dennis J	103.79
6/7/2013	2598	Peters, A. Gerald	88.58
Jun 7, 13			3,031.19

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Wastewater Treatment Facility: Odor Control and Landscaping Report	MEETING DATE: June 10, 2013 AGENDA ITEM NO.: 6.a.
RECOMMENDED ACTION: Information	
SUMMARY AND DISCUSSION: District staff made a commitment to regularly update the Board and residents on the status of efforts to address neighborhood concerns about: <ul style="list-style-type: none"> • Odor control • Noise • Landscaping. <p>The following activities took place since the last Board meeting:</p> <ul style="list-style-type: none"> • Landscaping upgrades were completed to replace plants that died and augment the current visual screening on the open corridor; • The District's landscape maintenance contract is being modified to include maintenance of the landscaping along Lea Drive; • The Board authorized a contract with an odor control expert from Brown & Caldwell to investigate odor sources and make recommendations; • Veolia incorporated odor control measures in Standard Operating Procedures for sensitive processes; • Veolia notified Lea Drive neighbors of any maintenance or operating events that might generate odors including repairs to the screening compactor; • The District developed a pilot project to cover the anoxic zones of the aeration basins this summer. The covers float on the water surface and incorporate carbon scrubbers to remove odors. They are a new technology and the Brown & Caldwell scope of work will include testing their effectiveness; • The District has budgeted for soundproofing of the headworks blowers and is evaluating alternative designs. 	
ALTERNATIVES: N/A.	
BUDGET INFORMATION:	
DEPT.MGR.:	MANAGER:

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Wastewater Treatment Plant: Biofilter Media replenishment	MEETING DATE: June 10, 2013 AGENDA ITEM NO. 6.b.
RECOMMENDED ACTION: Authorize Manager-Engineer to execute a purchase order with Stiles Construction to replenish media on the four odor control biofilters at the Novato Wastewater Treatment Plant for \$23,654.	
SUMMARY AND DISCUSSION: The media in the odor control biofilters has gone down an average of one foot and needs to be replenished to maintain biofilter function. The District has obtained a quote from Stiles Construction to replenish the media for an estimated \$23,654. Stiles Construction constructed the biofilters and obtained the media approved by Jim Joyce. Staff recommends that the Board authorize the Manager-Engineer to execute the purchase order.	
ALTERNATIVES: Do not authorize the purchase order.	
BUDGET INFORMATION: The FY12-13 budget amount for major treatment plant repair/replacement is \$104,000 none of which has been spent to date.	
DEPT.MGR.:	MANAGER:

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Wastewater Treatment Plant: Aeration Basin Air Treatment	MEETING DATE: June 10, 2013 AGENDA ITEM NO. 6.c.
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RECOMMENDED ACTION: Approve a proposal from Pi2 Technologies to cover and treat the air from the anoxic zones in the aeration basins for \$30,000 plus shipping.

SUMMARY AND DISCUSSION:

District staff has been investigating means of treating the air from the aeration basins to remove odors. Studies have shown that most of the odors from aeration basins come from the anoxic zones. The District basins each have 3 anoxic zones. The first zone is covered and the second and third zones are open to the air.

Pi2 Technologies developed a modular covering system (PODZ) that incorporates carbon-impregnated media to capture and treat the odors. Data provided by Pi2 Technologies indicates that the system has been tested using the Odowatch olfactometry equipment to demonstrate 98% odor reduction.

District staff recommends installing the PODZ on anoxic zones 2 and 3 in two of the aeration basins this summer and then testing them to verify the odor reduction claims. The other 2 aeration basins will be drained for the summer months so this should result in substantial mitigation of aeration basin odors. The cost is \$30,000 plus shipping.

The testing would be done by the independent consultant, Brown & Caldwell, that the District has engaged to develop an odor study for the treatment plant, particularly focused on the impact of the aeration basins on offsite odors.

ALTERNATIVES: Do not authorize the purchase order.

BUDGET INFORMATION: The FY12-13 budget amount for major treatment plant repair/replacement is \$104,000 none of which has been spent to date.

DEPT.MGR.:

MANAGER:

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

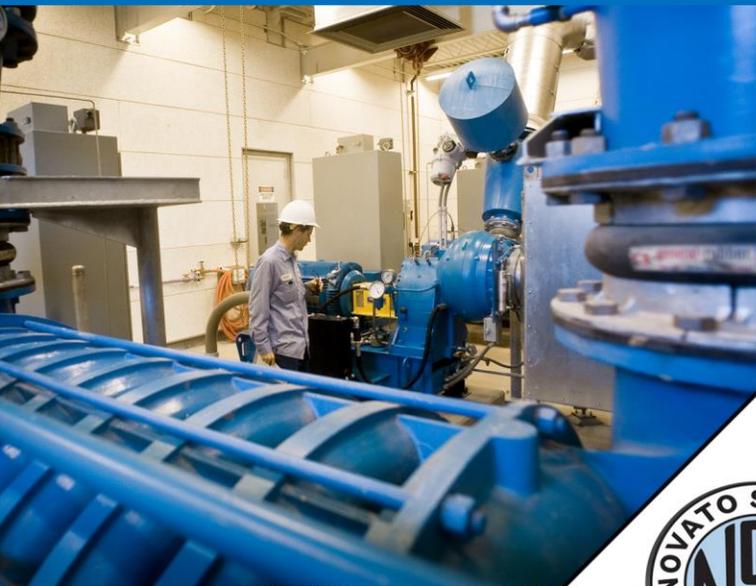
TITLE: WWTP Upgrade Project – Contract C, Solids Handling/Digester No. 2 Upgrades; Engineering Services During Construction, Project No. 73001	MEETING DATE: June 10, 2013 AGENDA ITEM NO. 7.a.
<p>RECOMMENDED ACTION: Approve a proposal from RMC Water to provide design services during construction of the WWTP Upgrade Project – Contract C, Solids Handling/Digester No. 2 Upgrades, Project No. 73001, and authorize the Manager-Engineer to execute an agreement with RMC on a time and materials basis for an amount not-to-exceed \$248,000.</p>	
<p>SUMMARY AND DISCUSSION:</p> <p>At its May 10, 2010 meeting, the Board of Directors approved a proposal from RMC Water Environment (RMC) for the engineering design for this project. The project design was completed, construction bids were received, and at its May 13, 2013 meeting, the Board awarded the construction of the project to R.E. Smith Contractor, Inc. of Newcastle, CA.</p> <p>Subsequently, staff requested, and RMC has provided a proposal to provide engineering services during construction to include the following tasks:</p> <ul style="list-style-type: none"> Task 1: Project Management Task 2: Pre-Construction Conferences; Task 3: Respond to Requests for Information; Task 4: Submittal Review; Task 5: Construction Changes; Task 6: Record Drawings; Task 7: Construction Meetings and Site Visits; Task 8: Specialty Inspections; Task 9: Startup and Testing, and; Task 10: Project Closeout. <p>RMC’s proposal includes a fee estimate with a base budget amount of \$154,000 in direct costs, and a budget allocation of \$94,000 for other direct and indirect costs including costs related to their specialty sub-consultants (TJC and Associates, ArcSine Engineering, and Miller Pacific Geotechnical).</p> <p>Accordingly, it is recommended that the Board approve the contract with RMC and authorize the Manager-Engineer to execute an agreement with RMC on a time-and-materials basis in an amount not-to-exceed \$248,000.</p>	
<p>ALTERNATIVES: Do not approve the agreement.</p>	
<p>BUDGET INFORMATION: The FY12-13 budget amount for this project is \$2,500,000, of which about \$273,603 has been expended as of May 31, 2013, and the preliminary FY2013-14 Capital Improvement budget includes \$2,770,000 for this project.</p>	
<p>DEPT.MGR.:</p>	<p>MANAGER:</p>

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Collection System Improvements; Project 72706, Olive Street Pump Station Force Main Rehabilitation Project	MEETING DATE: June 10, 2013 AGENDA ITEM NO.: 8.a.						
RECOMMENDED ACTION: Review bids received for the Olive Street Pump Station Force Main Project, reject all bids, and authorize the Manager-Engineer to so inform all bidders.							
SUMMARY AND DISCUSSION: <p>At its April 8, 2013, the Board of Directors approved the plans and specifications for the Olive Street Pump Station Force Main Replacement Project, and authorized staff to advertise for bids. On May 1, 2013, three (3) bids were received as follows:</p> <table style="margin-left: 40px; border: none;"> <tr> <td style="padding-right: 20px;">1. Bay Pacific Pipelines:</td> <td>\$715,700</td> </tr> <tr> <td>2. Team Ghilotti:</td> <td>\$723,850</td> </tr> <tr> <td>3. WR Forde & Associates:</td> <td>\$1,135,000</td> </tr> </table> <p>Staff has reviewed the bids and recommends that the Board of Directors reject the bids as allowed by Section 20166 of the State Public Contract Code which states: "In its discretion, the legislative body may reject any bids presented and readvertise" so staff can reassess the project scope and timing.</p> <p>Although clearly not required by law to provide any reasoning for rejecting bids, in this <u>specific</u> instance only, it is worth noting that, subsequent to receiving bids:</p> <ol style="list-style-type: none"> Staff was made aware that the City of Novato (City) is looking at project(s) involving construction of a significant number of multi-family residential units and further commercial development in the sewershed of the Olive Street Pump Station (OSPS), as part of its North Redwood Corridor development plans. Although the nature of the City's plans appears to be very fluid at this time, if they were to occur, it would be critical to the District to either: (a) maintain the current 27-inch internal diameter (ID) of the Olive Force Main, instead of the current as-bid plan to reduce it to a 21-inch ID by slip-lining the existing 27-inch ID pipe, or (b) significantly upgrade the OSPS to compensate for the smaller 21-inch ID slip-lined pipe. Also, subsequent to receiving bids, staff was informed by the North Marin Water District (NMWD) that under the current as-bid plan, they would require the District to provide at least two isolation valves on their water main in Olive Street at the location of a potential conflict between the District's project and NMWD's water main. Although not expressed as such, NMWD apparently has the legal ability to require the District to do so under the California Water Code and the state Health and Safety Code. <p>Accordingly, at this time, the District needs to consider the above information and evaluate potential alternatives to the current design. Therefore, it is recommended that the Board reject all current bids for the Olive Street Pump Station Force Main Replacement Project, and authorize the Manager-Engineer to so inform all bidders.</p>		1. Bay Pacific Pipelines:	\$715,700	2. Team Ghilotti:	\$723,850	3. WR Forde & Associates:	\$1,135,000
1. Bay Pacific Pipelines:	\$715,700						
2. Team Ghilotti:	\$723,850						
3. WR Forde & Associates:	\$1,135,000						
ALTERNATIVES: N/A.							
BUDGET INFORMATION: The FY2012-13 budget for Project No. 72706 includes an amended budget amount of \$585,000, of which about \$241,310 has been spent as of May 31, 2013.							
DEPT.MGR.:	MANAGER:						

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Strategic Plan Update, Project No. 72808	MEETING DATE: June 10, 2013 AGENDA ITEM NO.: 9.a.
RECOMMENDED ACTION: Review Draft Final Strategic Plan Update and provide direction to staff.	
SUMMARY AND DISCUSSION: <p>The 2013 Strategic Plan review began with one-on-one interviews with Board members and management staff. The Board then met in a workshop format at a regularly scheduled meeting on April 22, 2013. Martin Rauch of Rauch Communications (who prepared the 2013 draft Update), served as the facilitator and led the Board and management through a review of progress on meeting the goals and objectives of the 2012 Strategic Plan as well as a review of the Mission, Vision, and Values statements.</p> <p>Martin Rauch prepared a discussion draft of the 2013 Strategic Plan based on the input from the workshop. This discussion draft was reviewed and discussed by the Strategic Planning and New Facilities Committee at their meeting on May 7, 2013. Staff worked with Martin Rauch to prepare a draft final 2013 Strategic Plan update. This update is attached for your review and comment.</p>	
ALTERNATIVES: N/A.	
BUDGET INFORMATION: The 2012-13 Budget for preparing a Strategic Plan Update is \$10,000 of which \$9,723.51 has been spent.	
DEPT.MGR.:	MANAGER:



Novato Sanitary District
2013
Strategic Plan Update

Prepared by Rauch Communications Consultants, Inc.





BOARD OF DIRECTORS

Michael Di Giorgio, President

Jean Mariani, President Pro-Tem

William C. Long

Jerry Peters

Dennis Welsh

DISTRICT MANAGEMENT STAFF

Beverly James, Manager/Engineer

Sandeep Karkal, Deputy Manager/Engineer

Tim O'Connor, Collection System Superintendent

Steve Krautheim, Field Services Superintendent

Laura Creamer, Finance Officer

Andrew Oko, Environmental Services Supervisor

Craig Deasy, Senior Engineer

CONSULTANT

Martin Rauch, Managing Consultant

Updating the Plan in 2013

Update Development Process

The strategic planning process was updated following the process outlined below.

Background Research. The consultants began by holding discussions with the Manager-Engineer and by reviewing background documents.

Confidential Interviews. This was followed by a series of confidential interviews carried out by the consultant. The goal is for the interviewees to candidly express their interests and perspectives on the District and its priorities.

The interviewees included the entire Board of Directors, Manager-Engineer and the entire management team, specifically:

BOARD: Bill Long, Mike Di Giorgio, Jean Mariani, Dennis Welsh, Jerry Peters

MANAGEMENT: Beverly James, Manager-Engineer; Sandeep Karkal, Deputy Manager/Engineer; Tim O'Connor, Collection System Superintendent; Steve Krauthaim, Field Services Superintendent; Laura Creamer, Finance Officer; Andrew Oko, Environmental Services Supervisor; Craig Deasy, Senior Engineer.

Planning Workshop. The Board of Directors and senior management staff participated in a strategic planning update workshop on April 22, 2013. At this workshop, the following was undertaken:

- **Manager's Report.** The Manager-Engineer presented a brief written and verbal report on progress in 2012 on the strategic plan. The report was organized in the same format as the work plan.
- **Report On the Interviews.** The consultant reviewed the results of the interviews and research phase, with a focus on areas of strength and areas where challenges remain. A summary that combines the Manager's Report and the results of the interviews is located on the following pages.
- **What Can We Do To Make This District Better?** The workshop participants were asked to write down their response to this single question: "What can we do to make this District better?" They were asked to focus on only the most critical actions that needed to be completed and to incorporate policy level guidance on how it should be approached. The responses were collected one-by-one and discussed.
- **List of Priority Issues.** Out of this discussion, the priority actions were outlined and the essential few highest priorities were identified.

- **Goals and Objectives Review.** The participants briefly reviewed the goals and objectives and made recommendations to align the goals and objectives more with categories used to manage the District. This includes, for, example, dividing up the current Goal #1 into several parts: operations, management and financial. The group discussed how these priorities and the results of the general manager’s report and interviews would be combined and worked into the goals and objectives jointly by the consultant, staff and a Board committee and brought back to the entire Board. The updated goals and objectives are found near the end of this report.
- **Ensuring Communication. Board Monitoring and Oversight Review.** The Board Committee responsible for the strategic plan led a discussion on Board engagement with the strategic plan as wells as monitoring and oversight. It was agreed that the current Board report should be continued on a semi-annual basis, with more time and emphasis devoted to it during the Board meeting in which it is presented.
- **Mission, Vision, and Values Update.** Throughout the workshop, there was discussion about language in the original strategic plan that is aspirational, but not clear in terms of policy direction. Staff and the consultant drafted new language for some of the goals and objectives to clarify the policy direction discussed in the workshop. It was also decided during the workshop that the mission, vision and values should be refined to make them more succinct, memorable and inspirational. While it is not typical to update these core statements after a single year, it was agreed it would be beneficial. The Strategic Planning and New Facilities Committee agreed to review and refine the mission, vision and values with support of staff and the consultant.
- **Staff Work Plan.** With the policy-level portions of the plan completed in draft form, the management team worked with the consultant to develop a detailed staff work plan designed to meet the mission of the District and strategic goals and objectives.
- **Board review and Approval.** The completed updated, draft strategic plan for 2013 was brought back to the Board and approved on June 10, 2013.

Report on 2012 Progress on the Strategic Plan

Below is a summary of the status of the District and progress made in carrying out the strategic plan to-date. This summary incorporates information from interviews conducted by the Consultant, from the Manager's report at the strategic planning update workshop, and from comments made during the workshop.

MANAGEMENT/GOVERNANCE

STRONG:

Morale has clearly improved in recent years, with improved communication between staff and management, and a sense of **continuous improvement** in many areas.

The Board is working effectively together.

The District's 2012 **Safety and Wellness program** was a particular success with **no lost time accidents**. The Safety Incentive and Wellness program was refined for 2013 and is moving ahead. The District continues working toward improving its safety culture and is currently following the goals set in the CSRMA Shell Award program.

Veolia is making good progress toward implementing an EMS at the treatment plant. They have strong corporate commitment and have completed the scope of work for this task area.

District staff are working on records management and retention—reviewing records and evaluating vendors.

The District has been proactive in forming relationships and agreements with other agencies, with the goal of improving service, lowering costs or providing other benefits.

Current policies were compiled and provided to the Board. Appropriate committees have been systematically reviewing policies and bringing them to the Board for update and approval. Next priority is to update the reserve policy.

CHALLENGE:

Laboratory SOPs are completed, but the remaining SOPs are in various stages of development. A consultant has been hired to help with high priority emergency SOPs. **Getting ahead of the curve on SOPs is a challenge and will require a long-term commitment of energy and resources.**

There is a need to develop a plan for long-term staff sustainability, including the approach to salaries, benefits, recruiting, retention, and development.

Promoting a deeper engagement of the Board with the strategic plan would be beneficial.

Additional training resources may be needed in the coming year as new employees are trained and succession plans are implemented.

Employee development is a continuous process. **Staff will be working with consultants to update the performance review process, Personnel Manual, and job descriptions to provide better guidelines.**

FINANCES

STRONG:

Finance has been a strong point with low rates and improved financial reporting. Revenues are in place to fund a robust operations and maintenance program, as well as planned capital improvements.

The Finance Officer attended the GFOA training on budgets and incorporated some of the ideas into the final 2012-13 budget. Full implementation of the GFOA guidelines was determined to be not practical for NSD.

NSD has reduced retirement liability significantly in the past 5 years so that annual CalPERS retirement costs have been reduced by 32% from \$513,239 to \$344,718. The cost as a percent of salary has been reduced from 19.42% to 17.68%. Future increases will be shared with employees.

CHALLENGE:

There was a consensus that **setting clear, well understood reserve levels and settling the District's approach to benefits (pensions) is important**, with a first step being to complete the actuarial study. It would be beneficial to develop **more easy-to-understand financial reporting** for the Board & public.

A financial analysis of the connection charges is scheduled to be completed by June 2013. **Development of an updated reserve policy is also planned.**

TREATMENT PLANT

STRONG:

Veolia, the treatment plant itself, and the success of the recycled water project makes the entire treatment plant unit a source of strength.

The new recycled water plant is operating. NSD has taken a leadership role in NBWRA and the IRWMP, as well as building partnerships with the County and Coastal Conservancy that promise to **greatly increase the amount of recycled water that can be used by the community.** Meanwhile an ongoing **maintenance plan is being implemented to keep the reclamation field and related equipment in good condition.**

NSD is partnering with the Coastal Conservancy to evaluate the receiving water permitting issues for recycled water wetlands and discharge. This will be a long-term effort, but it is getting better than expected regulatory support.

There have been zero discharge violations since October 2011. Plant operation and maintenance is closely monitored by District staff and Board. **Equipment is well-maintained.**

CHALLENGE:

NSD's reputation is improving but more communication is needed. In the past year, the District has taken a number of steps to address odor, noise, and aesthetic issues including sound enclosures for blowers, screening fences, landscaping, and operational changes. The remaining challenge is the **odor affecting a few residents.** The next steps are to clearly identify the odor and develop a plan and determine the costs for any necessary modifications.

The Reclamation Master Plan is on hold pending the outcome of the Novato Creek Watershed study and the NBWRA scoping study, since both could impact the Reclamation Facility.

COLLECTION SYSTEM

STRONG:

Collection system maintenance has improved substantially, with notable improvements in sewer line cleaning efficiency.

The collection crew itself is good, with a stronger culture of being on top of management and maintenance.

There were very few overflows or spills.

Pump station upgrades are going well: the District has almost updated all of its pumps; there are far fewer pump station call outs.

The focus of collection system work this year has been on behind the scenes preparation for completing these tasks: preparing the documentation necessary to revise the local limits in the sewer use ordinance, developing the data to revise the collection system master plan, and improving televising procedures. The coming year should see the results of some of these efforts.

CHALLENGE:

Completing CCTV is a challenge. Collection crew may need another crew member or to contract out some of the CCTV work.

FACILITIES

STRONG:

The study on the potential outfall levee is considered promising and innovative.

CHALLENGE:

There is a desire to settle the odor control issue: identify problems if any, identify what to do or not and be done. **There is question about whether enough priority is being given to lateral problems.**

REGULATORY AND GRANTS

CHALLENGE:

The District is in a good position to respond to new regulations and emergencies and take advantage of opportunities.

MISCELLANEOUS

STRONG:

Environmental Services/Pretreatment had a good audit. It is where it wants to be and spending more time in lab.

Novato Creek Watershed study will help the District to manage the reclamation field better.

Reclamation area is being updated area-by-area. The new recycled water plant makes it easier to manage the reclamation fields, since they have less water to absorb when treated effluent is being diverted for recycling.

Collaboration with other agencies is a source of strength, cost savings and improved services. Training is increasing and improving.

Excellent public outreach and transparency is clearly a priority of the Board and District, and a number of steps have been taken to achieve this.

CHALLENGE:

The laboratory team is not carrying out restaurant FOG inspections, but they have a plan to restart that program.

There were some **initial discussions with the City on property,** but this was put on hold pending developments in recycled water and HHW facility siting.

Further **improvements remain to be made in the use of social media and electronic communication.**

ENVIRONMENTAL

STRONG:

Staff is evaluating a plan for solar power at Reclamation. Cogeneration at the treatment plant is in the Capital Plan following completion of digester rehabilitation and maintenance building construction.

Priority Issues

Below are the Priority Issues for the coming years, identified by the strategic planning update process.

Staff Development. The top priority for the coming years is to complete initiatives to ensure a stable, well trained, happy, and high performing work force. To accomplish these goals, the District needs to update: succession planning, pay and benefit policies, as well as hiring, training and management practices.

Continuous Improvement. Continuous improvement programs are a top priority. This includes completion of the SOPS, being aware of trends in new work practices and technology, and adopting them as appropriate.

Emergency Preparedness. Continued progress on Emergency Management Systems and emergency preparedness is a priority. This includes developing an explicit plan and approach to preparing for other challenges, including regulatory (nutrient removal and emerging contaminants, for example), fiscal constraints, global warming and other significant potential future challenges.

Building new Field Support Facilities. There is a plan to build new facilities to replace temporary facilities used by field staff. This is needed to support continued progress on collection system productivity improvements and emergency response.

Public Outreach and Communication. It is important to maintain and even increase communication to the public so there is understanding of the District and its programs on behalf of the community. The District should develop and communicate new messages about the District's role as a resource agency and the value and specific benefits it provides to the community.

Openness to the Public and Ease of Interaction with the District. The District should review its processes to ensure that it is open to the public and its key documents and information are readily accessible. This might include simpler and clearer financial reporting, making policies more accessible, and taking other steps.

Attention to Aesthetics. Many District services are seemingly invisible: sewage or trash is taken away and appears to disappear. In other cases the district has a direct impact on customers through odors, the appearance of certain facilities, and in other ways. The District should be cognizant of the ways it impacts people and consider if actions should be taken to minimize impacts.

Resolving Odor Issues. Odor problems have been substantially solved following extensive effort and significant investment. The Board seeks to quantify any remaining problem, identify potential solutions and decided on a final course of action.

Developing a Policy on Laterals. The District has a lateral grant program, but needs to develop lateral inspection and repair policies and ordinances.

District Mission

A mission statement describes the reason an organization or program exists: services it exists to supply, who it serves, and how it measures excellence. The Board drafted and approved the following mission statement:

Mission

Novato Sanitary District provides responsible, environmental and economic wastewater and solid waste resource management for Novato.

Vision for the Future

A critical responsibility of the Board of Directors is to identify a vision for the District's future and then set goals and objectives to achieve it. This is the heart of the governance role and starts with creation of a vision statement. The following is a brief statement describing the long-term change the District wants to result from its work.

Vision

Creating worth from all of Novato's waste.

District Values

Values are what we consider important—what we believe is right. The Board is responsible for identifying and being the guardian of values. Effective organizations identify and develop clear, concise and shared values, beliefs, priorities, and direction so that every employee understands and can contribute by implementing their work in line with the organization's values. The following values emerged from the workshop discussion.

The values can be written as simple statements or posed as questions to help make difficult decisions.

Value Statements

- *Make best use of our resources.*
- *Provide safe, regulatory compliant and reliable service.*
- *Be cost effective.*
- *Protect and enhance the environment.*
- *Foster a strong, trusting and supportive relationship with customers.*
- *Be proactive and take advantage of opportunities.*
- *Seek to attain excellence.*
- *Promote local control and collaboration.*

Value Questions

- *Does it make best use of our resources?*
- *Does it provide safe, regulatory compliant and reliable service?*
- *Is it cost effective?*
- *Does it protect and enhance the environment?*
- *Does it foster a strong, trusting and supportive relationship with customers?*
- *Is it proactive and does it take advantage of opportunities?*
- *Does it enhance our efforts to attain excellence?*
- *Does it promote local control and collaboration?*

Goals, Objectives and Strategic Direction

The goals and objectives are presented on the following pages. They, along with the mission, vision and values represent the core strategic direction provided in this plan.

Strategic Direction for the Future: Raising the Bar. Cumulatively, the strategic direction found in the goals and objectives are meant to move the District towards a higher level of excellence, primarily through improved management, planning, and operational implementation, as well as through changes in workplace culture.

Some of the areas highlighted in this update for priority attention include:

Staff Development. This includes maximizing employee career quality, commitment and performance with up-to-date hiring and personnel practices that emphasize professional and leadership development. In addition, the District will develop and implement succession plans to ensure that employee institutional knowledge is retained and improved over time.

Become a high reliability organization by implementing an Environmental Management System (EMS).

Develop a clear approach to evaluating and preparing for future challenges and advance plans as appropriate. Potential challenges to consider, include: global warming, nutrient removal, emerging pollutants, fiscal constraints, and emergencies, and others as appropriate.

Make progress toward the District goal of becoming increasingly a resource rather than a disposal agency. The District will be working toward achieving its new vision of *creating worth from all of Novato's waste*.

Goal 1. Operational Excellence. Provide timely, cost-effective, reliable and sustainable performance improvements in all aspects of operations.

- 1.1 Provide a safe work environment.
- 1.2 Become a high reliability organization by implementing an Environmental Management System (EMS). Take initial steps toward development of EMS to achieve some of the benefits without the cost of full implementation. Also, make progress toward a future evaluation of final steps needed to implement a full program.
- 1.3 Develop a process for evaluating operations.
- 1.4 Achieve an organization-wide commitment to “zero” goals and make progress toward: zero accidents, zero sanitary sewer overflows, zero waste, and zero permit violations.
- 1.5 NEW: Set a policy on laterals.
- 1.6 NEW: Be aware of trends, such as changes in technology, and take advantage as appropriate. Move with change.
- 1.7 NEW: Develop a clear approach to evaluating and preparing for future challenges and advance plans as appropriate. Potential challenges to consider, include: global warming, nutrient removal, emerging pollutants, fiscal constraints, and emergencies.
- 1.8 NEW: Manage processes and expectations for cost effectiveness, environmental sustainability, and positive impact on people (triple bottom line).
- 1.9 NEW: Improve work practices through continuous improvement; including development of SOPs, emergency procedures and contingency plans.

Goal 2. Build and Maintain Facilities that are Reliable, Environmental and Efficient. Plan, provide for and maintain District facilities and other physical assets to achieve reliable, environmentally sound, and efficient District operations.

- 2.1 Identify cost-effective opportunities to increase the amount of internally generated energy.
- 2.2 Manage the collection system with the objective of zero spills and zero permit violations.
- 2.3 Actively pursue opportunities to expand recycled water production and use.
- 2.4 Coordinate discharge objectives and requirements with the Hamilton Wetlands expansion.
- 2.5 Manage the treatment facility with the objective of zero permit violations and long-term preservation of assets.
- 2.6 Develop a plan to meet real property needs into the future.
- 2.7 NEW: Develop a long-term plan for treatment operations options over twenty years that serves as a *Plan B* for whatever circumstances occur over time.
- 2.8 NEW: Support field operations by providing improved facilities.
- 2.9 NEW: Develop a plan for obtaining the maximum value from recycled water for the community.

Goal 3. Board District and Community, Alignment and Communications. Proactively communicate with all stakeholders including customers, the Board, staff and others in a clear, factual, timely, two-way manner to foster greater understanding and alignment between the District and its stakeholders.

- 3.1 Take needed steps so that the community knows and respects the District and its decisions. This might include simplifying financials, making policies and documents more available, and the decision making process more accessible.
- 3.2 Update the internal staff communication program to ensure that staff are informed about key District issues in a timely manner and have opportunities to have questions answered.
- 3.3 Formalize interagency agreements and relationships to secure them against changeable personality and budget issues and preferences. Include: the city, North Bay Water Reuse Authority, water and flood control agencies, and others.
- 3.5 UPDATED: Identify areas in which the District impacts the public and ensure the District is acting as a reasonable and responsive good neighbor. Include issues like odor, aesthetics of facilities, and impacts of construction and maintenance.
- 3.6 NEW: Incorporate into the outreach program descriptions of the District's role as a resource agency and the value it provides to the community. In other words, don't just tell what the District does, but why, along with the benefits.
- 3.7 NEW: Ensure that outreach is effectively communicating important messages to the public, and that there are easily accessible and publicized channels available for the public to provide input and feedback.

Goal 4. Well Planned Finances With a Long-Range Outlook. Maintain a well-planned, proactive financial condition that minimizes rate shocks and impacts on customers while meeting all service needs.

- 4.1 NEW: Plan for and manage finances to achieve long-range financial stability, competitive and fair rates and charges, and strong bond ratings.
- 4.2 NEW: Ensure that the rate structure and rates are sustainable, defensible, understandable and fair.
- 4.4 NEW: Manage retirement liability both financially and through optimum policies that strike an explicit balance between benefit levels and types, as well as employee retention.
- 4.5 Resolve unfunded liabilities related to pensions and benefits. Obtain Board consensus that they are appropriately and prudently addressed.
- 4.6 Enable effective Board and public oversight.

Goal 5. Effective Governance and Administration. Develop and maintain an organizational structure and management policies that foster a high performing, stable and productive organization that learns and improves. Explicitly recognize the importance of our people as a critical asset to the organization and community.

1. NEW: Develop a succession plan.
2. NEW: Maximize employee career quality, commitment and performance with up-to-date hiring and personnel practices that emphasize professional and leadership development
3. NEW: Ensure that employee institutional knowledge is retained and improved upon over time.
4. NEW: Update all major documents and policies.
5. NEW: Update business practices to make more of them accessible online, including permits and other administrative activities and documents.
6. NEW: Effectively implement and monitor the strategic plan both at the Board and staff level. Develop initial performance indicators to help measure and assess progress toward achieving the goals and objectives.

Staff Work Plan

The appendix contains the staff work plan, a linked series of actions developed by staff that, when accomplished, will meet the mission, vision, goals and objectives identified by the Board of Directors. The work plan is organized in a table format with the following features:

Priorities:

There are two kinds of priorities assumed in this work plan: 1) Importance; and 2) Time. It is possible for a priority to be critical in importance but not due for a long time. Conversely a priority may have low importance but be due promptly. The 1-3 numbering system incorporates a little bit of both. The timing column indicates due dates. The numbering system is as follows:

1. Critical project that must be accomplished on time.
2. Important project that can be delayed if needed to complete a #1 priority project.
3. Desirable project that can be delayed or cancelled to complete a #1 or #2 priority project.

Key to Abbreviations

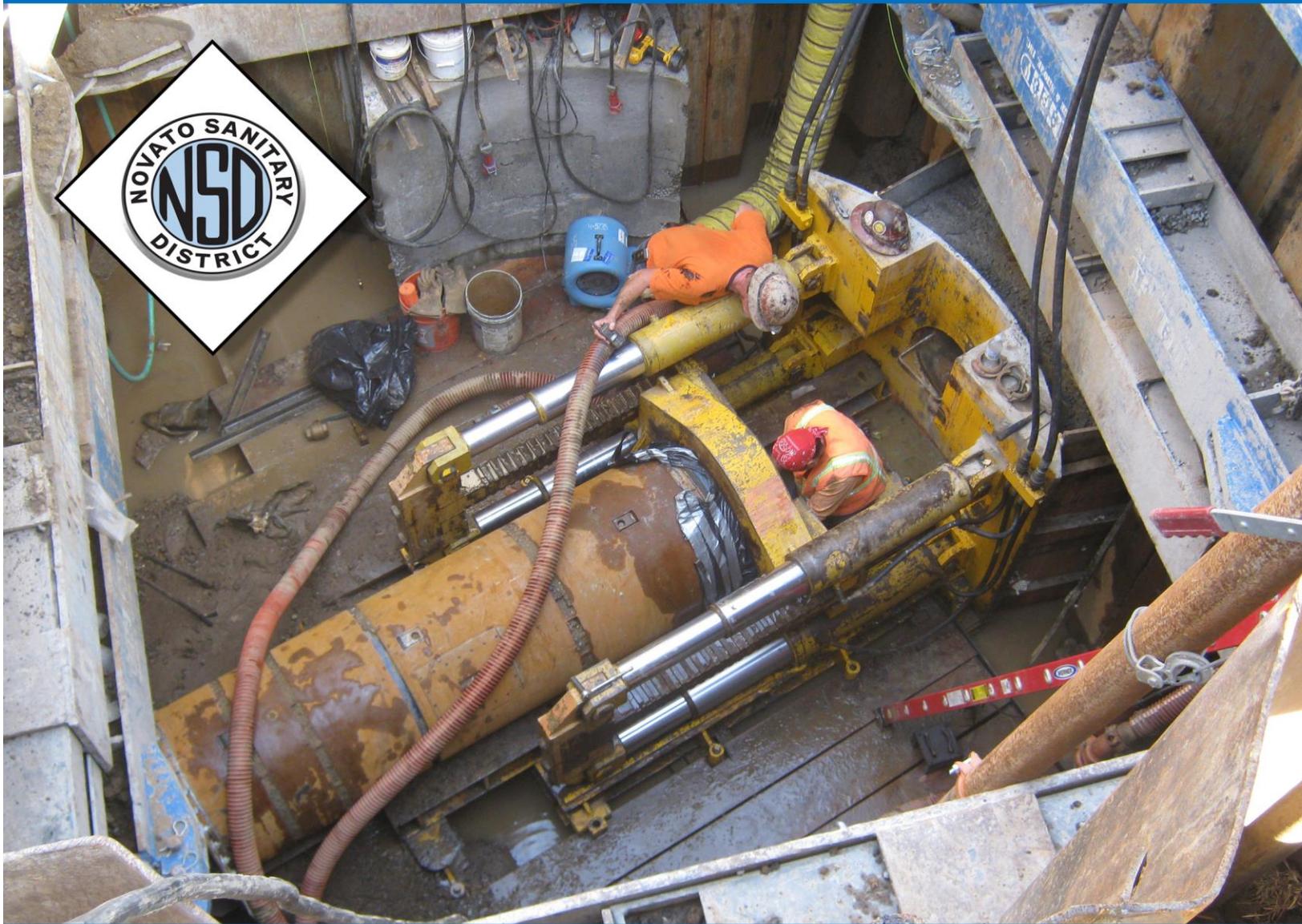
These abbreviations refer to who is named as responsible for a given action under the column titled LEAD:

AO —Andrew Oko	SRK —Steve Krautheim	DT —Dale Thrasher
BJ —Beverly James	HR —Human Resources	TOC —Tim O’Connor
SSK —Sandeep Karkal	JB —John Bailey	SM —Steve McCaffrey
CD —Craig Deasy	JS —Julie Swoboda	
DJ —Dee Johnson	LC —Laura Creamer	

Ensuring Results

In order to ensure that the plan is implemented and results are achieved, the District plans to take the following steps:

1. Publish the Mission, Vision, Values Goals and Objectives on posters and handouts, and display them around the District.
2. Incorporate the Mission, Vision, Values, Goals and Objectives into the employee handbook, as well as orientation and training materials for new employees.
3. Actively implement the Work Plan by the management team.
4. Develop initial performance indicators to help measure and assess progress toward achieving the goals and objectives.
5. Incorporate Strategic Plan monitoring by Board committees as appropriate and provide a semi-annual report to the entire Board on progress.
6. Review and update the Strategic Plan annually and roll it forward.



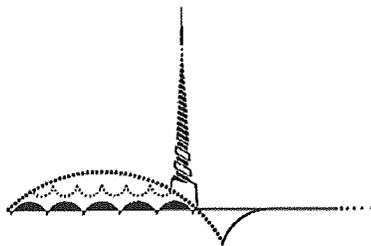
Prepared by Rauch Communications Consultants, Inc.
936 Old Orchard Road, Campbell CA 95008
www.rauchcc.com



NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: 2012-13 Marin County Civil Grand Jury Report	MEETING DATE: June 10, 2013 AGENDA ITEM NO.: 10.a.
RECOMMENDED ACTION: Direct the Manager-Engineer to prepare a draft response for review and approval by the Board.	
SUMMARY AND DISCUSSION: <p>The 2012/2013 Marin County Civil Grand Jury released a report on June 3, 2013, "Marin's Retirement Health Care Benefits: The Money Isn't There". A copy of the report is attached. The report makes 10 Findings and 6 Recommendations and requires that Novato Sanitary District respond to all Findings and Recommendations within 90 days of the May 21, 2013 Report Date.</p> <p>Comment or response from the District 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 Ralph M. Brown Act. The Penal Code Section governing responses is also attached.</p> <p>The Report notes that the District has an unfunded liability of \$6.11 million for retiree medical benefits. This information was taken from the District's 2010 GASB 45 Report. The District's 2012 GASB 45 Actuarial Study identified an unfunded liability of \$5.91 million. As the Board knows, this is in spite of the steps that the District has taken to reduce the liability including:</p> <ul style="list-style-type: none"> • Increasing the minimum age for qualifying for retiree medical; • Increasing the number of years of service at Novato Sanitary District to qualify for retiree medical; • Limiting retiree medical for employees hired after July 1, 2008 to the PERs minimum; • Reducing staffing. <p>The Report addresses an issue that has serious financial implications and merits a thoughtful response. Staff recommends that the Manager-Engineer work with the Finance Committee to review the Findings and Recommendations and prepare a draft response for review and approval by the Board of Directors.</p>	
ALTERNATIVES: N/A.	
BUDGET INFORMATION:	
DEPT. MGR.:	MANAGER:

Marin County Civil Grand Jury



Date: May 28, 2013

Mike DiGiorgio, President
Novato Sanitary District – Board of Directors
500 Davidson St
Novato, CA 94945

Re: Grand Jury Report: *Marin's Retirement Health Care Benefits: The Money Isn't There*
Report Date May 22, 2013

Dear President DiGiorgio,

Enclosed please find an *advance copy* of the above report. Please note that Penal Code Section 933.05(f) specifically prohibits any disclosure of the contents of this report by a public agency or its officers or governing body prior to its release to the public, **which will occur on June 3, 2013.**

The Grand Jury requests that you respond in writing to the Findings and Recommendations contained in the report pursuant to Penal Code Section 933.05 (copy enclosed). The Penal Code is specific as to the format of responses. The enclosed *Response to Grand Jury Report Form* should be used.

Governing bodies should be aware that the comment or response from 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 Ralph M. Brown Act. The Brown Act requires that any action of a public entity governing board occur only at a noticed and agendized meeting.

The Penal Code is also specific about the deadline for responses. You are required to submit your response to the Grand Jury within 90 days of the report date:

1 hard copy to: The Honorable Judge James Ritchie
Marin County Superior Court
P.O. Box 4988
San Rafael, CA 94913-4988

1 hard copy to: Rich Treadgold, Foreperson
Marin County Grand Jury
3501 Civic Center Drive, Room #275
San Rafael, CA 94903

Responses are public records. The clerk of the public agency affected must maintain a copy of your response. Should you have any questions, please contact me at 415-286-6494 or at the above address.

Sincerely,

A handwritten signature in cursive script that reads "Richard Treadgold".

Rich Treadgold, Foreperson
2012/2013 Marin County Civil Grand Jury

Enclosures: Summary of Penal Code sec. 933.5; Penal Code Sec. 933.05; Response Form

RESPONSE TO GRAND JURY REPORT FORM

Report Title: *Marin's Retirement Health Care Benefits: The Money Isn't There*

Report Date: May 22, 2013

Public Release Date: June 3, 2013

Response by: _____

FINDINGS

- I (we) agree with the findings numbered: _____
- I (we) disagree wholly or partially with the findings numbered: _____

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

RECOMMENDATIONS

- Recommendations numbered _____ have been implemented.
(Attach a summary describing the implemented actions.)
- Recommendations numbered _____ have not yet been implemented, but will be implemented in the future.
(Attach a timeframe for the implementation.)
- Recommendations numbered _____ 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 _____ will not be implemented because they are not warranted or are not reasonable.
(Attach an explanation.)

Date: _____ **Signed:** _____

Number of pages attached _____

**RESPONSES TO GRAND JURY REPORTS
SUMMARY OF PENAL CODE 933.05**

Penal Code 933.05(F) states the grand jury shall provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity two (2) working days prior to its public release and after the approval of the presiding judge.

Penal Code 933.05 also provides for only two (2) acceptable responses with which agencies and/or departments (respondents) may respond with respect to the **findings** of a Grand Jury report:

1. The respondent agrees with the finding.
2. The respondent disagrees wholly or partially with the findings, ***in which case the respondent shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.***

Penal Code 933.05 provides for only four (4) acceptable responses with which agencies and/or departments (respondents) may respond with in respect to the **recommendations** of the Grand Jury.

1. The recommendation has been implemented, with a summary regarding the implemented action.
2. The recommendation has not yet been implemented, but will be in the future with a timeframe for implementation.
3. The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis, with a timeframe for the matter to be prepared for discussion by the officer or head of the agency/department being investigated or reviewed, including the governing body of the public agency when applicable. ***This timeframe shall not exceed six (6) months from the date of publication of the Grand Jury Report.***
4. The recommendation will not be implemented because it is not warranted or is not reasonable, with a detailed explanation therefore.

However, if a finding and/or recommendation of the Grand Jury addresses **budgetary or personnel** matters of a county agency/department head and the Board of Supervisors shall respond if requested by the Grand Jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency/department.

Penal Code 933 states that the governing body of the public agency shall respond to the presiding judge within 90 days, and that an elected county officer or agency head shall respond to the presiding judge within 60 days.

California Penal Code Sections

Penal Code 933

No later than 90 days after the grand jury submits a final report on the operations of any public agency subject to its reviewing authority, the governing body of the public agency shall comment to the presiding judge of the superior court on the findings and recommendations pertaining to matters under the control of the governing body, and every elected county officer or agency head for which the grand jury has responsibility pursuant to Section 914.1 shall comment within 60 days to the presiding judge of the superior court, with an information copy sent to the board of supervisors, on the findings and recommendations pertaining to matters under the control of that county officer or agency head and any agency or agencies which that officer or agency head supervises or controls.

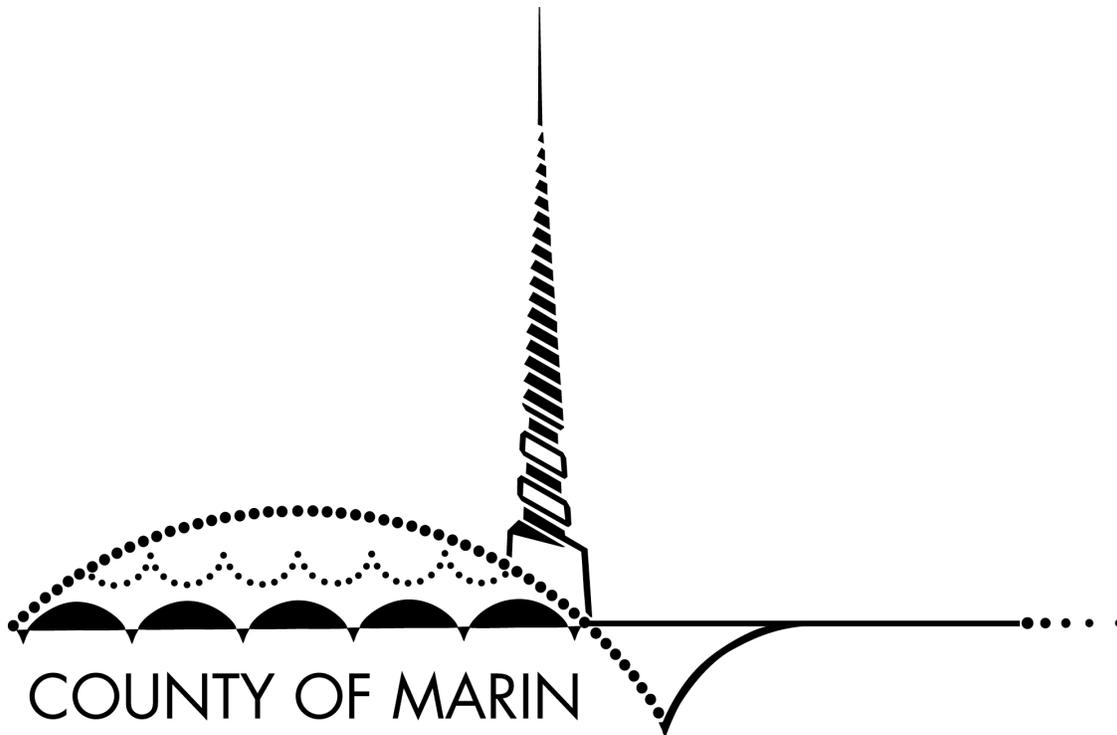
Penal Code 933.05

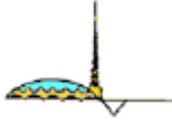
- (a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:
- (1) The respondent agrees with the finding.
 - (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.
- (b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:
- (1) The recommendation has been implemented, with a summary regarding the implemented action.
 - (2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.
 - (3) The recommendation requires further analysis, with 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 head 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.
 - (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.
- (c) However, if a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the board of supervisors shall respond if requested by the grand jury, but the response of the board of supervisors shall address only those budgetary or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.
- (d) A grand jury may request a subject person or entity to come before the grand jury for the purpose of reading and discussing the findings of the grand jury report that relates to that person or entity in order to verify the accuracy of the findings prior to their release.
- (e) During an investigation, the grand jury shall meet with the subject of that investigation regarding the investigation, unless the court, either on its own determination or upon request of the foreperson of the grand jury, determines that such a meeting would be detrimental.
- (f) A grand jury shall provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity two (2) working days prior to its public release and after the approval of the presiding judge. No officer, agency, department, or governing body of a public agency shall disclose any contents of the report prior to the public release of the final report.

2012/2013 MARIN COUNTY CIVIL GRAND JURY

Marin's Retirement Health Care Benefits: The Money Isn't There

Report Date – May 22, 2013
Public Release Date – June 3, 2013





MARIN'S RETIREE HEALTH CARE BENEFITS: THE MONEY ISN'T THERE

SUMMARY

Much has been written about government pensions but there is another retirement benefit, retiree health care, which is large and mostly unfunded. Currently, most government entities pay for both retired and current employees on a "pay-as-you-go" or "Pay-Go" basis, meaning that the cost comes out of the current operating budget. Only the current year's medical insurance costs for retirees are paid under this approach. As more employees retire, this burden will eat into the funds needed to sustain the present level of service.

This Grand Jury investigated government entities' provisions to meet growing retiree medical health care costs for current employees and for those already retired. We reviewed the most recent actuarial valuations and financial statements that we were provided and found that with few (but important) exceptions, local Marin entities are failing to recognize a looming financial burden. This burden upon future generations of citizens (and customers, in the case of some special districts) will come about as a result of not implementing reduced retiree health care benefits, or from not funding them earlier (pre-funding), or both.

Our investigation discloses that the 40 government entities (the County, cities and towns, special districts and school districts) we surveyed have a collective liability of about \$577 Million but have set aside only about \$55 Million. Taxpayers and customers thus face future increased costs of \$522 Million or nearly 91% of the liability to pay for the benefits that have been promised but have not yet been provided for.

If each service provider put aside a portion of the anticipated future retirement health care costs, the money invested today will earn a return, thereby reducing payments that taxpayers and customers would be required to make in the future when retirees receive their promised health care benefits.

Of all the entities studied, the County has by far the largest unfunded liability for meeting retiree health care benefits. At the end of its 2011 Fiscal Year, the County was short about \$293 million (or about \$2,627 per county household).

Of the 40 entities the Grand Jury studied, only 12 have funded more than 5% of the liability presently owed for future benefits. Twenty-six of the forty have made no funding at all for those promised benefits.

This report includes information about the household liability for unfunded retiree health care benefits for all 40 entities studied, so that interested people can tally the amounts of their household's resultant liability.

Failure to invest now to cover retiree benefits that employees have already earned is ethically questionable, and jeopardizes the likelihood that the promised benefits can or even will be provided. If the benefits are to be provided by future large diversions of funds away from other services, then the public is entitled to an explanation.

Because the future payments will be so much larger than they are currently, employers are being less than honest with: 1) existing employees about the possibility of being unable to fund the benefits, and 2) taxpayers and Special District customers who will experience higher taxes and service rates, reduced future services, or both when the increasing annual payments must be made.

What this means in simple terms is that if the liability problem is not addressed within the next few years, each Marin County household will be assessed significant additional taxes or will see a dramatic reduction in services.

The Grand Jury recommends that each Marin County local government, special district and school district:

- Negotiate caps on the amounts it commits to pay existing and new employees for retiree health care benefits.
- If not already doing so, initiate annual funding of this benefit over and above the pay-as-you-go amount.
- Negotiate a higher initial retirement age than the currently applicable age for the commencement of retiree health care benefits.
- Require active employees to make contributions towards the cost of their retiree health care benefits.
- Lower the amortization period for funding its retiree health care benefits liabilities from as much as the present 30 years, to approach (within 10 years) the commonly used 17-year amortization period for retiree pension funding.
- Provide a link on its website to information listing the values of critical actuarial assumptions that determine the liability for funding retiree health care benefits.
- Include on its website the latest values for unfunded retiree health care liabilities, and the percentage of total retiree health care liabilities that has been funded.

BACKGROUND

Retiree Health Care Benefits Are Costly and the Costs are Rising

Because of widespread public coverage of concerns about public sector pensions, this Grand Jury determined to investigate the less prominently covered matter of other post-

employment benefits (OPEBs) offered in Marin to employees of local governments, special districts and school districts.

OPEBs are primarily health care payments and other related benefits promised to employees who meet specified periods of service and age at retirement. Although generally not as costly as promised pensions, retiree health care benefits costs can be substantial. They impose significant on-going government financial liabilities that, in fairness to future generations of taxpayers and customers served by special districts, should be paid for during today's employment, and not be left for payment during retirement at a cost to future taxpayers, customers and ratepayers.

A major difference between pensions and retiree health care benefits is that pension benefits have historically been paid from trust funds that receive periodic contributions and have the ability to generate investment earnings.

In contrast, the Grand Jury found that most Marin local government and other entities we studied manage their retiree health care plans by funding only current annual payments for those already retired under "Pay-Go" funding. That is, the plans commonly provide little or no contribution to fund the promised payments for present employees' benefits to be paid when they reach retirement, nor do they provide funds for the future health care benefits of those already retired. This failure to pre-fund places a burden on future taxpayers to pay for rising costs at the expense of other reduced services.

Like many California local governments, Marin County, cities and towns, school districts and many special districts promise employees retiree health care benefits. The Grand Jury found, however, that only a shrinking minority of private sector entities offer such retiree health care benefits. Those private-sector firms that do provide such retiree benefits increasingly cap or otherwise limit the benefits they promise to provide.¹

Health care costs continue to increase faster than general inflation, and this trend is forecast to continue. This is reflected in all of the actuarial valuation studies we reviewed. Additionally, retirees and their covered dependents are living longer.²

¹ For example, about ten years ago, Chevron decided to provide no more than a fixed total dollar amount annually to fund all retirees' health care costs, increasing that fixed dollar amount by no more than 4%/Year. This places a "cap" on what Chevron might incur to provide the benefits to retirees. Bank of America now provides retirees a flat \$100 per month, and both Wells Fargo and AAA stopped retiree health care benefits to new employees several years ago. General Electric Corp reports in its recent 2012 Annual Report to Shareowners that it will close its post-age-65 retiree medical plans to salaried and retired salaried employees who are not enrolled in the plan as of January 1, 2015. Those plans currently apply to 205,000 retirees and dependents. GE is essentially terminating those benefits as of 1/1/2015 for employees born after 1/1/1950.

² The Society of Actuaries issued a report in September, 2012 ("Mortality Improvement Scale BB Report") which concludes that longer life-spans than previously used should be reflected in actuarial studies in the future. This will increase the cost for retiree health care plan benefits above that for previous valuations such as those studied for this Grand Jury report. Marin County's demographics and life-styles also tend to result in still greater length-of-life compared to broader geographical-averages.

Further adding to future costs is the fact that the numbers of local government employees who will be entering retirement in the future are projected to exceed those now in retirement.

Accordingly, costs for Marin local government retiree health care benefits will increase substantially. Paying for these growing retiree health care costs will take increasing portions of current operating budgets. The public that will ultimately bear the costs generally does not readily understand this impact partly because of limited and somewhat hard-to-find financial disclosure. Most local government entities have only recently begun to disclose their retiree health care financial liabilities. The limited information provided is usually found only in relatively obscure notes to financial statements.

Information is Now Available that Wasn't Previously

Two recent Marin County Civil Grand Juries issued reports³ that included some focus on retiree health care benefits. The 2004-5 Grand Jury's report, "The Bloated Retirement Plans of Marin County, Its Cities and Towns (Revised)," primarily focused on pensions. It noted that criteria for estimating the future cost for retirees' health care benefits provided by local governments had not been generally determined. Therefore, it estimated that liability only for the County, and not for other Marin local governments or public entities.

The 2004-5 Grand Jury's report noted that guidelines calling for such retiree health care benefit calculations and for their public reporting had just been issued⁴ at the time of its report. Moreover, the new standards promulgated by the Governmental Accounting Standards Board (GASB) were not due to be implemented until Fiscal Years ending after June 2009.

The 2006-7 Marin Civil Grand Jury's report: "Retiree Health Care Costs: I Think I'm Gonna Be Sick," focused on whether retiree health care benefits were irrevocable legal obligations of local government. Page 5 of the report asks whether they are "...a vested right for active or retirement workers? Can they be taken away or changed?" Finding 12 of that Grand Jury's report concluded, among its other findings, that there is a potential conflict of interest for public employees who manage the retiree health care benefits they provide, because those public employees "...may be eligible to receive the health care benefits they manage." That Grand Jury, like the 2004-5 Grand Jury, also lacked any reported data about the extent of local-government-provided retiree health care costs and the capability to pay them.

The agency that issues accounting and financial reporting guidelines for local governments is the Governmental Accounting Standards Board (GASB). GASB issued its retiree health care cost reporting requirements in 2004 (GASB Statement 45 or GASB

³ The Bloated Retirement Plans of Marin County, Its Cities and Towns (Revised), May 9, 2005; RETIREE HEALTH CARE COSTS: I THINK I'M GONNA BE SICK, March 19, 2007.

⁴ Governmental Accounting Standards Board Statement No. 45. Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. June 2004.

45 - See Glossary), with implementation for entities like those in Marin generally to commence as of the 2009 Fiscal Year end. Thereafter, updated reports are required every 3 years for most Marin local governments and special districts and every 2 years for larger-employee jurisdictions like the County.

Because GASB 45 financial reporting standards have now taken effect, and thus, some data are now available for analysis, this Grand Jury decided to investigate Marin's County, towns and cities, some special districts and the largest school districts. For the entities studied, our investigation focused on understanding the:

- Likely future obligations to provide retiree health care benefits
- Likely funding approaches to pay for those benefits
- Potential impact on budgets and services from paying those benefits
- Efforts taken and planned to reduce the rising costs of those benefits

APPROACH

The Grand Jury reviewed the 2004-5 and the 2006-7 Grand Jury reports that concern Marin retiree health care benefits. We also reviewed the responses to those reports.

A more recent June 22, 2011 report by the Marin County Council of Mayors and Council Members, titled: "Marin County Local Government Reform of Pensions and Other Post-Employment Benefits," provided useful information, including some data on cities and towns' initial disclosure of financial liability for future retirees' health care benefits, pursuant to GASB 45 requirements.

We reviewed the retiree health care benefit accounting and financial standards now called for by the Governmental Accounting Standards Board. Specifically, we reviewed GASB 45, and various summaries and analyses of that Statement.

We researched and reviewed other California County Civil Grand Jury reports on retiree health care benefits. Local newspaper reports on the subject also provided useful perspective.

We reviewed various think-tank and academic research reports on the nation's retiree health care benefits' looming unfunded liabilities, and similarly focused governmental studies and reports. (See Bibliography for a partial listing.)

Our understanding also benefited from the recently released "Report for the State of California," valuing the liabilities for the State's retiree health care benefits as administered by the California Public Employees Retirement System (CalPERS) and the

California Department of Human Resources (CalHR).⁵ To understand the nomenclature and importance of terms reported in local government financial reports, we reviewed

those reports that now present GASB 45 required funding status, and related GASB 45 compliance.

Grand Jury representatives monitored the County's October 2, 2012 workshop at which County Administrative Office (CAO) personnel presented a proposal to pre-fund for the first time a small portion of the County's large (\$383 Million as of 7/1/2012) completely unfunded retiree health care liability.⁶ The proposal presented at the workshop was to fund both pensions and retiree health care with \$23 Million each, from available "one-time funds."

We also reviewed the subsequent CAO proposal to reduce that initially proposed retiree health care benefit pre-funding and instead, to reallocate the reduction to increase the pension-funding amount. Members of the Grand Jury monitored the Board of Supervisors' February 5, 2013 meeting at which the County's retiree health care pre-funding amount and mechanisms were authorized at \$14 Million rather than the original \$23 Million.

We reviewed the actuarial firm's reports for the County's retiree health care benefits.⁷ We followed this with two interviews with a representative of that firm.

We also reviewed the most recent report of the County's pension benefit actuary.⁸ That report covers all of the entities that are part of the Marin County Employees' Retirement Association (MCERA). These include the County, the City of San Rafael, the Novato Fire Protection District, and some other local government entities.

Grand Jury members attended MCERA's October 2012 annual Investment Committee workshop. Our focus was to acquire further understanding of funding and actuarial issues, which have common application to pension and retiree health care benefit matters.

With an understanding of the issues, relevant financial reporting, and the mathematics of local government retiree health care benefit costs and funding matters, the Grand Jury prepared a list of data needed to evaluate Marin entities' steps to provide for the cost of those benefits. The resultant survey was sent to representatives of the County, its 11 cities

⁵ STATE OF CALIFORNIA RETIREE HEALTH BENEFITS PROGRAM, GASB NOS 43 AND 45 ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2011. Gabriel Roeder Smith & Company, Consultants and Actuaries. February 21, 2013.

⁶ That workshop included discussion of a similar plan to further fund County Employee Pensions, which are funded at about the 75% level (or about 69% on a more complete basis that includes the County's Pension Obligation Bonds' outstanding principal of about \$108 Million).

⁷ County of Marin Retiree Healthcare Plan. Actuarial Valuation as of July 1, 2011. For Fiscal Years 2011/12 & 2012/13 GASB 45. January 2012. Bartel Associates, LLC.

⁸ Marin County Employees' Retirement Association. Actuarial Review and Analysis as of June 30, 2011. March 29, 2012. EFI Actuaries.

and towns and the now-separate Twin Cities Police Authority⁹, 14 county special districts, and the College of Marin and the 12 largest county school districts.

The survey responses and further follow-up data gave the Grand Jury information about how well local governments are prepared to fulfill the promised employees' health care benefits upon retirement.

The responses also disclosed that in the future most of the public entities surveyed will have a much higher number of retirees than those currently receiving retiree health care benefits, and money has not been adequately set aside to grow with time to fund those costs.

The data in the following exhibits are based on the latest GASB 45 actuarial valuations and the latest financial statements that we were provided.

The significant potential impact of an expanding eligible retiree population is illustrated in Exhibit 1. (The data for all of this report's exhibits have been provided by responses to survey requests from all 40 entities studied, their financial statements, budget statements, and responses to follow-up questions. The Grand Jury acknowledges and appreciates their cooperation).

Exhibit 1 shows, for example, that San Rafael Elementary School District has about 72 retirees now receiving health care benefits. But there are currently 335 employees who may eventually retire and become eligible for those benefits upon retirement. The future costs of such benefits, after allowing for reasonable assumptions of employees not continuing with the district to qualify for those benefits, will require substantial future outlays by the school district to fund those benefits. Actuarial calculations determine how much should be invested today in order to grow and pay for those future benefits. The higher the multiples in Exhibit 1, the higher the likely future cost and consequent need to invest today to pay for them.

⁹ Because other police departments are included in towns and cities, the spun-off Larkspur and Corte-Madera PDs were included with the towns, cities and county. Data were not available for the now 3-cities Central Marin Police Authority; San Anselmo's Police Department data were still included with the City of San Anselmo in the data used in our study.

Exhibit 1:

Many More Employees Will Move Into Retirement Marin County Local Governments, Special Districts and School Districts			
(Source: Retiree Health Care Actuarial Valuation Reports)			
	Actives	Retirees	Future Retirees Potential
	<u>Count</u>	<u>Count</u>	<u>Multiple</u>
Novato Sanitary District	20	24	0.83
Ross Valley Fire Department	28	29	0.97
Novato Fire Protection District	80	79	1.01
Town of Corte Madera	48	46	1.04
Southern Marin Fire Protection District	32	29	1.10
City of San Rafael	361	308	1.17
Kentfield Fire Protection District	13	11	1.18
Las Gallinas Valley Sanitary District	18	15	1.20
Central Marin Sanitary Agency	39	31	1.26
County of Marin	1813	1397	1.30
Twin Cities Police Department	42	32	1.31
City of Larkspur	54	39	1.38
Marin Municipal Water District	253	169	1.50
Tiburon Fire Protection District	24	15	1.60
North Marin Water District	53	32	1.66
City of Novato	209	124	1.69
Town of San Anselmo	53	30	1.77
City of Sausalito	82	37	2.22
San Rafael High School Dist	234	105	2.23
Marinwood Community Service District	22	9	2.44
Sanitary District #1 (Ross Valley)	23	9	2.56
Sewerage Agency of Southern Marin	13	5	2.60
Ross School District	45	17	2.65
Marin Sonoma Mosquito and Vector Control	35	13	2.69
Dixie School District	177	63	2.81
Ross Valley School District	205	65	3.15
City of Mill Valley	143	41	3.49
City of Belvedere	22	6	3.67
Town of Tiburon	35	9	3.89
Town of Fairfax	29	7	4.14
San Rafael Elementary School Dist	335	72	4.65
Larkspur-Corte Madera School District	33	7	4.71
Town of Ross	26	5	5.20
Reed School District	152	27	5.63
Mill Valley School District	287	41	7.00
Kentfield School District	99	10	9.90
Tamalpais Union High School District	406	34	11.94

For a further perspective, the Grand Jury looked at the most recent general budget outlays for the government entities surveyed and compared the amount of unfunded retiree health care liabilities to those budgets.

To provide an understandable measure of the unfunded liabilities we found, we developed a metric to tie the liabilities to those who ultimately should bear them. That is, we related the county and local government unfunded liabilities to the households served. (Household data are from the U.S. Commerce Department's Census Bureau statistics). We related the special district unfunded liabilities to the customers (generally households) they serve. We also related the school district unfunded liabilities to the households in their respective communities.

We note that these debts are additive, in that the recipients of county and local government services are often also customers of water districts, sewage-treatment, sanitation, and fire protection districts, and are local school district taxpayers. When accumulated this way, the magnitude of these debts is significant.

The per-household liabilities for each City/Town, Special District and School we surveyed are shown in Exhibits 2 – 4.

Exhibit 2:

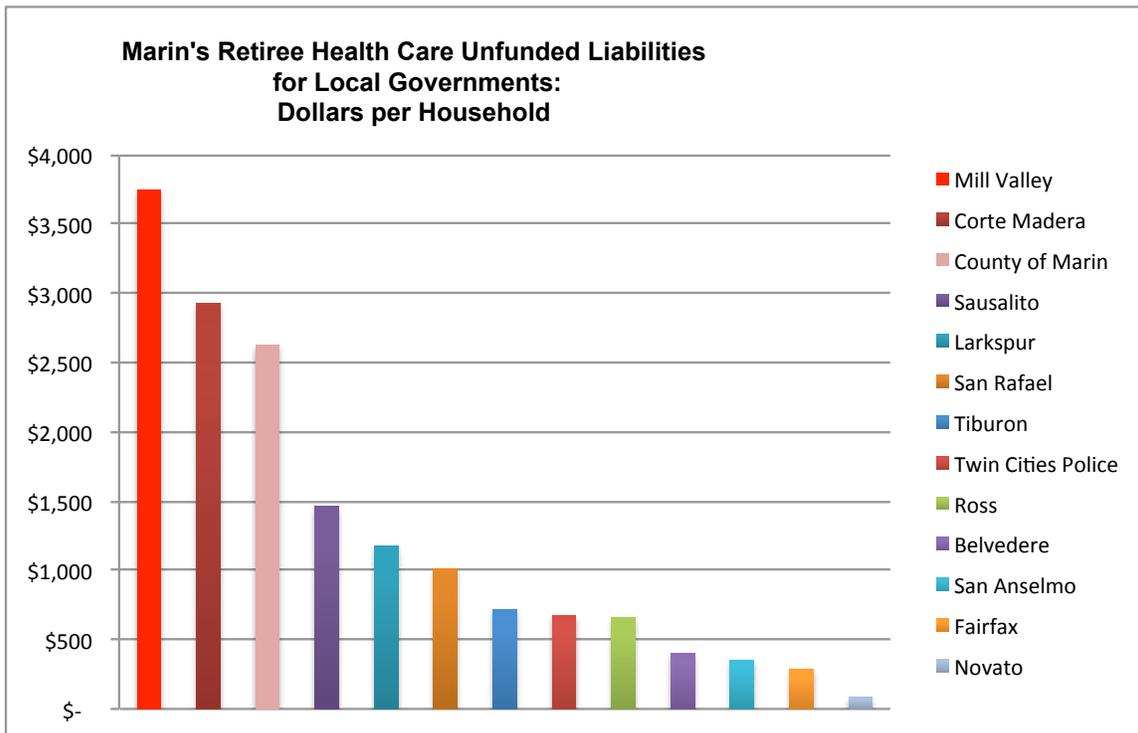


Exhibit 3

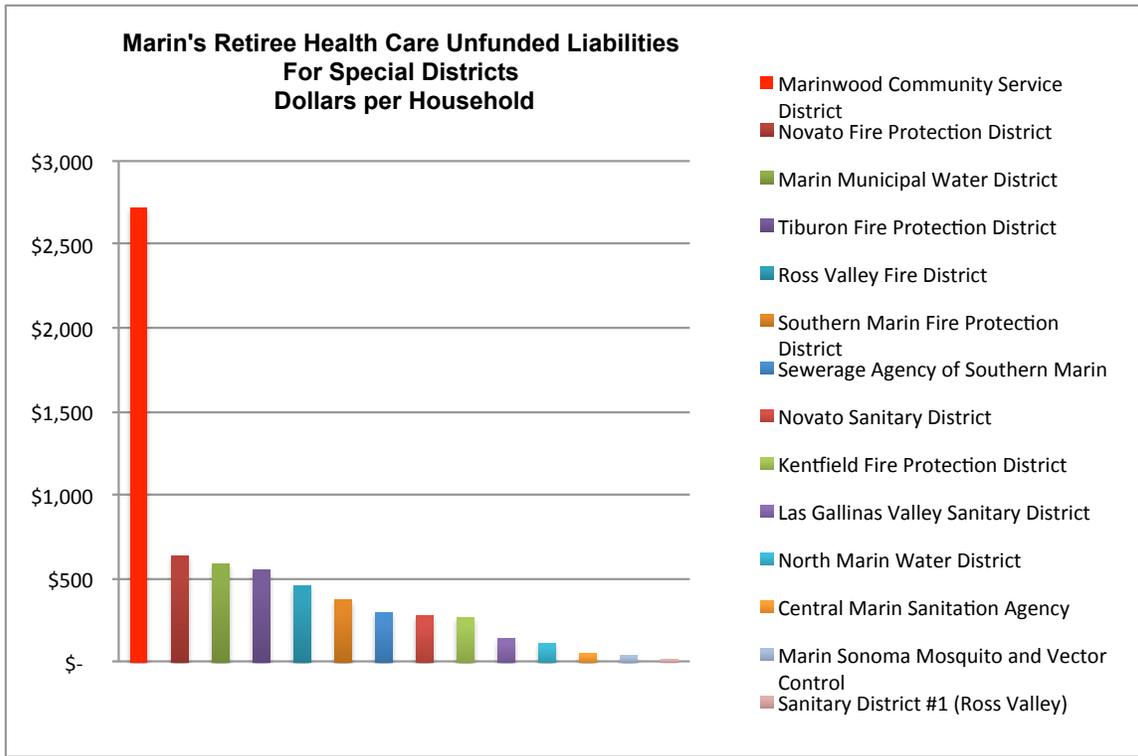


Exhibit 4

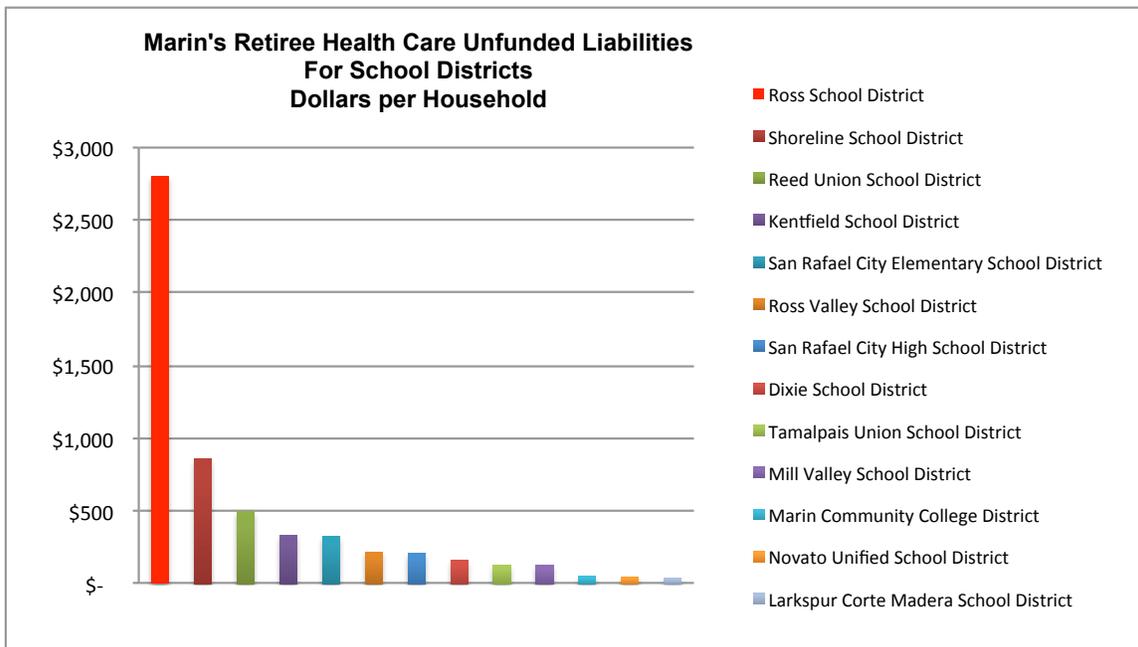
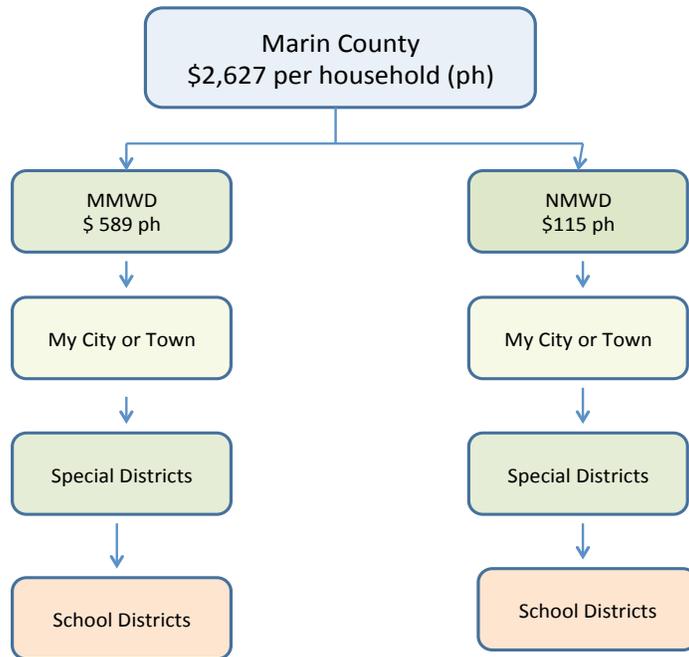


Exhibit 5 is an illustration of how these costs can be added up for a typical Marin household:

Exhibit 5:



To illustrate more fully, Appendix A presents the separate per-household costs of each entity we surveyed. This information can be used to determine the full impact each household will bear either by increased taxes or decreased services if this situation is not addressed.

DISCUSSION

What Has Been Promised?

The governments of Marin County, its 11 towns and cities, many of its Special Districts and its school districts all offer employees some form of retirement health care benefits. The benefits generally cover a portion, or even all of the cost of specified health care insurance, in some cases including spouses and dependents. They also often cover some of their dental care insurance. Such benefits are generally provided for the life of the retired employee and that of the spouse during that employee’s retirement, and often for the surviving spouse.

When covered retirees reach Medicare-eligibility age, the benefit costs generally decrease to reflect resultant reduced health care insurance costs, but the benefits continue thereafter, at the lower post-Medicare levels. Because of increasing life expectancy, funding needs today are very significant.

The stated justification for offering this retirement benefit is the need to attract and retain employees, and thus be competitive with other jurisdictions. Accordingly, it is considered a portion of compensation.

The Grand Jury notes, however, that private sector retiree health care coverage is increasingly rare, in contrast to the nearly 100% coverage provided by Marin's local governments, school districts and special districts. According to the Kaiser Family Foundation's Employer Health Benefits 2012 Annual Survey¹⁰, only 25% of U.S. firms with more than 200 employees that provided health care benefits for active employees, also offered retired employees health care benefits.

This most recent Kaiser finding of 25% coverage notes that the private sector continues to eliminate employee health care benefits: Kaiser reports that the benefit offering has declined to 25% from Kaiser's previous showing of 66% back in 1988, and 32% in 2005. The Kaiser Survey also reports that at only 25% coverage, these 200+ employee firms are "much more likely than small firms (3-199 workers) to offer retiree health care benefits." In contrast with these low coverage offerings by the private sector, the Survey notes that more than 77% of the more than 19 million employees of large U.S. state and local governments were eligible for retiree health care benefits, and that the percentage is even higher for smaller governments.

From the responses to our survey, we learned that there is a wide range of Marin local government retiree health care benefit offerings. The County, towns and cities tend to distinguish between eligibility and benefits for police and fire employees ("safety employees") on the one hand, and other general or miscellaneous employees. Benefits for the safety employees tend to be greater, and/or are earned earlier in employee careers and at a more rapid pace than for other employees. We note that this distinction is similar to that for local government retiree pension vesting and benefit amounts. Local governments historically have provided more generous retirement benefits, including earlier vesting for pensions, for safety employees than for non-safety employees.

We also learned that some Marin jurisdictions have modified their benefits depending upon when the employee's service commenced, and some are offering (or are considering to offer) greatly reduced or cost-shared benefits to more recently hired employees. We also note that some jurisdictions have placed limits ("caps") on the amounts they will pay, rather than agree to pay all or a fixed percentage of whatever the prevailing future health care costs might be under specified eligible programs retirees may select.

The trend has been to reduce promises for future retiree health care benefits for active employees, pursuant to collective bargaining negotiations where applicable, and concurrently to seek reductions for unrepresented employees.

¹⁰ Employer Health Benefits 2012 Annual Survey, Section 11: Retiree Health Benefits

Generous Benefits-City of Mill Valley

The City of Mill Valley is an example of a local government that provides generous retiree health care benefits. Pursuant to memoranda of understanding (MOUs) with represented employee unions and other resolutions, the City provides that “Full time employees of the Management, Technical, and Confidential group with 15 years of service and a PERS [California Public Employee Retirement System] retirement from the City shall be eligible for paid medical expense reimbursement for themselves and their spouse after retirement.” And the City states that “*The maximum City contribution will be no more than the Kaiser employee + 1 rate.*” Moreover, the policy states “An employee who meets the above criteria shall qualify for medical coverage for the remainder of his/her life and that of his/her spouse.”

For 2012, Mill Valley paid health care benefits of about \$1,168/month for a retiree and spouse under Kaiser’s relevant HMO plan. This is about \$14,000 per year. (We note that when the retiree becomes eligible for Medicare, the City’s payments decline, and for the same 2012 Kaiser-plan coverage, costs borne by the City drop to about \$570/month, or about \$7,000 per year, at 2012 rates.)

By contrast, Mill Valley School District teachers and staff recently agreed to cap their retiree health care benefits, which reduced the school district’s liability by about one-third.

Marinwood Community Services District

The Marinwood Community Services District (MCSD) provides fire protection to approximately 1,750 houses in Marinwood and portions of Lucas Valley. It also provides and maintains the community’s much-used swimming pool and related facilities. MCSD provides health care benefits to employees (the majority of whom are fire protection employees) and their spouses. The benefits are provided for those who retire at age 50 with only 5 years of service required for full eligibility. That relatively young eligibility age of 50 for full lifetime benefits for all employees is unique among the entities the Grand Jury studied. MCSD uses “Pay-Go” and thus only pays for retirees’ health care benefits as the costs are incurred in retirement, with no funding for active employees’ future post-employment health care benefits or for future years’ benefits of those already retired.

To its credit, however, MCSD is taking steps to address the situation. According to the February 7, 2013 actuarial study of its retiree health care benefits, MCSD has lowered its benefit payments starting in Fiscal Year (FY) 2013 to no more than 90% of the CalPers Bay Area “pre-age 65” Kaiser premium rates for all fire and non-fire employees. And MCSD has set further step-downs (for fire-employees only) to 85% for FY 2014 and 80% for FY 2015.¹¹ MCSD has also increased the years of service required for employees

¹¹ Marinwood Community Services District Actuarial Valuation: July 2012. Nicolay Consultants.

hired after July 1, 2012 to earn full retiree health care benefits to 20 years from the 5-years for those hired before that date.

The impact of these changes will gradually reduce MCSD's very high liability from what it would have been absent these changes. But even with these changes, the liability per MCSD household (about \$2,750) is approximately 4 times that of any other Special District the Grand Jury surveyed. It is among the four highest liabilities per household of all entities the Grand Jury surveyed. And MCSD continues to fail to invest funds to pay for the benefits it has promised to present employees.

The Other End of the Range-City of Novato; Dixie School District

Some other Marin local governments offer similar or nearly as generous retiree health care benefits. But at the other end of the spectrum, retirees of the City of Novato received a monthly retirement health care benefit of about \$112 per month (\$1,314 per year) for 2012. This payment amount is the minimum prescribed by the California Public Employees System (CalPERS) pursuant to CalPERS' medical insurance through the Public Employees' Medical and Hospital Care Act (PEMHCA).¹² The Dixie School District also caps its qualified retirees' health care costs at approximately \$425/month for a five year period and thereafter, provides retirees a mere \$7.50/month towards their health care coverage costs.

Significant Movement to Control Costs-City of San Rafael

The Grand Jury noted a substantial favorable change in the City of San Rafael's reported OPEB liability in its most recent actuarial study report compared to the previous report. In follow-up discussions with the City, we learned that in 2009 the City negotiated caps on the amounts of retiree health care benefits that it would provide to present employees. The City also instituted programs that call for contributions by active employees, and negotiated reduced annual increases in benefits when those employees retire.

These changes are very significant: The cumulative effect is a reduction of approximately \$21 Million in the City's liability - a 37% reduction. This is equivalent to approximately \$900 per San Rafael household. San Rafael, unlike most of the entities we surveyed, funds its retiree health care liabilities and not just with a Pay-Go approach. Even though it has negotiated reduced retiree health care benefits, the City's more responsible approach to fund these costs will nonetheless burden its citizens. This is because those retiree health care fundings come at the expense of a corresponding reduction in other City services. The Grand Jury concludes that the City of San Rafael has taken important steps to reduce its future costs of retiree health care benefits. We also note that the City is among a small minority of Marin government entities that has addressed the issue.

In summary, the Grand Jury learned that retirees and those who will retire from Marin's local governments, special districts and school districts all receive or have been promised,

¹² PEMHCA is authorized by the California Government Code, commencing with Section 22751.

health care benefits from their pre-retirement employer. These are generally sizeable benefits. Their employers have not fully, or in most cases, not at all provided for their costs. We also learned that some employers offer substantially lower benefits, and yet are able to attract and retain employees.

Exhibit 6:

Future Retiree Health Care Costs: Funded Amounts and % Funded Marin County Local Governments, Special Districts and School Districts			
	Liability	Funded Amount	%
A: Entities With Some Funding---From High to Low %	Million \$	Million \$	Funded
City of San Rafael	\$ 35.16	\$ 10.86	30.9%
Tiburon Fire Protection District	\$ 3.10	\$ 0.83	26.7%
Town of Fairfax	\$ 1.28	\$ 0.25	19.8%
Marin Municipal Water District	\$ 44.77	\$ 8.67	19.4%
Tamalpais Union High School District	\$ 6.54	\$ 1.26	19.3%
Central Marin Sanitary Agency	\$ 3.55	\$ 0.68	19.1%
Kentfield Fire Protection District	\$ 2.39	\$ 0.39	16.2%
City of Mill Valley	\$ 28.10	\$ 3.62	12.9%
Las Gallinas Valley Sanitary District	\$ 2.15	\$ 0.27	12.5%
County of Marin	\$ 319.30	\$ 26.30	8.2%
Ross Valley Fire Department	\$ 5.12	\$ 0.31	6.1%
Novato Fire Protection District	\$ 17.71	\$ 0.95	5.4%
Southern Marin Fire Protection District	\$ 5.49	\$ 0.20	3.6%
Town of Corte Madera	\$ 11.83	\$ 0.04	0.3%
Totals	\$ 486.46	\$ 54.63	11.2%
B: Entities With Zero Funding---From High to Low Liabilities			
Marin Sonoma Mosquito and Vector Control	\$ 12.03	0.00	0.0%
City of Larkspur	\$ 7.49	0.00	0.0%
Twin Cities Police Authority	\$ 7.25	0.00	0.0%
City of Sausalito	\$ 6.63	0.00	0.0%
Novato Sanitary District	\$ 6.11	0.00	0.0%
Marin Community College District	\$ 5.69	0.00	0.0%
San Rafael Elementary School Dist	\$ 5.46	0.00	0.0%
San Rafael High School Dist	\$ 4.94	0.00	0.0%
Marinwood Community Service District	\$ 4.74	0.00	0.0%
Sewerage Agency of Southern Marin	\$ 4.11	0.00	0.0%
North Marin Water District	\$ 3.07	0.00	0.0%
Reed Union School District	\$ 3.04	0.00	0.0%
Town of Tiburon	\$ 2.90	0.00	0.0%
Mill Valley School District	\$ 2.16	0.00	0.0%
Ross School District	\$ 2.14	0.00	0.0%
Town of San Anselmo	\$ 1.94	0.00	0.0%
Ross Valley School District	\$ 1.84	0.00	0.0%
City of Novato	\$ 1.80	0.00	0.0%
Shoreline School District	\$ 1.80	0.00	0.0%
Kentfield School District	\$ 1.43	0.00	0.0%
Dixie School District	\$ 1.06	0.00	0.0%
Novato Unified School District	\$ 0.82	0.00	0.0%
Town of Ross	\$ 0.53	0.00	0.0%
City of Belvedere	\$ 0.37	0.00	0.0%
Sanitary District #1 (Ross Valley)	\$ 0.30	0.00	0.0%
Larkspur-Corte Madera School District	\$ 0.19	0.00	0.0%
Totals:	\$ 89.85	0.00	0.00
Totals---All 40 Entities Studied			
	\$ 576.31	\$ 54.63	9.5%

For further reference, Appendix B presents the Unfunded Actuarial Accrued Liability (UAAL) for each of the 40 entities studied.

What Do the Promises Cost?

Exhibit 6 provides a glimpse of the retiree health care benefit costs that Marin local governments and special districts bear. As stated above, the governments generally do not pay for the benefits that their employees have earned. Rather, most of the government entities the Grand Jury surveyed are paying only for the current year's health care premiums of those employees who have already retired and are receiving the benefits previously earned from their working days---Pay-Go funding.

By far the bigger retiree health care cost is that which governments have not paid; namely, the cost of benefits that have already been earned by existing, and usually much more numerous, active employees whose retirement is in the future. Governments using Pay-Go funding are also not funding payments beyond the current year for those who have already retired.

What Information is Now Reported?

These unpaid---yet already employee-earned---retiree health care benefits have recently come under the scrutiny of GASB, the accounting standards entity that sets financial reporting requirements for U.S. local governments. Probably better known by the general public is its sister entity for private sector accounting and financial reporting standards, the Financial Accounting Standards Board---FASB. Both issue what are known as Generally Accepted Accounting Principles (GAAP) required to be followed for financial reporting. Adherence to such common principles is essential for such purposes as receiving auditor verification of financial statement adequacy ("clean audits"), and rating agency evaluation of credit-worthiness vital for debt issuance and for determining the costs of such debt.

Because GASB 45 is now implemented, this Grand Jury was able to scrutinize conforming filings by Marin's governments for the first cycle. In some instances, we also had access to second cycle GASB 45 reports: Fiscal Year ending 2011 for the County and recent 2012 reports for some Cities, towns, schools and special districts.

In compliance with GASB 45, local governments must report in their financial statements: 1) Retiree health care accrued liabilities (Actuarial Accrued Liabilities, or AAL) for future benefits, 2) The amount of that AAL that has been funded by specifically ear-marked investments or by other assets, 3) The resultant unfunded portion (the unfunded AAL, or UAAL), 4) the interest rate used to calculate those values---analogous to the annual earnings rate that is assumed to grow invested funds to pay for the future benefits, and 5) The annual cost of currently paid benefits plus annual amortization of that AAL. This is named the Annual Required Contribution (ARC).

The last element above, the ARC payment, while named Annual Required Contribution is actually not required to be made, nor is it even enforced by any institution, regulatory

body, or accounting agency. *Understanding this is important!* The difference between this ARC and the smaller payments under “Pay-Go” is accounted for as an obligation (like debt) to be met in the future, but has generally not been funded with invested cash by most of the entities studied by the Grand Jury. And there is a further nuance: this is the liability calculated for obligations arising only since the implementation of GASB 45, not the higher obligation that would be calculated going back to the time when the employees started their employment and earning their future benefits.

With each passing year the time comes one year closer to when the retiree health care benefits must be paid. Consequently, this debt rises annually absent adequate funding, or absent any reductions in the promised benefit.

More details describing the mathematics of actuarial valuations and funding are shown in Appendix C. It presents information regarding the critical assumptions of discount (or funds earnings) rate and unfunded liability amortization periods.

Illustration: The County's Retiree Health Care Obligation

The County is Marin's largest local government entity. It presently provides health care benefits to about 1,400 retirees¹³ who average 71 years of age, and incurs an annual Pay-Go cost of about \$12 Million to do so. This is about \$8,600 per year per retiree and is capped at that amount for most employees, per negotiations with represented employee unions. In 2008, the County capped retiree health care costs at \$3,000 for new employees. The County has about 1,800 current employees that would be eligible for retiree health care benefits upon retirement. According to its actuary's latest report, approximately 1,100 are within ten years of retirement eligibility and could soon add greatly to the numbers in retirement. The County cited this looming issue in its April 2012 FY 2012-13 Budget Hearings, when it pointed out that:

The Department of Human Resources has identified that, over the next 5 years, 42% of the total workforce will be eligible to retire, but 24% will likely retire given current work patterns.¹⁴

At its March 2013 Budget Workshops for the next fiscal year, 2013-14, the County Administrator stated that the 42% retirement eligibility is now estimated to have increased to 50%. Either statistic---42%-50% eligible or 24% or so likely---suggests near-term swelling in retiree health care costs. This is because the ranks of those retired will grow and receive healthcare benefits, and those costs will likely not be offset by an equal reduction in health care costs for replacement active employees.

¹³ These Marin County retiree healthcare data were provided in the most recent biennial actuarial study by Bartel Associates, Inc: “County of Marin Retiree Healthcare Plan Actuarial Valuation as of July 1, 2011 For Fiscal Years 2011/12 & 2012/13 GASB 45.” Dated January 2012.

¹⁴ According to the U.S. Census Bureau, the nation's over-65 year olds of about 40 million in 2010 is projected to grow to 54 million by 2020 and 70 million by 2030. Marin is likely to experience similar or even greater relative growth owing to life-style, present demographic and education factors.

The County's actuary, taking all of the probabilities and costs into account, estimated in its most recent (June 30, 2012) report that the County's retiree health care AAL as of July 1, 2011 was \$383 Million. At the time of the actuary's valuation, the County had set aside zero funds to defray any of those earned benefits. Accordingly, the County's UAAL was that same \$383 Million. With a population of about 250,000, that county liability alone is equivalent to about \$1,530 per county resident, or about \$3,430 per household.

Fortunately, the Board of Supervisors decided to begin funding for this liability. As a result, the County funded \$26.5 million in 2013 at an estimated investment rate of return of 5.5%, which was an increase over the prior estimate of 4.25%. When the County's actuary recently re-calculated the liability at this new higher discount rate and took the amount invested into account, the liability decreased to \$293 million, or a decrease of 24%.

For perspective, the County's \$293 Million retiree health care benefit UAAL is 79% of its Fiscal Year 2012-13 general budget---\$371.7 Million. As a percent of the general budget, the County's unfunded liability is among the highest for any of the county's 11 cities and towns¹⁵ and amounts to \$2,627 per household.

The County's retiree health care UAAL equals about 80% of the County's retiree pension plan \$370 million UAAL. However the County's unfunded retiree health care liability is far more alarming than the County's pension funding inadequacy. This is because the County's retiree health care liability is 92% unfunded after the initial investment. In contrast, its pension liability is about 25% unfunded.

To its credit, the County has recently recognized the dire straits of its retiree health care UAAL, and has begun what hopefully will become annual funding. However, the UAAL balance remains startlingly high. Funds spent to reduce the UAAL of retiree health care benefits are funds that will not be available for the services that county citizens would otherwise look to the county to provide. Absent reductions in the benefits already earned by employees and existing retirees, the result will be increasing pressures on the County to raise money from taxpayers.

Potential Impact on General Budgets if the Obligations are Paid For

Exhibits 2-4, and 6 above, show the deficiency in funding retiree health care benefits for all 40 entities studied. The unfunded amounts are thus the debt that has been incurred by taxpayers and special district customers for failure to fund those obligations.

For perspective, the Grand Jury compared the unpaid retiree health care liability of each entity studied, to its most recent general budget. The following exhibits present that information.

Exhibit 7:

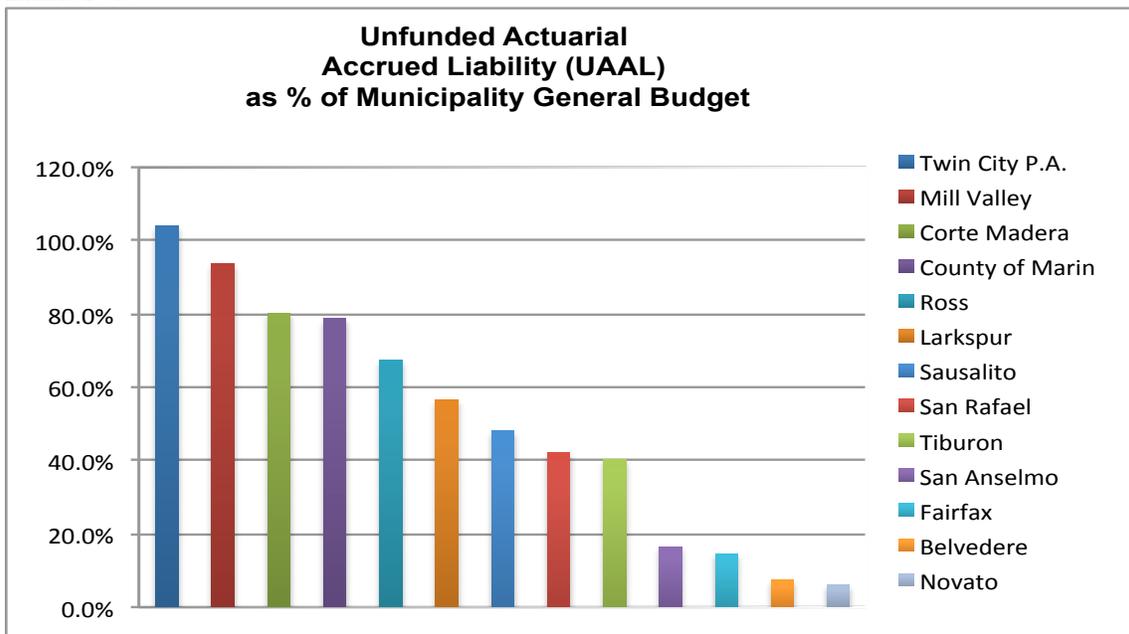


Exhibit 8:

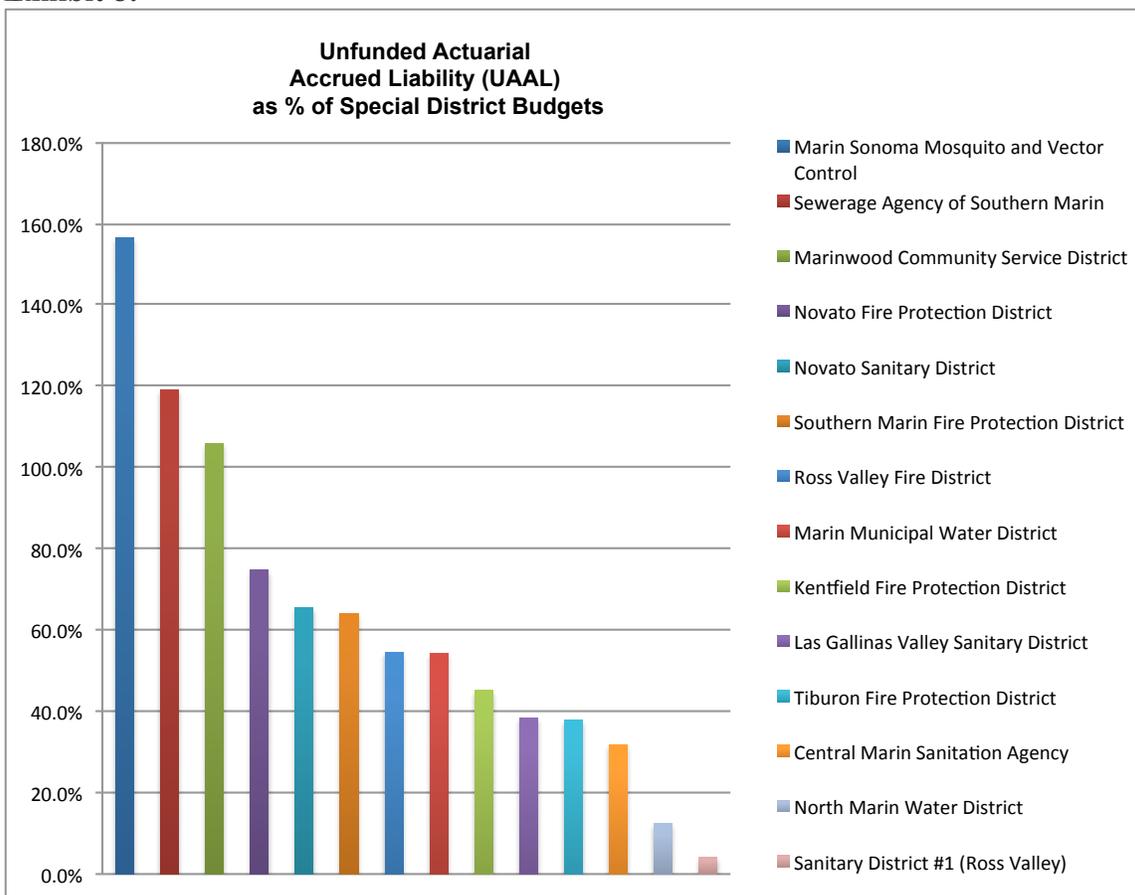
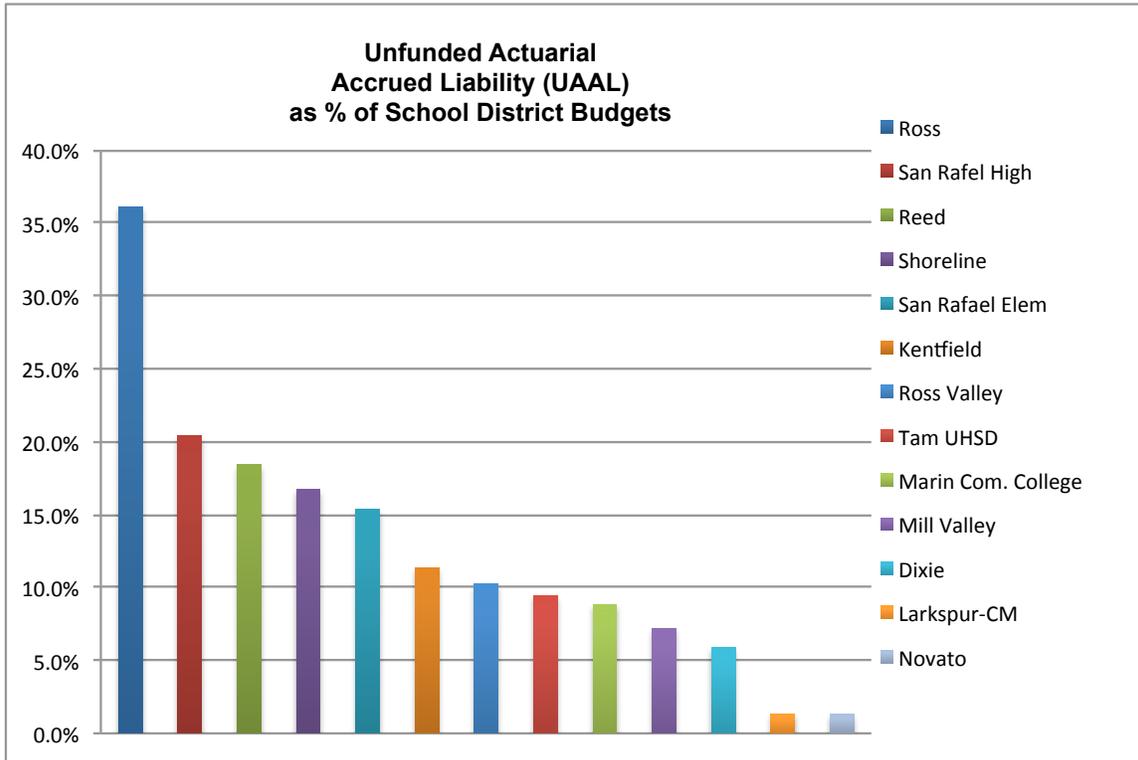


Exhibit 9:



As these Exhibits show, the unfunded retiree health care liabilities for many of Marin County’s governments, Special Districts and school districts impose a significant impact on government services if and when funds are diverted to pay for what has been promised.

Solutions

Solutions will be painful, especially in the likely scenario of limited revenue growth, resistance to further taxation, and an economic outlook that appears to be less than robust. A combination of a reduction in promised retiree health care benefits, and accelerated funding to enhance monies available to pay those future benefits is necessary and prudent.

Timing is critical. Continuing with only Pay-Go funding will result in rising costs, primarily attributable to the influx of employees into retiree ranks. Necessary steps that should be taken by local governments are difficult. Among the painful actions needed are to greatly reduce (that is, cap) retiree healthcare benefits for newly hired employees and to require all employees to make contributions towards their retiree health care benefits.

FINDINGS

- F1. We find that many of Marin's local governments and special districts are failing to pre-fund future costs for retired employees by making investments to cover promised benefits for active employees. This jeopardizes the certainty that retiree health care benefits promised to current employees will be paid.
- F2. The failure of the majority of entities studied in this investigation to begin an investment program to provide a portion of the needed funds to pay for retiree health care benefits leads to generation shifting of the payment responsibility. Thus it appears to be, at the least unethical, and even a breach of fiduciary responsibility.
- F3. The extreme 30-year amortization period used by most entities minimizes the annual cost of funding the liability gap and further defers to future generations the compensation owed to present employees who provide services to present taxpayers and customers. Shorter amortization periods should be required for reasons of equity and to ensure that the promised benefits will be provided.
- F4. By capping retiree health care benefits, the City of San Rafael has reasonable certainty as to what those costs are. Other entities studied here that promise to pay for future retiree health care with uncertain and likely rapidly increasing costs are accepting an unknown and potentially very costly risk.
- F5. Because a few Marin County cities and other entities studied provide very limited benefits yet still appear able to meet community service needs, and because providing such benefits is increasingly rare in the private sector, such benefits appear to be unnecessary for attracting and retaining employees. Accordingly, for active and newly hired employees, the benefits should be trimmed and costs should be shared between the employees and their employer.
- F6. Marin entities using "Pay-Go" funding are paying only the current year health care benefits of those already retired. This ignores the reasonably known rising costs to cover future retirees who are already heading for retirement. Some actuarial valuation reports the Grand Jury studied provide those future "Pay-Go" estimates year-by-year, so they should be readily available from the actuary's valuations. Estimates of those annual costs for each of the next 10 years should be provided to the public so that those who will incur the costs can know those costs.
- F7. Employers studied for this report should include an age-60, or even later, date for retiree health care benefits to commence in future negotiations with employees and their representatives.
- F8. The results of retiree health care actuarial cost analyses are summarized if at all only in obscure notes to annual financial statements. The public is entitled to more readily accessible explanation of these costs because the public will bear those costs.
- F9. There is a wide range of retiree health care benefits offered among the entities studied in this investigation. No clear explanation for the range from minimal to

extremely generous is readily available. Those entities that are promising relatively generous benefits should provide clear justifications to their citizens and customers.

- F10. Most of the entities the Grand Jury investigated are using fairly reasonable discount rates of 4% - 5% per year to bring back to today in actuarial valuations the future annual costs of retiree health care benefits. However, some are using higher and highly questionable rate assumptions that are not justified by the investments (if any) that they have made to grow and fund the future benefits. The result is to understate the total funding needed today and in future years, to pay for those future benefits.

RECOMMENDATIONS

The Grand Jury recommends that each Marin County local government, special district and school district:

- R1. Begin setting aside in separate investment accounts, if it is not already doing so, each year's funds for amortizing its retiree health care benefits' UAAL, in addition to its "Pay-Go" funding of those benefits for present retirees.
- R2. Begin a program to lower the amortization period for funding its retiree health care benefits UAAL from as much as 30 years presently, to approach (within 10 years), the commonly used 17-year amortization period for retiree pension funding.
- R3. Negotiate caps on the amounts it commits to pay existing and new employees for retiree health care benefits.
- R4. Negotiate a higher retirement age than the currently applicable age for the commencement of retiree health care benefits.
- R5. Require active employees to make a contribution towards the cost of their retiree health care benefit.
- R6. Place a link on its website to provide the latest actuarial valuation of its AAL, its UAAL, its consequent percent funded, its discount rate (annual percentage) used to determine these values, and a projection of outlays ("Pay-Go") for retiree health care benefits for each of the current and subsequent 10 years.

REQUEST FOR RESPONSES

Pursuant to Penal code section 933.05, the Grand Jury requests responses as follows:

From the following individuals:

- Marin County Administrative Officer: **F3, F5, F7, F8, F9, R2 through R6.**

From the following governing bodies:

- County of Marin Board of Supervisors: **F3, F5, F7, F8, F9, R2 through R6.**

- Each of the 11 Marin City and Town Councils: City of Belvedere, Town of Corte Madera, City of Larkspur, City of Mill Valley, Town of Fairfax, City of Novato, Town of Ross, Town of San Anselmo, City of San Rafael, City of Sausalito, Town of Tiburon: **All Findings F1 through F10 and all recommendations, R1 through R6.**
- The Police Council Chair, Central Marin Police Authority: **All Findings F1 through F10 and all recommendations, R1 through R6.**
- The School Board President for each of the 12 surveyed Marin School Districts: Dixie School District, Kentfield School District, Larkspur School District, Mill Valley School District, Novato Unified School District, Reed Union School District, Ross School District, Ross Valley School District, San Rafael Elementary School District, San Rafael City High School District, Shoreline Unified School District, Tamalpais Union High School District: **All Findings F1 through F10 and all recommendations, R1 through R6.**
- President of the Marin Community College District Board of Trustees: **All Findings F1 through F10 and all recommendations, R1 through R6.**
- The Chairman or equivalent of the Board of Directors for each of the 14 surveyed special districts: Central Marin Sanitation Agency, Kentfield Fire Protection District, Las Gallinas Valley Sanitary District, Marin Municipal Water District, Marin-Sonoma Mosquito and Vector Control District, Marinwood Community Services District, North Marin Water District, Novato Fire Protection District, Novato Sanitary District, Ross Valley Fire Department, Sanitary District #1 (Ross Valley), Sewerage Agency of Southern Marin, Southern Marin Fire Protection District, Tiburon Fire Protection District : **All Findings F1 through F10 and all recommendations, R1 through R6.**

The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act. (GJ Text)

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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.

GLOSSARY—

AAL--Actuarial Accrued Liability: The Actuarial Present Value of future benefits (such as retiree health care benefits) attributable to employees' (including retirees') past service.

Actuary: A professional skilled in the mathematical and statistical analysis of future probabilities for likely future event outcomes, and estimating the cost today of those future outcomes. Usually is a member of a society that has standards of proficiency and experience for certification of such expertise.

Amortization: The process of determining the payments to pay a loan or other obligation over a series of years with (usually) equal annual payments of interest and principal, such that at the end of the term the obligation has been fully repaid.

ARC or Actuarially Required Contribution: An employer's periodic required contribution to a defined benefit plan such as retiree health care benefits. It is usually determined annually. It includes payments actually made for existing retirees' benefits plus the current year's portion of an amortization of future obligations.

Discount Rate: The interest rate used in actuarial calculations to bring the estimated future costs of retiree health care benefits back to the present. It should be no more than the anticipated annual earnings rate for funds invested to pay for those future benefits.

GASB or Governmental Accounting Standards Board: The organization that sets standards of accounting and financial reporting for all U.S. local governments.

GASB Statement 45 or GASB 45: Issued in June 2004, this Statement established accounting and reporting standards for other post-employment benefits (that is, those post-employment benefits other than pensions) offered by state and local governments. Retiree health care benefits are the major, if not exclusive, non-pension benefit affected by this statement.

General Budget: The portion of the annual budget of local government entities that is of an on-going repetitive nature; essentially all expenditures other than those for capital projects and for debt service.

Implicit Subsidy: Actuarial valuations for some entities studied here calculate a separate component of the AAL, which is the value for retirees of having lower insurance costs because the retirees and active employees are combined for determining the cost of health care benefits for them as a single group. The retirees thus benefit from being in a risk pool that has more favorable medical care experience and thus, lower insurance rates than if the retirees were in a retirees-only risk group. It is possible that such an implicit subsidy may never have to be paid, but it is required to be included in the actuarial liability calculations.

Pay-Go or Pay-As-You-Go: The name given to the funding of only currently-paid benefits for retirees' health care, with no additional funding of earned but not yet payable benefits for both retirees and active employees.

Special District: A government entity common in California, that provides services in a territory that is not completely congruent with a government jurisdiction. Examples include water districts that provide service to all or portions of several cities, sewage-treatment plants that handle sewage from several local areas, incorporated or not, fire protection districts, etc.

UAAL or Unfunded Actuarial Accrued Liability: That portion of an entity's AAL for which no funding assets have been provided.

APPENDIX A

Dixie School District \$ 160 ph	+ School Districts Where I Live	Central Marin Sanitary District \$ 53 ph	+ Special Districts That Provide Services	Belvedere \$ 405 ph	+ My City or Town Where I Live	HOW MUCH MIGHT I OWE CALCULATION TABLE
Kentfield School District \$ 332 ph		Kentfield Fire Protection District \$ 269 ph		Corte Madera \$ 2,928 ph		
Larkspur Corte Madera Schools District \$ 39 ph		Las Gallinas Valley Sanitary District \$ 141 ph		Fairfax \$ 286 ph		
Mill Valley School District \$ 128 ph		Marin Municipal Water District \$ 589 ph		Larkspur \$ 1,175 ph		
Marin Community College District \$ 51 ph		Marin Sonoma Mosq & Vec tor Control \$ 38 ph		Twin Cities Police Authority \$ 673 ph		
Novato Unified School District \$ 48 ph		Marinwood Community Service District \$ 2,720 ph		Mill Valley \$ 3,747 ph		
Reed Union School District \$ 494 ph		North Marin Water District \$ 115 ph		Novato \$ 85 ph		
Ross School District \$ 2,799 ph		Novato Fire Protection District \$ 278 ph		Ross \$ 660 ph		
Ross Valley School District \$ 218 ph		Novato Sanitary District \$ 278 ph		San Anselmo \$ 360		
San Rafael City Elementary School District \$ 324 ph		Ross Valley Fire District \$ 457 ph		San Rafael \$ 1,012 ph		
San Rafael City High School District \$ 206 ph		Sanitary District 1 (Ross Valley) \$ 15 ph		Sausalito \$ 1,461 ph		
Shoreline School District \$ 856 ph		Sewerage Agency of Southern Marin \$ 298 ph		Tiburon \$ 721 ph		
Tamalpais Union School District \$ 129 ph		Southern Marin Fire District \$ 375 ph				
		Tiburon Fire Protection District \$ 553 ph				
\$2,627 Per Household (ph)						
Marin County						

APPENDIX B

Total Unfunded Retiree Health Care		
	Cities and Town	UAAL \$mil
1	County of Marin	\$293.00
2	Mill Valley	\$24.48
3	San Rafael	\$24.30
	Corte	
4	Madera	\$11.79
5	Larkspur	\$7.49
6	Twin Cities Police Authority	\$7.25
7	Sausalito	\$6.63
8	Tiburon	\$2.90
9	San Anselmo	\$1.94
10	Novato	\$1.80
11	Fairfax	\$1.02
12	Ross	\$0.53
13	Belvedere	\$0.37
	Total	\$383.51
Schools		
1	Marin Community College District	\$5.69
2	San Rafael City Elementary School District	\$5.46
3	Tamalpais Union School District	\$5.28
4	San Rafael City High School District	\$4.94
5	Reed Union School District	\$3.04
6	Mill Valley School District	\$2.16
7	Ross School District	\$2.14
8	Ross Valley School District	\$1.84
9	Shoreline School District	\$1.80
10	Kentfield School District	\$1.43
11	Dixie School District	\$1.06
12	Novato Unified School District	\$0.82
13	Larkspur Corte Madera School District	\$0.19
	Total	\$35.85
Special Districts		
1	Marin Municipal Water District	\$36.10
2	Novato Fire Protection District	\$16.75
3	Marin Sonoma Mosquito and Vector Control	\$12.03
4	Novato Sanitary District	\$6.11
5	Southern Marin Fire Protection District	\$5.29
6	Ross Valley Fire District	\$4.80
7	Marinwood Community Service District	\$4.74
8	Sewerage Agency of Southern Marin	\$4.11
9	North Marin Water District	\$3.07
10	Central Marin Sanitation Agency	\$2.87
11	Tiburon Fire Protection District	\$2.27
12	Kentfield Fire Protection District	\$2.00
13	Las Gallinas Valley Sanitary District	\$1.88
14	Sanitary District #1 (Ross Valley)	\$0.30
	Total	\$102.33
40	Grand total	\$521.68

APPENDIX C

How are OPEB Liabilities Calculated?

Estimating the cost of employees' future retiree health care benefits that are earned today is complicated and involves calculations by experts known as actuaries. These calculations use estimates of the likelihood that existing employees will remain employed and will retire from the local government and receive the promised future health care benefit payments. How long such retirees will live in retirement and receive those benefits, and how those benefit costs will rise in the future, are also estimated. If spouses are covered, retiree spouse coverage, costs, and life span are also involved. Such calculations are made feasible by using computer models, and the techniques that actuaries use are fairly standardized in their application to entities subject to GASB Statement 45.

With the estimated costs of a local government's future retiree health care benefits thus determined, the actuary calculates the amount of money that would be required to be on hand today, to grow at an assumed annual compounded earnings rate over time to fully fund these future retiree benefits when they are to be paid. The assumed compound annual earnings rate (or its counterpart---discount rate to bring each future year's future costs back to the present) is a critical component of the actuary's calculations. Results, which are the liability today to fund those future costs, can vary greatly depending on the discount rate assumed.

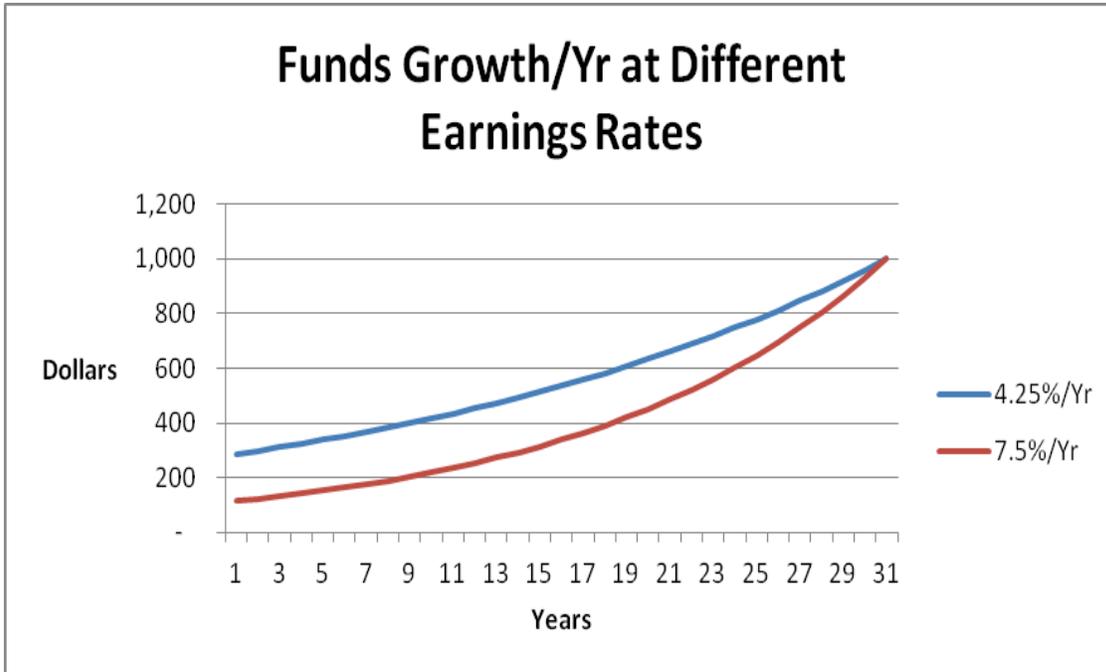
Generally, the assumed earnings or discount rate should have some realistic relationship to what the local government might earn on moneys it invests or better still, monies that it has invested for that purpose. But we found that overly optimistic assumptions (including unjustified high discount rates) are used by some entities in reporting their provisions to pay for retiree health care. This understates the amount of funds calculated as needed today to fund those future benefits.

The actuary's report determines the AAL by effectively discounting to the present each future year's nominal cost of retiree health care benefits to be borne by the local government entity. These annual future yearly costs, each discounted to the present, are accumulated and the total is the AAL. Thus, the AAL value is highly dependent upon the discount rate assumed.

The standard for recognizing pension liabilities costs includes a 17-year period for amortizing unpaid liabilities. In contrast, the standard for amortizing unpaid retiree health care benefit costs is as high as 30 years. The use of such a longer period (30 years versus 17 years) is to shift costs to future generations, and also understates the UAAL annual funding compared to a more reasonable and conservative funding period.

Interest Rate (or Discount Rate) and Amortization Period are Critical

For illustration, as the following chart shows, discounting \$1000 to be paid 30 years from now (an amortization period often used for retiree health care benefit liability cost calculations) at 4.25%, results in a value today of about \$287, but discounting it at a higher 7.5% results in a value today of only about \$114. Thus, if we assume that we need to accumulate \$1000 for payment 30 years from now, we would need to invest \$287 today if it would earn 4.25% compounded annually, but only \$114 if it would earn 7.5% compounded annually.)



Also, the period of time assumed to accumulate \$1,000 greatly affects the amount of money that needs to be invested today, to grow and reach that \$1,000. The following table shows the results of these assumptions. Using a 30-year period to grow investments rather than only a 17-year period for example requires a much smaller investment today to grow to the same future amount.

The table below indicates that an investment today of only \$114 would be needed under the most optimistic assumptions, compared to \$493 in the most conservative case. This could lead to an overly optimistic conclusion that only 23% (\$114 divided by \$493) need be set-aside today to reach a future 30-years obligation compared to a more conservative amount to grow and reach that objective.

Even using the 4.25% assumed growth rate but still a high 30-year amortization results in setting-aside today only 58% (\$287/\$493) of what would be required to reach that objective in 17 years.

Our review discloses that the actuary calculations for the entities studied generally are using amortization periods closer to 30 years (and even the full 30-years for some entities) than 17 years, and interest rates in the 4% -to 5% range----but some entities are still using as high as 7.5%, with no such investments to justify rates higher than 4%.

Effect of Interest Rate and Amortization Period on Investments to reach \$1000	
	Initial Investment
<u>30-Year Amortization</u>	
\$ Invested today to reach \$1000 in 30 Years	
At 4.25%/Year	\$287
At 7.5%/Year	\$114
<u>17-Year Amortization</u>	
\$ Invested today to reach \$1000 in 17 Years	
At 4.25%/Year	\$493
At 7.5%/Year	\$293
<u>4.25%/Year Interest Rate</u>	
\$ Invested today to reach \$1000	
In 17 Years	\$493
In 30 Years	\$287
<u>7.5%/Year Interest rate</u>	
\$ Invested today to reach \$1000	
In 17 Years	\$293
In 30 Years	\$114



NOVATO SANITARY DISTRICT

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KENTON L. ALM
Legal Counsel

Preliminary BUDGET

FOR

FISCAL YEARS 2013-15

Presented June 10, 2013

TABLE OF CONTENTS

SECTION I	Letter of Transmittal.....	i-vii
	Summary of Working Capital & Capital Improvement Reserve Fund Balances.....	1
SECTION II	Revenue Summary - Operating Fund.....	2
	Summary of Expenditures - Operating Fund	3-4
	Flow of Funds – Operating & Working Capital Reserve Funds.....	5
	Operating Budget Detail by Account Category.....	6
SECTION III	OPERATING FUND BUDGET	
	Collections	7
	Treatment Facilities Contract Operations.....	8
	Reclamation/Disposal Facilities.....	9
	Laboratory and Monitoring	10
	Pump Stations	11
	Administration and Engineering.....	12
	Personnel Detail	13
	AB 939 Solid Waste Programs	14
	Recycled Water Facility.....	15
SECTION IV	VEHICLE REPLACEMENT FUND	
	Vehicle Replacement Budget.....	16
SECTION V	SELF INSURANCE FUND	
	Self Insurance Budget	17
SECTION VI	RATE STABILIZATION, EMERGENCY REPAIR AND SOUTHGATE RESERVE FUNDS	
	Rate Stabilization & Emergency Repair Reserve Budget.....	18
	Southgate Reserve Fund Budget.....	19
SECTION VII	CAPITAL IMPROVEMENT BUDGET	
	Revenue Summary – Capital Improvement Fund	20
	Capital Improvement Budget	21
	Flow of Funds - Capital Improvement & Capital Reserve Funds	22
SECTION VIII	DEBT SERVICE FUNDS	
	State Revolving Fund Loan & COP Bond Fund.....	23

SECTION I

***LETTER OF TRANSMITTAL AND SUMMARY OF FUND
BALANCES***



NOVATO SANITARY DISTRICT

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KENTON L. ALM
Legal Counsel

June 6, 2013

Honorable Board of Directors
Novato Sanitary District
Novato, California 94945

Dear Board Members:

The proposed Preliminary District Budget for the 2013-14 and 2014-15 fiscal years are attached for your consideration and approval.

The FY 2013-14 Preliminary Budget includes the following components:

- Summary of the Operations Budget Revenues and Expenditures,
- Breakout by Department of the Operating Fund Budget,
- Activity for Vehicle Replacement Fund,
- Activity for the Self Insurance Fund,
- Activity for Rate Stabilization, Emergency Repair Fund, and Southgate Reserve Fund,
- Capital Improvement Revenue and Expenditures Budget,
- Debt Service Fund Summary for State Revolving Fund (SRF) Loan and Certificates of Participation (COP) Bond Fund

OVERVIEW OF FISCAL YEAR 2013-14 DISTRICT ACTIVITIES

This year's annual sewer service charge increase from \$495 to \$514 per service unit or 3.8% was adopted on June 25, 2012. The sewer service charge is divided with \$287 (56%) allocated to the Operating Budget, and \$227 (44%) allocated to the Capital Budget.

The issues that affect the Operating Budget include:

- Treatment O&M Contract limiting cost increase to CPI,
- Reduced fines,
- Reduced pension benefit costs for new hires,
- Funding the Retiree Medical benefit,
- Televising larger sewers,
- Operation of new Recycled Water Facility for extended irrigation season,
- Pump station O&M cost savings due to pump station upgrade projects,
- Lower anticipated attorney fees.

The issues that significantly affect the Capital Budget include:

- No anticipated grant income.
- On-going major capital projects, including Pump Station Rehabilitation, Collection System Improvements, and Digester Rehabilitation Project,
- Regional planning projects including North Bay Water Reuse Authority, Novato Creek Watershed, and Hamilton Wetlands/District outfall relocation.

BUDGET STRUCTURE

Our budget is prepared on a cash basis. Table 1 summarizes the Operating and Capital Revenue and Expenditures and compares the immediate past year with the proposed budget. Total revenues are projected to stay approximately constant due to the increase in sewer service charges being offset by lack of grant income. More detailed information regarding the variances between the two budget years are included below both by department and account.

Table 1: Summary of Revenues and Expenditures for FY 13 and FY 14

	FY 12/13 Adopted Budget	FY 13/14 Proposed Budget	% Change FY 13 to FY 14
Operating Revenues	\$9,149,171	\$9,387,127	2.60%
Capital Revenues	9,304,740	9,068,760	-2.54%
Total Revenues	\$18,453,911	\$18,455,887	0.01%
Operating Expenditures	9,316,303	9,360,200	0.47%
Capital Expenditures	445,440	214,000	-51.96%
Debt Service	6,924,029	7,070,654	2.12%
COP Bond Expenditures(CIP)	7,654,000	7,652,377	-0.02%
Total Expenditures	\$24,339,772	\$24,297,231	-0.20%

FISCAL YEAR 2012-13 OPERATING BUDGET DETAILS

Operating Revenues

The proposed FY 2013-14 Operating Budget by Revenue source is shown in Table 2 below along with the figures for the past two fiscal years. Total operating revenues are expected to increase by 2.6% or \$237,956 from FY 2012-13.

Operating Sewer Service Charges are expected to increase by \$237,035 or 2.84% for operations. The revenue increase is slightly lower than the percent of sewer service charge increase due to more of the increase going to capital revenue.

Permits and Fees expected to increase by \$10,000 or 43% due to anticipated applications for connections and repairs.

Interest Income expected to increase by \$2,500 or 20% due to the market conditions.

Ranch Income expected to increase by 17% due to increases in beef and hay prices.

Table 2: Operating Budget Revenue Three-Year Summary

Funding Sources by Category	FY 11-12 Adopted Budget	FY 12-13 Adopted Budget	FY 13-14 Proposed Budget	% Change FY 13 to FY 14
Operating Sewer Service Charges	\$8,210,842	\$8,345,700	\$8,582,735	2.84%
Permit & Inspection fees	12,000	23,000	33,000	43.48%
Interest Income	15,000	12,500	15,000	20.00%
Engineering/Admin Chgs	200,000	175,000	165,000	-5.71%
Franchise Fees	46,575	47,370	48,619	2.64%
AB 939 Collector Fees	297,586	297,586	297,586	0.00%
Oil and Beverage Grant	54,953	63,015	50,187	-20.36%
Ranch Income	60,000	60,000	70,000	16.67%
Recycled Water Revenue	8,000	75,000	75,000	0.00%
Other Revenue	50,000	50,000	50,000	0.00%
Total Operating Revenue	\$8,954,956	\$9,149,171	\$9,387,127	2.60%

Operating Expenditures

A summary of proposed and past two fiscal years Operating Expenditures are shown in Table 3 by Department. Operating expenditures are expected to increase by 0.5% or \$43,897 between fiscal year 2012-13 and 2013-14.

Collection department's decrease of 8.1% or \$116,325 is primarily due to a \$120,000 decrease in Administrative Civil Liability costs because of a reduction in sewer overflows.

Pump Stations decrease of 12.4% or approximately \$114,311 is due to no fines for overflows and lower operating costs for new pump stations.

Administration/Engineering increase of 8.3% or approximately \$213,569 is primarily due to an anticipated start to fund the medical retirement liability for current employees.

Recycled Water increase of 44% or \$33,000 is due to the operation of the recycled water facility for the full irrigation season.

Table 3: Operating Budget Expenditures 3-year Summary:

Expenditures by Department	FY 11-12 Adopted Budget	FY 12-13 Adopted Budget	FY 13-14 Proposed Budget	% Change FY 13 to FY 14
Collections	\$1,156,257	\$1,444,345	\$1,328,020	-8.05%
Treatment	2,678,750	2,744,000	2,756,650	0.46%
Reclamation	531,787	526,413	532,942	1.24%
Laboratory	693,008	676,740	683,444	0.99%
Pump Stations	887,148	924,862	810,551	-12.36%
Administration/Engineering	3,953,497	2,564,643	2,778,212	8.33%
Hazardous Household Wste	360,601	360,300	362,381	0.58%
Recycled Water	0	75,000	108,000	44.00%
Total Expenditures	\$10,261,048	\$9,316,303	\$9,360,200	0.47%

Table 4: Operating Budget Significant Budget Variances 2012-13 to 2013-14

Main Budget Variances – FY 13 to FY 14	Budget Impact
1. Retiree health benefits include current employees and retirees.	\$197,800
2. Election expense	45,000
3. Anticipated attorney fees less than in prior years.	-40,000
4. Unusual equipment maintenance- Reclamation	60,000
5. Outside services for Collections	150,000
6. Permits and Fees due to SB 709	-232,000
6. Vehicle Replacement fund moved to capital project budget.	-64,000

FISCAL YEAR 2013-14 CAPITAL BUDGET DETAILS

Capital Revenues

The proposed FY 2013-14 Capital Budget by Revenue source is shown in Table 5 below along with the figures for the past two fiscal years. Total capital revenues are expected to decrease by 2.5% or \$235,980 from FY 2012-13.

Capital Sewer Service Charge Revenues are expected to increase by 10.3% due to the rate increase of 3.8% and the change in percentage of sewer service charge that goes to capital.

Connection Fees are expected to increase by 5% due to an increase in the connection charge.

Interest Income is expected to increase by 150% due to market conditions.

Grant Revenues are expected to decrease by 100% or \$881,810 due to the completion of the Recycled Water Project, partially funded by ARRA and Proposition 84 grants.

Table 5: Capital Budget Revenue 3-year Summary

Funding Sources by Category	FY 11-12 Adopted Budget	FY 12-13 Adopted Budget	FY 13-14 Proposed Budget	% Change FY 13 to FY 14
Capital Sewer Service Charges	\$5,472,815	\$6,149,430	\$6,782,760	10.30%
Property Taxes	1,775,000	1,780,000	1,740,000	-2.25%
Connection Charges	681,600	447,500	470,000	5.03%
Collector/Special Equalization Chgs	10,000	6,000	6,000	0.00%
Interest Income	25,000	20,000	50,000	150.00%
Grant and Other Revenue	1,629,000	901,810	20,000	-97.78%
Total Capital Revenues:	\$9,593,415	\$9,304,740	\$9,068,760	-2.54%

Capital Expenditures

The proposed Capital Improvement Budget for 2013-14 totals \$14,937,031 or \$86,438 less than last year. The decrease is due to the fact that the Recycled Water Project is completed.

Capital projects for 2013-14 will primarily be funded from restricted COP proceeds. Of the total capital projects for 2013-14, \$7,652,377 will be funded from COP proceeds and \$214,000 will be funded through sewer service charges, property taxes, and connection proceeds. The debt service of \$7,070,654 will be funded primarily from sewer service charges, property taxes and connection charges. Table 6 shows the Capital Debt Service and Capital Project Costs for three fiscal years.

Table 6: Capital Budget Expenditures, 3-year Summary

Capital Expenditures	FY 11-12 Adopted Budget	FY 12-13 Adopted Budget	FY 13-14 Proposed Budget	% Change FY 13 to FY 14
Capital Projects	\$12,628,000	\$8,099,440	\$7,866,377	-2.88%
Debt Service	6,064,321	6,924,029	7,070,654	2.1%
Total	\$18,692,321	\$15,023,469	\$14,937,031	-0.6%

Debt Coverage Ratio

In the COP Installment Sale Agreement the District agreed to collect rates and charges during each fiscal year that are sufficient to yield net revenues equal to at least 120 percent of the installment payments on the COPs and all parity debt in the fiscal year. The projected Debt Coverage Ratio for 2013/14 is 1.28.

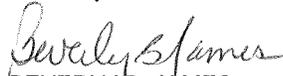
COMPARISON OF ANNUAL SEWER SERVICE CHARGES LEVIED BY NEIGHBORING AGENCIES

It is of interest to compare the District's proposed rate with those of other nearby sanitation agencies. The following table makes possible such a comparison. For the most part, the rates for other agencies are those projected for the 2012-13 fiscal year. The 2013-14 rates for the neighboring agencies will be presented in the Final Budget.

AGENCY	RATE (\$/yr)
City of Santa Rosa	1,098
City of Petaluma	966
Sausalito-Marín City Sanitary District	701
City of Mill Valley	677
Ross Valley Sanitary District No. 1	638
San Rafael Sanitation District	638
Sausalito-Marín City San District	616
Las Gallinas Valley Sanitary District	590
NOVATO SANITARY DISTRICT	514
Vallejo San & Flood District	483
Napa Sanitation District	435

The 2013-14 budget is able to accomplish the Novato Sanitary District's commitments to achieving the key goals set forth in the Strategic Plan while maintaining reasonable rates for its customers.

Sincerely,



BEVERLY B. JAMES
Manager-Engineer

SECTION II

OPERATING FUND SUMMARY SCHEDULES

Novato Sanitary District
2013-15 Preliminary Budget
Summary of Working Capital
And Capital Improvement Reserve Fund Balances

	Budget 12/13	Est Rev/Exp 2012-13	Preliminary Budget 2013-14	Preliminary Budget 2014/15
Working Capital Fund at July 1st Beginning of Each Year	7,122,091	7,122,091	7,681,141	7,708,051
Operating Revenue (p. 2)	9,149,171	9,167,988	9,387,110	9,558,259
Operating Expenditures (p. 3)	9,316,303	8,608,938	9,360,200	9,461,855
Net Operating Revenue	(167,132)	559,050	26,910	96,404
Working Capital Fund at the End of Each Year	6,954,959	7,681,141	7,708,051	7,804,455
Capital Improvement Reserve Fund at July 1st Beginning of Each Year	13,213,888	13,213,888	10,609,894	4,741,623
Capital Revenue (p. 20)	9,304,740	9,242,696	9,068,760	9,472,700
Total Capital Revenues	9,304,740	9,242,696	9,068,760	9,472,700
Capital Expenditures (p. 21)	8,149,440	5,224,886	7,866,377	4,676,396
Debt Service (p. 21)	6,924,029	6,621,804	7,070,654	7,070,754
Total Capital Expenditures	15,073,469	11,846,690	14,937,031	11,747,150
Capital Improvement Reserve Fund Balance at the End of Each Year	7,445,159	10,609,894	4,741,623	2,467,173
Reserved	6,783,619	9,603,682	1,966,305	-
Unreserved	7,616,499	8,687,353	10,483,369	10,271,628
Working Capital and Capital Improvement Fund Balances at The End of Each Year	14,400,118	18,291,035	12,449,674	10,271,628
Debt Coverage Ratio(1)				
Net Operating Revenue	(167,132)	559,050	26,910	96,404
Capital Revenue	9,304,740	9,242,696	9,068,760	9,472,700
Annual Debt Service	6,924,029	6,621,804	7,070,654	7,070,754
Debt Coverage Ratio	1.34	1.40	1.28	1.34

Net revenues covenant requires a 1.20 coverage ratio

(1) Net Operating Revenue + Capital Revenue / Annual Debt Service = Debt Coverage Ratio

	12/13	13/14	14/15
Beginning Balance each year	14,431,619	9,603,682	1,966,305
Cop Proceeds	-	-	-
Less Withdrawals	(4,859,140)	(7,652,377)	(1,967,305)
Interest earned and Reinvested	31,203	15,000	1,000
Cash Balance for COP Expenditures	9,603,682	1,966,305	0

**Novato Sanitary District
2013-15 Preliminary Operating Budget
Revenue Summary**

	Budget 12/13	Revenues thru April 2013	Est Rev 2012-13	Preliminary Budget 2013-14	Preliminary Budget 2014/15
41010 · Sewer Service Charges (1)	8,345,700	8,056,403	8,345,700	8,582,735	8,776,815
41030 · Plan Check & Inspection Fee	500	8,549	8,549	500	500
41040 · Permit & Inspection Fee	7,500	7,102	7,500	7,500	7,500
41060 · Interest Income	12,500	9,034	18,000	15,000	15,000
41080 · Engineering & Admin Charges	175,000	0	175,000	165,000	165,000
41090 · Non-domestic Permit Fees (2)	15,000	23,894	25,000	25,000	4,000
41100 · Garbage Franchise Fees	47,370	1,170	47,370	48,602	49,671
41105 · AB 939 Collector Fees	297,586	297,586	297,586	297,586	297,586
41107 · Oil/Bev/Tire Grants (3)	63,015	38,283	88,283	50,187	50,187
41130 · Ranch Income	60,000	50,302	70,000	70,000	70,000
41135 · Recycled Water Revenue	75,000	0	50,000	75,000	108,000
41140 · Other Revenue (4)	40,000	21,655	25,000	40,000	4,000
41142 · Loss on disposal of assets	10,000	500	10,000	10,000	10,000
Totals	9,149,171	8,514,478	9,167,988	9,387,110	9,558,259

Comments:

- (1) Service charge revenue is based on proposed rate increase based on projections.
 Note: Total charge is \$514 split between operations(\$287) and capital (\$227) for 2013/14
 Total charge is \$533 split between operations(\$293) and capital (\$240) for 2014/15.
- (2) Includes application fees, permits and monitoring charges.
- (3) Oil/Bev/Tire Grants \$22,490/ JPA Reimb Fees \$27,697.
- (4) Other revenue includes septic tank hauling fees, and other miscellaneous revenue.

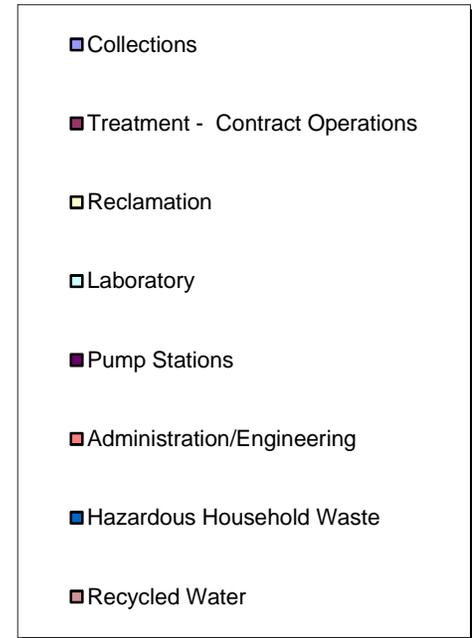
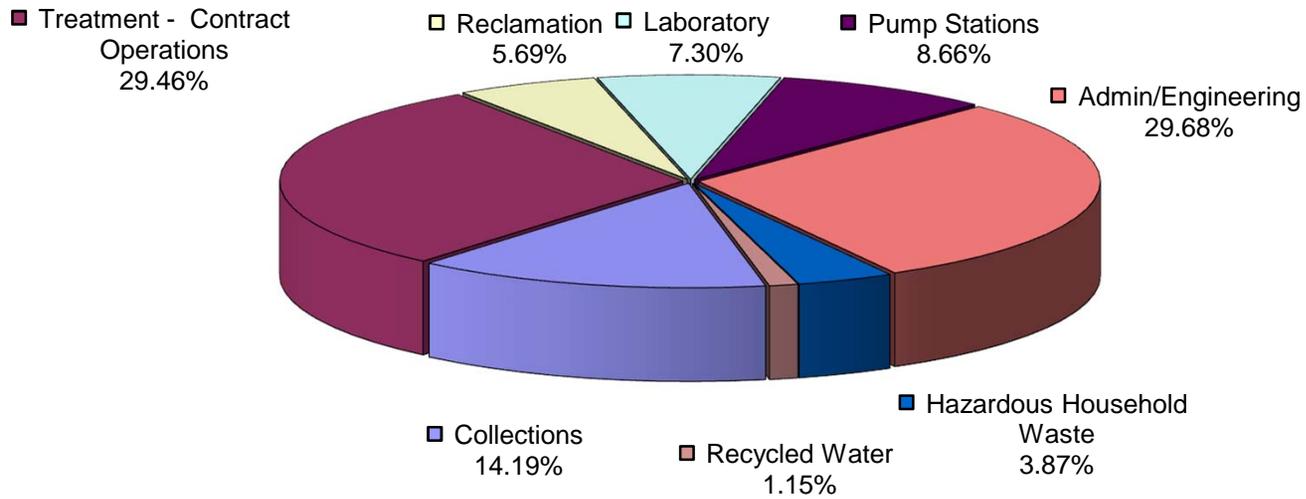
APPROPRIATIONS LIMITATION

The appropriations limitation, pursuant to Article XIII B of the California Constitution, will be determined prior to submission of the final budget in August.

**Novato Sanitary District
2013-15 Preliminary Budget
Operating Budget - Summary of Expenditures**

	Budget 12/13	Expenditures thru March 2013	Est Exp 2012-13	Preliminary Budget 2013-14	Preliminary Budget 2014/15
Collections	1,444,345	900,685	1,277,072	1,328,020	1,221,405
Treatment - Contract Operations	2,744,000	1,828,862	2,619,437	2,756,650	2,903,721
Reclamation	526,413	389,816	477,224	532,942	487,189
Laboratory	676,740	426,090	583,689	683,444	703,332
Pump Stations	924,862	527,722	765,417	810,551	821,164
Administration/Engineering	2,564,643	1,805,245	2,529,735	2,778,212	2,857,664
Hazardous Household Waste	360,300	205,985	338,964	362,381	359,380
Recycled Water	75,000	14,500	17,400	108,000	108,000
	9,316,303	6,098,905	8,608,938	9,360,200	9,461,855

Preliminary Budget 2013-14 Expenditures by Department



**Novato Sanitary District
2013-15 Preliminary Operating Budget
Operating Fund and Working Capital Reserve Fund**

		2013-14 Budget	
		Prelim	Final
<u>OPERATING FUND</u>			
	Fund Balance 6/30/12	0	0
	Estimated Revenues 2012-13	9,167,988	-
	Estimated Expenditures 2012-13	(8,608,938)	-
	Transfer from Self-Insurance Fund for Claims	45,000	-
	Transfer to Self-Insurance Reserve Fund	(45,000)	-
	Transfer from Working Capital Reserve Fund	(559,050)	-
	Fund Balance 6/30/13	0	0
	Anticipated Revenues 2013-14	9,387,110	-
	Anticipated Expenditures 2013-14	(9,360,200)	-
	Anticipated Transfer from Southgate Reserve Fund	0	-
	Anticipated Transfer to/from Working Capital Reserve Fund	(26,910)	-
	Anticipated Fund Balance 6/30/14	0	0
<u>WORKING CAPITAL RESERVE FUND</u>			
	Fund Balance 6/30/12	7,122,091	7,122,091
	Transfer from Operating Fund 2012-13	559,050	-
	Transfer to Rate Stabilization Reserve	0	-
	Transfer to Emergency Repair Reserve	0	-
	Fund Balance 6/30/13	7,681,141	7,122,091
	Anticipated Transfer to/from Operating Fund 2013-14	26,910	-
	Anticipated Fund Balance 6/30/14	7,708,051	7,122,091

Novato Sanitary District											
2013-14 Preliminary Operating Budget											
Operating Budget Detail by Account Category											
	Treatment Facilities	Recl	L-M	Pump Stations	Collection System	A-E	Recycled Water	Total	Percent	Over/Under PY Budget	% Over/Under PY Budget
Salaries and Wages	51,743		215,872	313,186	545,302	1,000,232		2,126,334	22.72%	(15,295)	-0.71%
O & M Services							50,000	50,000	0.53%	-	0.00%
Employee Benefits	17,199		79,921	141,365	248,718	399,788		886,991	9.48%	(46,535)	-4.98%
Retiree Health Benefits						393,692		393,692	4.21%	197,845	101.02%
Directors' Fees						45,000		45,000	0.48%	-	0.00%
Election Expense						45,000		45,000	0.48%	45,000	100.00%
Gasoline, Oil & Fuel	4,000		3,000	4,000	30,000	9,000		50,000	0.53%	6,500	14.94%
Insurance	50,600					129,000		179,600	1.92%	(20,400)	-10.20%
Ins Claims Expense						45,000		45,000	0.48%	-	0.00%
Agency Dues						46,000		46,000	0.49%	4,000	9.52%
Memberships						8,000		8,000	0.09%	500	6.67%
Office Expense						27,000		27,000	0.29%	(3,000)	-10.00%
Safety	1,000		1,000	3,000	5,000	1,000		11,000	0.12%	1,000	100%
Software Maint	3,000		8,500	12,000	25,000			48,500	0.52%	(11,500)	-19.17%
Operating Supplies	3,000		25,000	10,000	32,000	9,000	2,000	81,000	0.87%	5,000	6.58%
Operating Chemicals				45,000				65,000	0.69%	-	0.00%
Sludge Disposal-Contractual	190,000							190,000	2.03%	(25,000)	-11.63%
Accounting & Auditing						22,500		22,500	0.24%	1,500	7.14%
Attorney						120,000		120,000	1.28%	(40,000)	-25.00%
Outside Consulting						235,000		235,000	2.51%	15,000	6.82%
IT/Misc. Electrical						40,000		40,000	0.43%	(10,000)	-20.00%
Printing & Publication						18,000		18,000	0.19%	3,000	20.00%
Repairs & Maintenance	60,000		10,000	115,000	85,000	40,000	25,000	335,000	3.58%	3,000	0.90%
Unusual Equipment Maint	109,200							169,200	1.81%	65,200	62.69%
Small Tools				2,000	2,000			5,000	0.05%	1,000	25.00%
Outside Services				45,000	225,000			270,000	2.88%	125,000	86.21%
Ditch/Dike Maintenance								20,000	0.21%	-	0.00%
Research & Monitoring			297,150					297,150	3.17%	7,150	2.47%
Travel, Mtgs & Train.						60,000		60,000	0.64%	10,000	20.00%
Pollution Prevention/Pub. Ed.			40,000					40,000	0.43%	-	0.00%
Gas & Electricity	533,500	110,000		90,000			10,000	743,500	7.94%	(39,500)	-5.04%
Water		10,000		5,000	7,000			22,000	0.24%	1,000	4.76%
Telephone				20,000	2,000	15,000		37,000	0.40%	-	0.00%
Other/Operational Assistance					1,000			1,000	0.01%	-	0.00%
Permits & Fees	65,000	2,000	3,000	5,000	120,000		1,000	196,000	2.09%	(232,000)	-54.21%
Co. Collection Fees						65,000		65,000	0.69%	4,000	6.56%
Ser. Chg. System Exp						5,000		5,000	0.05%	-	0.00%
Vehicle Replacement		0	0	0	0			-	0.00%	(64,000)	-100.00%
AB 939 Solid Waste Programs	1,998,350					362,382		362,382	3.87%	2,081	0.58%
Contract Operations						1,998,350		1,998,350	21.35%	53,350	2.74%
Total	2,756,650	532,942	683,443	810,551	1,328,020	3,140,594	108,000	9,350,200	100.00%	43,897	0.47%
	29.45%	5.69%	7.30%	8.66%	14.19%	33.55%	1%	100.00%			

SECTION III

OPERATING FUND BUDGET

**Novato Sanitary District
2013-15 Preliminary Budget
Operating Budget - Collections**

	Budget 12/13	Expenditures thru March 2013	Est Exp 2012-13	Preliminary Budget 2013-14	Preliminary Budget 2014/15
60010 · Salaries & Wages	583,833	383,762	511,683	545,302	564,133
60020 · Employee Benefits	277,512	175,524	234,032	248,718	251,272
60060 · Gas, Oil & Fuel	25,000	19,835	25,000	30,000	30,000
60085 · Safety	5,000	0	5,000	5,000	5,000
60091 · Software Maint	25,000	18,540	25,000	25,000	25,000
60100 · Operating Supplies	30,000	20,312	30,000	32,000	30,000
60150 · Repairs & Maint	82,000	59,225	82,000	85,000	70,000
60152 · Small Tools	1,000	560	1,000	2,000	1,000
60153 · Outside Services	75,000	2,025	75,000	225,000	175,000
60192 · Water	6,000	4,171	5,561	7,000	7,000
60193 · Telephone	2,000	1,347	1,796	2,000	2,000
60200 · Other(Garbage Coll)	1,000	695	1,000	1,000	1,000
60201 · Permits & Fees	291,000	214,689	240,000	120,000	60,000
60290 · Vehicle Replacemnt	40,000	0	40,000	0	0
	1,444,345	900,685	1,277,072	1,328,020	1,221,405

Comments:

I recommend replacing our Gas Detector and Docking Station

\$13,000 total cost, 25% from P.S, \$(3,250) remainder from Collections (\$7,350) and and from Admin (\$2400)

I recommend Budgeting \$250,000 for CCTV Inspection of Large Diameter Pipes, 18" to 50".

**Novato Sanitary District
2013-15 Preliminary Budget
Operating Budget - Treatment Facilities Contract Operations**

	Budget 12/13	Expenditures thru March 2013	Est Exp 2012-13	Preliminary Budget 2013-14	Preliminary Budget 2014/15
61000-1 · Fixed Fee(1)	1,945,000	1,424,322	1,909,096	1,998,350	2,078,301
61000-2 · Insurance & Bonds(2)	55,000	34,756	46,341	50,600	55,660
61000-3 · Major Repr/Replacemnt	104,000	0	104,000	109,200	114,660
61000-4 · Water/Permits/Ph	70,000	73,381	75,000	65,000	68,250
61000-5 · Gas & Electricity(2)	570,000	296,403	485,000	533,500	586,850
	2,744,000	1,828,862	2,619,437	2,756,650	2,903,721

Comments:

- (1) Fixed fee - Veolia working on calculation for upcoming year, one piece of information missing to calculate fee for 13/14 therefore, used actual expenditures to estimate budget.
- (2) Accounts 61000-2 and -5 increase projected at 10% based on actual expenditures for 2012/13.

**Novato Sanitary District
2013-2015 Preliminary Budget
Operating Budget -Reclamation**

	Budget 12/13	Expenditures thru March 2013	Est Exp 2012-13	Preliminary Budget 2013-14	Preliminary Budget 2014/15
63010 · Salaries & Wages	30,758	24,214	32,285	51,743	52,505
63020 · Employee Benefits	12,655	8,005	10,673	17,199	17,184
63060 · Gasoline & Oil	4,000	3,157	4,000	4,000	4,000
63085 · Safety	1,000	0	1,000	1,000	500
63091 · Software Maint	2,000	0	0	3,000	2,500
63100 · Operating Supplies	2,000	1,750	2,000	3,000	3,000
63115 · Sludge Disposal	215,000	182,000	182,000	190,000	200,000
63150 · Repairs & Maint	80,000	54,405	80,000	60,000	60,000
63151 · Unusual Equipment Maint(1)	0	0	0	60,000	0
63152 · Small Tools	1,000	722	1,000	1,000	500
63157 · Ditch/Dike Maint	20,000	6,762	20,000	20,000	20,000
63191 · Gas & Electricity	120,000	78,996	105,328	110,000	115,000
63192 · Water	10,000	6,395	8,528	10,000	10,000
63201 · Permits & Fees	21,000	23,410	23,410	2,000	2,000
63290 · Vehicle Replacemnt	7,000	0	7,000	0	0
	526,413	389,816	477,224	532,942	487,189

Comments:

- (1) - 63151- Unusual Equipment Maintenance includes:
 Drainage Pump Station No. 7 Pump 1 Rehabilitation
 Irrigation Pump Station No. 2 Pump 2 Motor Replacement

**Novato Sanitary District
2013-15 Preliminary Budget
Operating Budget - Laboratory**

	Budget 12/13	Expenditures thru Mar 2013	Est Exp 2012-13	Preliminary Budget 2013-14	Preliminary Budget 2014/15
64010 · Salaries & Wages	201,512	135,987	181,316	215,872	229,850
64020 · Employee Benefits	79,328	49,930	66,573	79,922	82,782
64060 · Gasoline & Oil	2,500	2,022	2,700	3,000	3,200
64085 · Safety	1,000	0	1,000	1,000	1,000
64091 · Software Maintenance	23,000	7,360	7,400	8,500	8,500
64100 · Operating Supplies	25,000	12,100	16,200	25,000	25,000
64150 · Repairs & Maintenance	10,000	3,527	4,700	10,000	10,000
64160 · Research & Monitoring	290,000	191,954	260,000	297,150	300,000
64170 · Pollution Prev/Public Ed	40,000	20,851	40,000	40,000	40,000
64201 · Permits & Fees	3,000	2,359	2,400	3,000	3,000
64290 · Vehicle Replacement	1,400	0	1,400	0	0
	676,740	426,090	583,689	683,444	703,332

Comments:

**Novato Sanitary District
2013-2015 Preliminary Budget
Operating Budget - Pump Stations**

	Budget 12/13	Expenditures thru Mar 2013	Est Exp 2012-13	Preliminary Budget 2013-14	Preliminary Budget 2014/15
65010 · Salaries & Wages	331,138	183,610	244,813	313,186	336,961
65020 · Employee Benefits	164,724	87,298	116,397	141,365	144,203
65060 · Gasoline & Oil	4,000	3,287	4,383	4,000	5,000
65085 · Safety	2,000	763	2,000	3,000	2,000
65091 · Software Maintenance	10,000	2,109	10,000	12,000	12,000
65100 · Operating Supplies	9,000	3,846	7,000	10,000	10,000
65101 · Operating Chemicals	50,000	13,677	27,320	45,000	50,000
65150 · Repairs & Maintnnce	115,000	72,061	110,000	115,000	115,000
65152 · Small Tools	2,000	101	1,000	2,000	1,000
65153 · Outside Services, Electric	70,000	18,758	70,000	45,000	20,000
65191 · Gas & Electricity	90,000	69,975	93,300	90,000	95,000
65192 · Water	5,000	3,522	4,696	5,000	5,000
65193 · Telephone	20,000	16,881	22,508	20,000	20,000
65201 · Permits & Fees	42,000	51,834	42,000	5,000	5,000
65290 · Vehicle Replacement	10,000	0	10,000	0	0
	924,862	527,722	765,417	810,551	821,164

Comments:

I recommend replacing our Gas Detector and Docking Station

\$13,000 total cost, 25% from P.S, \$(3,250) remainder from Collections (\$7,350) and and from Admin (\$2400)

**Novato Sanitary District
2013-2015 Preliminary Budget
Operating Budget - Administration**

	Budget 12/13	Expenditures thru March 2013	Est Exp 2012-13	Preliminary Budget 2013-14	Preliminary Budget 2014/15
66010 · Salaries & Wages	994,388	704,881	939,841	1,000,232	1,062,918
66020 · Employee Benefits	399,308	292,681	390,242	399,788	406,072
66021 · Retiree Health Benefits(1)	195,847	161,509	218,064	393,692	413,174
66030 · Director's Fees	45,000	32,625	43,500	45,000	45,000
66040 · Election Expense	0	0	0	45,000	0
66060 · Gasoline & Oil	8,000	6,914	8,000	9,000	10,000
66070 · Insurance	145,000	126,891	145,000	129,000	143,000
66071 · Insurance Claim Expense	45,000	0	45,000	45,000	45,000
66075 · Agency Dues	42,000	40,625	42,000	46,000	46,000
66080 · Memberships	7,500	7,071	7,500	8,000	8,500
66085 · Safety	1,000	542	1,000	1,000	1,000
66090 · Office Expense	30,000	18,349	30,000	27,000	27,000
66100 · Engineering Supplies	9,000	4,044	9,000	9,000	9,000
66121 · Accounting & Auditing	21,000	23,988	23,988	22,500	24,000
66122 · Attorney Fees	160,000	89,570	160,000	120,000	130,000
66123 · O/S Contractual (2)	220,000	121,986	220,000	235,000	240,000
66124 · IT/Misc Electrical	50,000	37,370	50,000	40,000	40,000
66130 · Printing & Publications	15,000	9,816	15,000	18,000	20,000
66150 · Repairs & Maintenance	40,000	32,506	40,000	40,000	40,000
66170 · Travel, Meetings & Training	50,000	49,878	55,000	60,000	60,000
66193 · Telephone	15,000	9,896	15,000	15,000	15,000
66202 · County Fees-Property Taxes	31,000	12,547	31,000	33,000	34,000
66203 · County Fees-Sewer Ser Chg	30,000	21,556	30,000	32,000	33,000
66250 · Service Charge Sys Exp	5,000	0	5,000	5,000	5,000
66290 · Vehicle Replacement	5,600	0	5,600	0	0
	2,564,643	1,805,245	2,529,735	2,778,212	2,857,664

Comments:

(1) Based on increase of 5% a year from actual expenditures in 2012/13 and included actuarial projected health benefit for current employees.

Novato Sanitary District						
Preliminary Operating Budget 2013-15						
PERSONNEL DETAIL						
Number	Position	Dept.	Pay Range	Total		
				2013-14 Salaries	2014-15 Salaries	
1.00	Manager-Engineer.....	A/E		184,092	188,510	
1.00	Deputy - Manager Engineer.....	A/E	MC122.5	162,216	166,109	
1.50	Senior Engineer.....	.75AE/.25PS	MC116.5	173,328	231,027	
1.00	Field Services Superintendent.....	.5AE/.25PS/.25Rec	MC117	123,996	126,972	
0.46	Administrative Services Specialist	A/E	MC117.5	58,666	58,666	
0.00	Administrative Assistant	A/E	MC103.5		-	
1.00	Administrative Secretary.....	A/E	MC106	72,504	74,244	
1.00	Finance Officer.....	A/E	MC112.5	99,588	101,978	
1.00	Staff Engineer.....	.5AE/.5CS	47	92,532	94,753	
1.00	Construction Inspector.....	A/E	44.5	81,924	83,890	
1.00	Information System Specialist II.....	.5AE/.5CS	43.5	78,024	79,897	
1.00	Environmental Services Supervisor.....	L/M	MC115.5	99,590	107,080	
1.00	ECA II.....	L/M	45.5	81,925	88,086	
0.00	Instrument Technician/Electrician.....	.75AE/.25PS	46.5	-	-	
1.00	Collection System Superintendent.....	.67CS/.33PS	MC115	112,476	115,175	
1.00	Collection System Leadworker.....	.67CS/.33PS	47	92,532	94,753	
1.00	Collection System Worker III.....	.67CS/.33PS	43.5	74,315	76,098	
2.00	Collection System Worker II.....	.67CS/.33PS	40.5	134,808	138,043	
4.00	Collection System Worker I.....	.67CS/.33PS	38.5	204,568	219,021	
2.00	Admin Intern	A/E	N/A	24,000	24,000	
1.00	Lab. Intern (NMWD)	L/M	N/A	28,000	28,000	
0.40	Hourly Electrician	.25AE/.25PS/.50Rec	N/A	40,000	40,000	
	Allowance for Overtime.....	C/S		30,000	30,000	
	Allowance for Overtime.....	A/E		7,500	7,500	
	Allowance for Overtime.....	L/M		2,000	2,000	
	Allowance for Standby Duty Pay.....	C/S		20,000	20,000	
				-	-	
	CCSR.....	PS		1,500	1,500	
	Subtotal			2,080,084	2,197,303	
	Allowance for Possible COLA - across the board	2.40%		46,250	49,063	
				2,126,334	2,246,366	
24.36	Administration and Engineering (A/E)	=	1,000,232	1,062,918		
	Laboratory and Monitoring (L/M)	=	215,872	229,850		
	Collection System	67% =	545,302	564,133		
	Pump Stations	33% =	313,186	336,961		
	Reclamation Facilities	=	51,743	52,505		
	Total/Check		2,126,334	2,246,366		

**Novato Sanitary District
2013-2015 Preliminary Budget
Hazardous Household Waste**

				Preliminary	Preliminary
		Expenditures	Est Exp	Budget	Budget
	Budget 12/13	thru March 2013	2012-13	2013-14	2014/15
67400 · Management Services	106,764	59,309	88,964	119,264	121,649
67500 · Household Hazardous Wst	207,500	131,722	207,500	187,500	180,000
67530 · Used Oil Grant	13,536	2,137	10,000	23,213	23,909
67530-1 Beverage Container Grant	9,000	6,811	9,000	8,755	9,018
67540 · Education/Publicity Outreach	8,500	6,006	8,500	8,500	9,500
67600 · Other	5,000	0	5,000	5,150	5,305
67610 · City AB 939 Admin Service	10,000	0	10,000	10,000	10,000
	360,300	205,985	338,964	362,382	359,380

Comments:

**Novato Sanitary District
2013-2015 Preliminary Budget
Operating Budget - Recycled Water**

				Preliminary	Preliminary
		Expenditures	Est Exp	Budget	Budget
	Budget 12/13	thru March 2013	2012-13	2013-14	2014/15
68010 · O & M Services	50,000	14,500	17,400	50,000	50,000
68100 · Operating Supplies	1,000	0	0	2,000	2,000
68101 · Operating Chemicals	15,000	0	0	20,000	20,000
68150 · Repairs & Maintnnce	5,000	0	0	25,000	25,000
68191 · Gas & Electricity	3,000	0	0	10,000	10,000
68201 · Permits & Fees	1,000	0	0	1,000	1,000
68290 · Vehicle Replacement	0	0	0	0	0
	75,000	14,500	17,400	108,000	108,000

Comments:

SECTION IV

VEHICLE REPLACEMENT BUDGET

SECTION V

SELF INSURANCE FUND BUDGET

**Novato Sanitary District
2013-15 Preliminary Budget
Self Insurance Fund**

		2013-14 Budget	
		Prelim	Final
	FUND BALANCE 6/30/12	164,016	164,016
	Interest Earned on Fund		
	Balance	750	
	Transfer to Operating Fund to		
	Reimburse Fund for Claims	(45,000)	
	Transfer from Operating Fund to		
	Self-Insurance Reserve Fund	45,000	
	FUND BALANCE 6/30/13	164,766	164,016
	Interest Earned on Fund		
	Balance	750	
	Transfer to Operating Fund to		
	Reimburse Fund for Claims	(45,000)	
	Transfer from Operating Fund to		
	Self-Insurance Reserve Fund	45,000	
	ANTICIPATED FUND BALANCE 6/30/14	120,516	164,016
	Comments:		

SECTION VI

***RATE STABILIZATION, EMERGENCY REPAIR AND
SOUTHGATE RESERVE FUNDS***

**Novato Sanitary District
2013-15 Preliminary Budget
Rate Stabilization and Emergency Repair Reserve Funds**

		2013-14 Budget	
		Prelim	Final
<u>RATE STABILIZATION FUND**</u>			
FUND BALANCE 6/30/12		600,000	600,000
	Contribution to/from Operating Fund to Rate Stabilization Fund 2012-13	0	0
FUND BALANCE 6/30/13		600,000	600,000
	Contribution to/from Operating Fund to Rate Stabilization Fund 2013-14	0	-
ANTICIPATED FUND BALANCE 6/30/14		600,000	600,000
<u>EMERGENCY REPAIR RESERVE FUND**</u>			
FUND BALANCE 6/30/12		600,000	600,000
	Contribution to/from Operating Fund to Emergency Repair Reserve Fund 2012-13	0	-
FUND BALANCE 6/30/13		600,000	600,000
	Contribution to/from Operating Fund to Emergency Repair Reserve Fund 2013-14	0	-
ANTICIPATED FUND BALANCE 6/30/13		600,000	600,000
**	In October 2001, the District Board adopted an Operating Reserve Fund Policy that included establishing a Service Charge Rate Stabilization Fund in the amount of \$600,000 and an Emergency Repair Reserve Fund in the amount of \$600,000.		

**Novato Sanitary District
2013-15 Preliminary Budget
Southgate Reserve Fund**

		2013-14 Budget	
		Prelim	Final
<u>SOUTHGATE RESERVE FUND**</u>			
FUND BALANCE 6/30/12		679,989	679,989
	Contribution to/from Operating Fund to Southgate Reserve Fund 2012-13	0	0
FUND BALANCE 6/30/13		679,989	679,989
	Contribution to/from Operating Fund to Southgate Reserve Fund 2013-14	0	0
ANTICIPATED FUND BALANCE 6/30/14		679,989	679,989
**	In March 2003, as part of the Settlement Agreement for acceptance of the Southgate Subdivision sewers, Southgate Partners deposited the sum of \$890,989 with the District for improvement and continued maintenance and operation of the sewer improvements.		

SECTION VII

CAPITAL IMPROVEMENT BUDGET

**Novato Sanitary District
2013-15 Preliminary Budget
Capital Improvement Budget - Revenue Summary**

		Revenues	Est Rev	Preliminary	Preliminary
	Budget 12/13	thru April 2013	2012-13	Budget	Budget
				2013-14	2014/15
Capital Improvement Income					
51010 · Sewer Service Charges(1)	6,149,430	5,697,773	6,097,773	6,782,760	7,183,200
51015 · Property Taxes	1,780,000	1,640,601	1,740,601	1,740,000	1,740,000
51020 · Connection Charges(2)	447,500	124,127	300,000	470,000	493,500
51030 · Collector Sewer Charges	2,000	0	0	2,000	2,000
51040 · Special Equalization Chrg	4,000	32	50	4,000	4,000
51060 · Interest	20,000	37,798	53,800	50,000	30,000
51062 · ARRA/IRWM Grant Revenue	601,370	449,353	449,353	0	0
51070 · Other Revenue	300,440	601,119	601,119	20,000	20,000
Total Capital Improvement Income	9,304,740	8,550,803	9,242,696	9,068,760	9,472,700
Comments:					
(1) Service charge revenue is based on proposed rate increase based on projections.					
Note: Total charge is \$514 split between operations(\$287) and capital (\$227) for 2013/14					
Total charge is \$533 split between operations(\$293) and capital (\$240) for 2014/15.					
(2) Connection Charges projected to be 50 new connections at \$9,400 each and					
50 new connections the following year at \$9,870 each.					

**Novato Sanitary District
Capital Improvement Budget
2013-2015 Preliminary Budget**

				Preliminary	Preliminary
		Expenditures	Est Exp	Budget	Budget
	Budget 12/13	thru April 30, 2013	2012-13	2013-14	2014-15
72110 · Drainage PS 3&7 Outfall Rehab	50,000	0	0	150,000	50,000
72111 · SCADA Phase II	10,000	0	0	0	0
72403 · Pump Station Rehabilitation	1,900,000	1,664,631	1,914,631	1,400,000	400,000
72508 · N. Bay Water Recycling Auth	395,440	395,141	395,141	150,000	50,000
72509 · NTP Soil & Groundwater Inv	0	0	0	0	0
72604 · Laboratory Improvements	10,000	0	0	0	0
72607 · WWTP Upgrade-Contract A1	10,000	0	0	0	0
72608 · WWTP Upgrade - Contract A2	0	0	0	0	0
72609 · WWTP Upgrade - Contract B	50,000	15,821	50,000	100,000	0
72611 · Bayside Sewer	3,000	0	0	3,000	0
72612 · Southgate Sewer-	1,000	0	0	1,000	0
72706 · Collection System Improv	555,000	194,280	350,000	1,700,000	1,000,000
72706-1 · Lateral Replacemnt Program	30,000	15,000	22,500	30,000	30,000
72707 · Hamilton Wetlands/Outfall Monit	50,000	0	0	90,000	1,000
72708 · Cogeneration	50,000	0		50,000	50,000
72801 · Annual Minor Projects	0	0	0	0	0
72802 · Annual Sewer Adj. for City Proj	25,000	1,900	1,900	10,000	10,000
72803 · Annual Collection Sys Repairs	200,000	192,391	200,000	275,000	200,000
72804 · Annual Reclamation Fac Imp	260,000	205,054	250,000	250,000	150,000
72805 · Annual Trtmt Plnt/Pump St Impr	540,000	485,292	500,000	275,000	200,000
72808 · Strategic Plan Update	10,000	4,114	5,000	0	0
73001 · WWTP Upgrade - Contract C (Solids handling)	2,500,000	270,168	551,661	2,768,377	461,396
73002 · WWTP Up-Cont D-Rec(ARRA-25%)	1,250,000	971,541	980,000	150,000	10,000
73003 · Admin Building Upgrade	250,000	4,053	4,053	400,000	2,000,000
73090 · Vehicle Replacement(1)	0	0	0	64,000	64,000
78500 · Interest - SRF/COP Bond	2,785,972	2,389,837	2,389,837	2,730,721	2,621,583
78500 · Principal	4,138,057	4,231,967	4,231,967	4,339,933	4,449,171
Totals	15,073,469	11,041,190	11,846,690	14,937,031	11,747,150

Comments:

(1) New line item, vehicle replacement fund closed to capital reserve fund will track on an annual basis.

**Novato Sanitary District
Budget 2013-15
Capital Improvement and Working Capital Reserve Funds**

		2013-14 Budget	
		Prelim	Final
<u>CAPITAL IMPROVEMENT FUND</u>			
	Fund Balance 6/30/12	0	0
	Estimated Revenues 2012-13	9,242,696	-
	Estimated Expenditures 2012-13	(5,224,886)	-
	Debt Service Payments -SRF Loan and COP Bond	(6,621,804)	-
	Transfer from Capital Improvement Reserve Fund 2012-13	2,603,994	-
	Fund Balance 6/30/13	0	0
	Anticipated Revenues 2013-14	9,068,760	-
	Anticipated Expenditures 2013-14	(7,866,377)	-
	Debt Service Payments SRF Loan and COP Bond	(7,070,654)	-
	Anticipated Transfer to/from Capital Improvement Reserve Fund	5,868,271	-
	Anticipated Fund Balance 6/30/14	0	0
<u>WORKING CAPITAL RESERVE FUND</u>			
	Fund Balance 6/30/12	13,213,888	0
	Transfer from Capital Improvement Fund Fund 2012-13	(2,603,994)	-
	Transfer to Rate Stabilization Reserve	0	-
	Transfer to Emergency Repair Reserve	0	-
	Fund Balance 6/30/13	10,609,894	0
	Anticipated Transfer to Capital Improvement Fund 2013-14	(5,868,271)	0
	Anticipated Fund Balance 6/30/14	4,741,623	0

SECTION VIII

DEBT SERVICE FUNDS

**Novato Sanitary District
2013-15 Preliminary Budget
State Revolving Fund Loan
and
COP Bond Fund**

		2013-14 Budget	
		Prelim	Final
<u>State Revolving Fund Loan</u>			
FUND BALANCE 6/30/12		81,307,946	
Principal Payment 2012-13		(3,431,967)	
Interest payments 2012-13		(1,946,989)	
Transfer from Capital Improvement Fund 2012-13		1,946,989	
FUND BALANCE 6/30/13		77,875,979	
Principal Payment 2013-14		(3,509,933)	
Interest payments 2013-14		(1,869,024)	
Transfer from Capital Improvement Fund 2013-14		1,869,024	
ANTICIPATED FUND BALANCE 6/30/14		74,366,046	
<u>COP Bond Financing Issued October 2011</u>			
FUND BALANCE 6/30/12		21,750,000	
Principal Payment 2012-13		(800,000)	
Interest payments 2012-13		(442,849)	
Transfer from Capital Improvement Fund 2012-13		442,849	
FUND BALANCE 6/30/13		20,950,000	
Principal Payment 2013-14		(830,000)	
Interest payments 2013-14		(861,698)	
Transfer from Capital Improvement Fund 2013-14		861,698	
ANTICIPATED FUND BALANCE 6/30/14		20,120,000	

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Sewer Service Charge: Set Public Hearing	MEETING DATE: June 10, 2013
	AGENDA ITEMS NO.: 12.b.
RECOMMENDED ACTION: Set date of July 8, 2013 for a public hearing on individual sewer service charges and adoption of resolution confirming report on sewer service charges.	
SUMMARY AND DISCUSSION: Each year the District must hold a public hearing in order to collect the sewer service charges on the tax rolls. This is separate from the Proposition 218 hearing that is held prior to making changes to the rates. It is necessary to determine the rates prior to this hearing so that District staff has time to calculate the individual rates for each customer. District staff will have a database on the computer at the meeting on July 8 th so that anyone may request to know what their individual rate will be in the coming year and have an opportunity to protest. The public hearing will be noticed twice in the Marin IJ. Following the public hearing the board will consider adoption of a resolution to collect the sewer service charges on the tax rolls.	
ALTERNATIVES: NA	
BUDGET INFORMATION: No impact	
	MANAGER:

Funding for Water Reuse and Efficiency Projects Headed to California

Submitted by Matt Williams on Wed, 05/22/2013 - 2:08pm
in

- [Water News](#)



Four more water projects in California will get federal funding as part of a U.S. Bureau of Reclamation program that promotes water recycling and reuse opportunities in the western states and Hawaii.

Reclamation announced this week that the Department of Interior is providing \$13.7 million in “cost-shared” funding that will go toward planning, design and construction of the California projects, which were selected via a ranking process.

ACWA member agencies are involved. The chosen projects are:

- a regional water recycling system in San Jose and Santa Clara County that’s a joint effort of local municipalities and water districts;
- construction that will build more capacity for effluent treatment at the Leo J. Vander Lans Water Treatment Facility in Long Beach, with involvement by the Water Replenishment District of Southern California;
- a system that blends effluent from the city of Watsonville’s wastewater treatment plant with higher-quality water to reduce salinity for agricultural irrigation water, in joint partnership between the city and Pajaro Valley Water Management Agency; and
- upgrades to treatment processes and construction of storage, pipelines and pump station facilities to distribute recycled water for agricultural, environmental, industrial, and landscape uses throughout Marin, Sonoma, and Napa counties, with involvement by the Sonoma County Water Agency.

The Department of Interior’s WaterSMART program was started in 2010 in order to pursue projects that sustainably manage the nation’s waters.

On May 22, Reclamation Commissioner Michael L. Connor announced 44 projects in 11 states will receive \$20.8 million in WaterSMART Water and Energy Efficiency Grants. Utilizing matching funds, the projects in California include a \$1.5 million grant for Patterson Irrigation District to install three new pump stations for a drain-return system, \$217,000 to Eastern Municipal Water District for installation of a meter data management system, and nearly \$300,000 for Madera Irrigation District for automation of water delivery infrastructure.

Dick Spotswood: Ross Valley sewers still wrestling with stink over ex-boss

Posted:

marinij.com

THE Ross Valley Sanitary District has just filed a lawsuit to collect almost \$350,000 from its former general manager Brett Richards.

It's likely an exercise in futility. Richards is a fugitive, with a seven-count felony indictment and a \$7 million bail on his head. He has no known assets.

The district may recoup \$149,000 of the unsecured "housing" loan to Richards from an insurance policy.

Unless it quickly acts to file a legal malpractice suit against the agency's former lawyer Sanford Skaggs, it can kiss the remaining \$200,000 of ratepayer money goodbye.

Skaggs spotted that Richards' loan papers had no provision for any security. Nor was there any requirement that in collection actions the loser pay attorney fees.

Skaggs wrote a memo to that effect to district directors, but he sent it to Richards not to his actual client, the district's directors.

Arguably, that's legal malpractice.

That's like notifying the fox that he's about to enter the henhouse. Needless to say, Richards never forwarded Skaggs' memo to the board.

The sewage district's current attorney, Jolie Houston, disclosed the statute of limitations on Skaggs' oversight will run out at the end of June. The board will decide within weeks whether to proceed against Skaggs and his professional liability insurance carrier.

My hunch is that it will do nothing.

For a big-firm attorney like Houston, collecting \$200,000 might cost more than could potentially be recovered.

Instead, the board should consider hiring a local attorney to collect the cash for a one-third contingency fee.

There likely are dozens of Marin lawyers who'd be delighted to take the case on a contingency. The district has literally nothing to lose unless, of course, there were some potentially embarrassing facts that litigation could bring to light.

III

FILING FOR ELECTION for city and town council seats in Novato, San Rafael, Tiburon, Fairfax, San Anselmo, Mill Valley, Corte Madera and Larkspur opens on Monday, July 15 and closes Aug. 9. A slew of school board, sanitary and fire district posts will also be on the November ballot.

If candidates are considering running, now is the time to start organizing their friends and neighbors.

Waiting until the last minute to decide about mounting a campaign is rarely a winning idea.

The Novato rumor mill indicates there are no candidates for City Council, except the incumbents Pat Eklund and Denise Athas. Both are expected to run.

It may be that next year's battle royale for the Novato-centered seat on Marin's Board of Supervisors between incumbent Judy Arnold and challenger Toni Shroyer is overshadowing this November's council race.

III

IN 2012's "top two" primary election, 49.81 percent of Marin registered voters participated. That's far less than the 90 percent of registered Marinites who cast ballots in presidential elections though more than the 40 percent that show up in odd-year municipal and school elections.

In an effort to find ways to encourage voter participation, Marin's Registrar of Voters Elaine Ginnold surveyed why 50 percent of registered voters didn't vote.

The top five excuses: 54 percent replied, "voting was inconvenient to my schedule;" 42 percent were "not interested" in the election; 37.1 percent just forgot; 37 percent didn't know enough about what's on the ballot; and 18 percent said, "my vote doesn't matter."

Some respondents gave multiple reasons

It's odd that the largest number complained about inconvenience. California, with permanent month-long mail voting, has the most liberal and easy to participate electoral systems in the nation.

III

TOM MONTGOMERY, vice chair of the Marin County GOP, says that "Marin's version of someone 'coming out' is when they divulge that they are a Republican."

Columnist Dick Spotswood of Mill Valley now shares his views on local politics twice weekly in the IJ. His email address is spotswood@comcast.net.

Editorial: Richards lawsuit key to Ross Valley moving forward

Posted:

marinij.com

AFTER A 5-0 VOTE, the directors of the Ross Valley Sanitary District made an announcement that its ratepayers have been waiting for.

The district board last week voted to file a lawsuit against its former general manager, Brett Richards, in hopes of getting back the roughly \$338,000 "housing" loan he got in 2010.

Richards, who resigned in 2012, is long gone and there's no evidence that he ever used the public money to buy a house.

Although its possible the district will never find Richards and get its money, the board needed to take action to try to secure a glimmer of hope for repayment of the loan.

Both legally and politically, the district board needed to take action.

The prudent thing would have been to have the loan secured by the property, which the district could have seized to get its money back. But the board approved an unsecured loan, essentially handing Richards the cash on a promise he would repay the district upon his departure.

He didn't.

The Marin district attorney is after him for suspected embezzlement and money laundering and wants \$7 million bail if he's arrested.

District directors were quiet about the six-figure loss while the DA was preparing its case. Now, it's time for the district to communicate with ratepayers.

Three board members — Pamela Meigs, Dr. Peter Sullivan and Pat Guasco — will likely have that opportunity if they decide to face voters to win re-election in November. But this matter is much larger than the fate of three incumbents.

Ross Valley has to restore ratepayer confidence in its direction, its political leadership and its fiscal management.

The Richards scandal likely will remain an issue whenever the district seeks voter approval of a bond measure or increased rates. Repairs and replacement of its leaking sewer pipes is estimated to cost as much as \$45 million. The district's annual budget is less than half of that sum and last year, the district had to get a loan from the county to get through the year.

The lawsuit was a necessary step to put Richards and the board's costly mistake in its political rearview mirror.

Richards, who enjoyed strong support from previous boards, led the district into expensive legal entanglements and started feuds with neighboring public agencies. He cost ratepayers a lot more than the \$338,000 home loan that's unaccounted for.

His supporters saw him as a champion for reform and didn't flinch when the sewer board made him one of the highest-paid public executives in the county.

But Richards, again with his board's strong backing, stirred enough controversy to eventually lead voters to shift the board's composition, prompting his sudden resignation and leaving the district holding an unpaid loan and a budget shortfall.

Rebuilding voter confidence takes time. Voters needed to see the board come to grips with the scandal.

The board's 5-0 vote to file a lawsuit is an important part of that process.

Marin Readers' Forum for June 7

From Marin Independent Journal readers

Posted: 06/07/2013 05:57:00 AM PDT

Rising sewer rates

I cannot believe that there has been so little written about the proposed rate increases in the San Rafael Sanitation District's sewer service charge.

I am already paying \$694.90 per year now. And I think this amount is excessive.

Multiplying \$694.40 by the number of residential units in the city, the amount is quite substantial.

This charge now makes up a significant portion of my annual property bill and well exceeds my annual charges for water usage.

The new proposal calls for increases from 2013 to 2018, from the \$694.90 per year to \$860.64 for an increase of almost 24 percent.

As a retiree, I am already struggling with my annual property tax bill.

I think the district needs to tighten its belts and look for cost reductions elsewhere, such as the generous pensions and health benefits district personnel receive.

Joe Faimali, San Rafael

DATE: May 21, 2013
TO: Independent Special District Presiding Officers
FROM: Peter Banning, LAFCO Executive Officer
RE: Call for Nominations - LAFCO Alternate Special District Member

The alternate special district member seat on Marin LAFCO has become vacant due to the current alternate, Craig K. Murray, being recently elected as a regular member. A mail ballot election must be held in order to fill the vacancy. The purpose of this memo is to invite your district to submit nominations to fill the vacancy for the remainder of the alternate member's term, until May 2015.

Included with this memo is a copy of LAFCO's procedure for Special District Member selection. As outlined in the attached procedure, nominations must be submitted in writing by special district governing boards within 60 days of the date of the call for nominations and must include a statement of the candidate's qualifications. A nominee qualification form is also enclosed for your board's use in the event that your board acts to nominate one of its members. If a nomination is made by action of your board, the enclosed forms should be completed and mailed or faxed to the LAFCO office no later than 5:00 pm on **July 24, 2013**.

Ballots will be distributed to all Marin special districts by certified mail no later than **July 26, 2013**. The completed Nominee Qualification forms will accompany the mail ballot. The final date the LAFCO office will accept ballots will be **September 25, 2013**. Ballots are accepted by mail, fax at (415) 446-4410 or electronically to staff@marinlafco.org.

If your district has questions or comments, please contact me at (415) 446-4409.

Enclosures

RECEIVED
MAY 23 2013

NOVATO SANITARY DISTRICT

Chairperson: Jeffrey Blanchfield
Members: Susan Adams, Judy Arnold, Einar Asbo, Barbara Heller, Carla Condon, Dennis J. Rodoni,
Alternates: Christopher Burdick, Craig K. Murray, Kathrin Sears, Herb Weiner
Executive Officer: Peter V. Banning

Marin Local Agency Formation Commission

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

Special District Member Selection

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

It is the policy of Marin Local Agency Formation Commission to conduct selection proceedings of regular and alternate special district members by a mail ballot process.

Procedure for Special District Member Selection

1. The Executive Officer shall initiate the mail ballot selection process for special district members 180 days prior to the expiration of the term of a special district member or immediately upon notification that the service of a special district member on LAFCO will end prior to the expiration of his or her term.
2. The Executive Officer shall initiate the mail ballot process by distributing to each independent special district a call for nominations, including a schedule of the selection process and a copy of this policy. Nominations must be submitted in writing by special district governing boards within 60 days of the date of the call for nominations. The submittal of a nomination must include a statement of the candidate's qualifications.
3. Within five working days of the close of the nomination period, the Executive Officer shall distribute by certified mail one ballot to each independent special districts. The distribution of ballots shall include a statement of qualifications for each candidate on the ballot.
4. Ballots may be submitted by mail or facsimile or electronically within 60 days of distribution of the ballots.
5. A majority of independent special district must cast ballots in order to select a special district member. Selection shall be made by majority of votes cast and a majority of independent special districts in Marin County.
6. Ballots cast by each special district must bear the signature of the district's presiding officer. If the presiding officer is unavailable, the district board may authorize another member of the board to cast the district's vote. Ballots may be returned to the LAFCO office by mail or by facsimile or electronically.
7. All ballots and other records of each selection process shall be retained in the LAFCO office for at least four years and shall be available for public inspection.

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

- a) Each district casting a vote shall rank the candidates in order of their preference. District boards would simply indicate a "1" next to their first choice, a "2" next to their second choice, a "3" next to their third choice etc.
- b) In counting the votes by the Executive Officer, all first choice votes are counted. If any candidate receives over 50 percent of the first choice votes, that candidate is selected as special district member.
- c) If no candidate receives a majority, then the candidate with the fewest "1" votes is eliminated. The ballots of the supporters of the eliminated candidate are then transferred to whichever of the remaining candidates they marked for their second choice. This process shall be continued until one candidate receives a majority and is selected as special district member.

Vacancy of Special District Member: Should a vacancy occur during a special district member's term of office, a new appointment shall be made for the unexpired term of the special district member. The Commission may:

- a) Direct the Executive Officer to initiate the mail ballot process for appointment of a new member for the un-expired term; or
- b) Appoint the alternate special district member to serve as regular public member for the remainder of the regular member's term of office.

Alternate Commissioners

Alternate members for county, city, special district and public members of the Commission shall be selected using the same procedures and selection criteria used for regular members. Alternate members shall serve and vote on the Commission in the event of absence or disqualification of the regular member.

MARIN LOCAL AGENCY FORMATION COMMISSION

NOMINATION FORM

ALTERNATE SPECIAL DISTRICT MEMBER

Name of District: _____

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

*Name of Nominee: _____

*District of Nominee: _____

_____ 2. Board did not act.

*Attach completed qualification form.

BOARD ACTION:

Ayes:

Noes:

Absent:

Abstain:

Board President

Attest:

Board Secretary

Date: _____

MUST BE RETURNED TO LAFCO BY JULY 24, 2013.
Forms may be faxed to (415) 446-4410 or emailed to staff@marinlafco.org.

MARIN LOCAL AGENCY FORMATION COMMISSION

NOMINEE QUALIFICATIONS

ALTERNATE SPECIAL DISTRICT MEMBER

Nominated for: Alternate Special District Representative

Name: _____

Name of Special District: _____

Telephone: (Home) _____ (Work) _____

Email Address: _____

Home Address:

Employer's Name and Address:

Present Occupation: _____

➤ Summary of Qualifications for Position:

➤ Reasons for Applying:

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

Please return to: Marin LAFCO
555 Northgate Drive, Suite 230
San Rafael, CA 94903
Fax: (415) 446-4410
Email: staff@marilafco.org

*Additional information may be attached.

DATE: May 14, 2013
TO: LAFCO Members
Marin County Independent Special Districts
FROM: Peter Banning, Executive Officer
Candice Bozzard, Clerk to the Commission
RE: Result of Election by Ballot
Selection of Special District Member

There are 30 independent special districts eligible to cast ballots for special district seats on LAFCO. The LAFCO office received 21 ballots within the 60-day selection period ending May 6, 2013. According to the adopted policy, special district members' election requires a majority of votes cast and a majority of special districts (16 votes). Since no candidate received a majority of "First Choice" votes the "instant runoff" or ranked-choice voting process provided in the adopted policy and procedure was required to determine the outcome.

Mr. Craig K. Murray of the Las Gallinas Valley Sanitary District has been selected to serve as special district member of LAFCO for the term ending in May 2017 based on the following results:

Final Count

Craig Murray, Las Gallinas Valley Sanitary District - 19
Lew Kiou, Almonte Sanitary District - 16
Jack Baker, North Marin Water District - 15
Richard Snyder, Sanitary District #5 - 11

RECEIVED
MAY 17 2013
NOVATO SANITARY DISTRICT

Ballots were received from the following special districts:

Almonte Sanitary District
Alto Sanitary District
Bel Marin Keys Community Services District
Bolin Community Public Utilities District
Bolin Fire Protection District
Homestead Valley Sanitary District

Chairperson: Jeffrey Blanchfield
Members: Susan Adams, Judy Arnold, Einar Asbo, Barbara Heller, Carla Condon, Dennis J. Rodoni,
Alternates: Christopher Burdick, Craig K. Murray, Kathrin Sears, Herb Weiner
Executive Officer: Peter V. Banning

Marin Local Agency Formation Commission

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Telephone (415) 446-4409 • Facsimile (415) 446-4410 • Email staff@marinlafco.org
Website <http://lafco.marin.org>

(ballots received, continued)

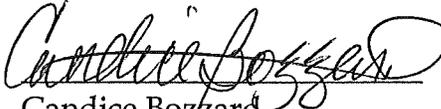
Inverness Public Utility District
Kentfield Fire Protection District
Las Gallinas Valley Sanitary District
Marin Municipal Water District
Marin Resource Conservation District
Muir Beach Community Services District
North Marin Water District
Novato Sanitary District
Richardson Bay Sanitary District
Sanitary District #5
Sausalito-Marín City Community Services District
Southern Marin Fire Protection District
Tamalpais Community Services District
Tiburon Fire Protection District
Tamales Village Community Services District

The following independent special districts did not submit ballots to the LAFCO office:

Marin Health Care District
Marin City Community Services District
Marinwood Community Services District
Novato Fire Protection District
Sanitary District #1 (Ross Valley)
Sleepy Hollow Fire Protection District
Stinson Beach Fire Protection District
Stinson Beach Water District
Strawberry Recreation District

Respectfully submitted,


Peter Banning
Executive Officer


Candice Bozzard
Clerk to the Commission

LETTERS TO THE EDITOR

All letters submitted to MarinScope Newspapers for publication must be typed and include the author's name, address and telephone number. Names may be withheld at the editors' discretion. We reserve the right to print all or parts of letters submitted, and to edit letters as we deem appropriate. Letters submitted may be used in print or digital form in any publication or service offered by the publisher. Letters should not exceed 250 words in length. The deadline is Friday, 5 p.m., for the next week's issue. We prefer letters e-mailed to letters@marinscope.com. You can also fax letters to 415-897-0940. Letters can also be delivered at 301B Grant Ave. in Novato, 94948.

LOCAL BRIEFS

Rotary of Novato Sunrise who help host with the California Department of Fish and Wildlife every year.

The kids and adults learned about fishing, sportsmanship, nature, the environment and the importance of recycling and protecting resources and the Earth.

Bank of Marin Board member retires

Bank of Marin announced the retirement of Joseph Martino after 13 years of service on the company's Boards of Directors. Recognized for his business expertise and community contributions, Martino has been a longtime Marin resident since 1969. He currently resides in San Rafael.

"We have benefited greatly from his insights and experience in business and from his commitment as a volunteer," said Joel Sklar, M.D., Chairman of the Board. "He will be greatly missed and we wish him well."

Firefighters fund for muscular dystrophy

Dozens of firefighters from Marin Professional Firefighters, IAFF Local 1775 raised \$50,000 for the Muscular Dystrophy Association during an annual "Fill the Boot" event at four intersections in Marin County April 25 and 28. Off-duty firefighters asked passing motorists, bicyclists, and pedestrians to drop donations into a firefighter's boot to support MDA's Bay Area children and families. The firefighters themselves donated an additional \$1,500.

For more about MDA, visit mda.org.

NSD's family-friendly events

Novato Sanitary District's Dee Johnson and Novato Disposal's Bessie Martinez staffed a joint booth at the Novato School Fuel Fun Fair. They had a recyclables toss and information about recycling and pollution prevention. The booth contributed \$500 to support Novato education.

Three people from Novato Sanitary District participated in the Fishing in the City program. Board President Mike Di Giorgio taught casting; John Bailey from Veolia helped with registration and Manager Beverly James taught about protecting the watershed from pollution. The Fishing in the City program is jointly sponsored by

Just My Take



and invisible objects around the house.

Additionally, she chased flies, spiders and butterflies. You never know when you'll need those well-honed jungle cat skills, and, like most cats, she was always at the peak of her hunting form.

She had a soft side as well. She was the least alpha-cat I've ever seen. If a strange cat walked in through the cat door and partook of the food bowl, Ashes would sit on the ottoman and watch with interest, but never got upset or territorial. She went so far as to befriend a baby skunk. I watched them play in the yard on sunny days and prayed they'd grow apart as they grew up. The question was never answered because we moved — and not for that reason.

When Ginne developed brain cancer, Ashes, not yet six-months old, would spend hours on her bed with her little paw resting lightly on her forehead right where the tumor lay underneath. By then we had moved to Sonoma, and Ashes had a half-acre of property to investigate and a winding creek around the property with all sorts of interesting fauna.

Like all cats, Ashes was a hunter. She even caught a bird once and brought the prize, as cats will do, into the house. She was so proud of herself, I couldn't bring myself to tell her that catching a bird nine-sheets-to-the-wind on fermented berries was not really a legitimate catch. OK, she was a hunter, but not always a great hunter. She stood guard over a mole hole in our lawn for three hours. Eventually the mole popped his head up. Ashes was lying on her back, fast asleep.

After Ginne passed on, Ashes helped me through the lonely times, a constant companion who never tired of my talking to her. She was always the strong one in the family.