

NOVATO SANITARY DISTRICT

Meeting Date: June 12, 2017

The Board of Directors of Novato Sanitary District will hold a regular meeting at 5:30 p.m., Monday, June 12, 2017, at the District Offices, 500 Davidson Street, Novato.

Materials related to items on this agenda that are public records, are available for public inspection in the District Office, 500 Davidson Street, Novato, during normal business hours. They are also available on the District's website: www.novatosan.com. Note: All times and order of consideration for agenda items are for reference only. The Board of Directors may consider item(s) in a different order than set forth herein.

AGENDA

1. PLEDGE OF ALLEGIANCE:

2. AGENDA APPROVAL:

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

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

4. REVIEW OF MINUTES:

- a. Consider approval of minutes of the May 22, 2017 regular meeting.

5. BOARD OF DIRECTORS:

- a. Review connection fees for residential Accessory Dwelling Units (ADUs), and provide direction.
- b. Receive report on request for waiver of ADU connection fees for 1120 Mirabella Avenue, and provide direction (request by Mr. David Gernetzke).

6. CONSENT CALENDAR:

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

- a. Approve regular disbursements, May 22 – June 12, 2017.
- b. Receive deposit Summary, May 2017.
- c. Cancel meetings of July 24, and August 28, 2017.

7. ANNUAL BUDGET:

- a. Presentation of Preliminary Budget for Fiscal Years (FY) 17-18 and FY18-19.
- b. Receive Schedule of Committee meetings to review Annual Solid Waste, Operating, and Capital Improvements Program (CIP) Budgets.

8. WASTEWATER OPERATIONS:

- a. Receive Wastewater Operations Report, May 2017.

9. CAPITAL PROJECTS:

- a. *Collection System Improvements, Account No. 72706:* East Hamilton Pump Station Force-main ARV Improvements - Grant Final Acceptance of the Project, and authorize staff to file the Notice of Completion.

10. GRAND JURY REPORT:

- a. Receive 2016-17 Marin County Civil Grand Jury report titled “The Budget Squeeze – How Will Marin Fund its Employee Pensions?”, dated June 5, 2017, and authorize staff and District Counsel to prepare a draft response for Board consideration.

11. NORTH BAY WATER REUSE AUTHORITY (NBWRA):

- a. Review the North Bay Water Reuse Authority Fourth Revised Memorandum of Understanding (MOU), and subject to minor changes or edits, authorize the Board President to sign the MOU.

12. BOARD OF DIRECTORS:

- a. Elect/appoint officers, and designate and authorize check signers, FY17-18.

13. BOARD MEMBER REPORTS AND REQUESTS:

- a. North Bay Watershed Association (NBWA) Board meeting, June 2, 2017.

14. INFORMATIONAL ITEMS:

These items are for information only - no action will be taken on these items as a result of any comments made.

- a. E-mail from National Association of Clean Water Agencies (NACWA) titled “President’s FY18 Budget Proposal for Clean Water”.
- b. Obituary for Mr. Dietrich Stroeh, from the Santa Rosa Press Democrat.

15. GENERAL MANAGER’S REPORT AND ANNOUNCEMENTS:

16. ADJOURNMENT:

Next Resolution No. 3108.

Next regular meeting date: Monday, June 26, 2017, 5:30 PM, at the Novato Sanitary District office, 500 Davidson Street, Novato, CA.

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

NOVATO SANITARY DISTRICT

Board Meeting Minutes
Meeting Date: May 22, 2017

A regular meeting of the Board of Directors of the Novato Sanitary District was held at 5:30 p.m., Monday, May 22, 2017, at the District offices, 500 Davidson Street, Novato.

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

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

ALSO PRESENT: John Bailey, Plant Manager, Veolia Water
Brian Exberger, Assistant Plant Manager, Veolia Water
Erik Brown, Technical Services Manager, Novato Sanitary District
Steve Krautheim, Fields Services Manager, Novato Sanitary District
Laura Creamer, Finance Officer, Novato Sanitary District
David Gernetzke, Novato resident
Jeff Melby, Project Manager, State Coastal Conservancy

PLEDGE OF ALLEGIANCE:

AGENDA APPROVAL: The agenda was approved as presented.

PUBLIC COMMENT: President Peters called for public comment.

David Gernetzke, Novato resident, owner of 1120 Mirabella Avenue, addressed the Board. He referred the Board to Senate Bill (SB) 1069 and how it affected the permit costs of his accessory dwelling unit (ADU) located at 1120 Mirabella Avenue. He said that per SB 1069, ADUs are not considered new residential uses for the purpose of calculating utility connection fees and capacity charges, including water and sewer service, for attached and detached ADUs. He stated that the Novato Fire District had not charged him fees, and that the North Marin Water District (NMWD) waived their standard connection fee for his ADU, in compliance with SB 1069. He further stated that on May 15, 2017, he was required to pay the Novato Sanitary District a connection fee of \$10,860. He said that the District does not provide a reduced fee for ADUs such as his, as per SB 1069, and feels there should be. He noted that he was presenting a letter with a demand the District refund his connection fee of \$10,860.

President Peters requested that staff review the matter with District Counsel, and asked that staff agendize this request for further discussion at the next available Board meeting.

REVIEW OF MINUTES:

Consider approval of minutes of the May 8, 2017 meeting.

On motion of Director Mariani, seconded by Director Dillon-Knutson, and carried unanimously, the meeting minutes of May 8, 2017 were approved.

CONSENT CALENDAR:

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

- a. Approve May 9 – May 22, 2017 capital project disbursements in the amount of \$132,793.85, and regular disbursements in the amount of \$120,903.98.
- b. Approve May 2017 payroll and payroll related disbursements in the amount of \$320,680.87

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

ANNUAL BUDGET:

- Hamilton Wetlands/Outfall Integration, Account No. 72707: Receive update on Hamilton (Bel Marin Keys V) Wetlands Restoration project – Jeff Melby, Project Manager, State Coastal Conservancy (SCC). The General Manager stated that Jeff Melby, Project Manager with the State Coastal Conservancy (SCC), was present, and would provide a PowerPoint presentation on the Hamilton/Bel Marin Keys V Wetlands Restoration Project.

Mr. Melby provided a PowerPoint presentation and discussed the Bel Marin Keys V (BMKV) Phase One Restoration Project, and noted that it will be performed jointly by the Army Corps of Engineers and the SCC. He stated that Phase One of the project will begin with levee construction, and he discussed levee design and construction materials. He further discussed the seasonal wetland areas that will be formed, site drainage features, and modifications to the District's effluent outfall pipeline. He noted that the intent was to eventually truncate the District's outfall at the site, and use the District's treated effluent for the wetlands, although the timeline for doing so could be anywhere from 2 to 10 years, depending on project funding.

Director Long commented that this was another great project by the Coastal Conservancy. The Board and the General Manager thanked Mr. Melby for attending and making the informative presentation.

- Cogeneration, Account No. 72708: Receive update on cogeneration and alternative energy options, and provide direction, if any. The General Manager stated that at the May 8th meeting, the Board requested an update regarding progress toward implementing a co-generation/alternative energy project. He stated that Technical Services Manager Erik Brown would provide the update.

The Technical Services Manager provided an update of the District's co-generation analysis and progress over the past year. He stated that staff has explored both solar and bio-gas energy solutions opportunities. He noted that Veolia currently operates a WWTP in Gresham, Oregon, which utilizes biogas as an energy source. He stated that staff evaluated operational data from this facility to estimate reliable gas production and sizing for a similar project at the District. He outlined financing options available, as well as potential costs vs. savings for a biogas co-generation project. Project Manager John Bailey provided further details of the project.

example at the Gresham, Oregon, facility. He noted that Veolia and District staff are considering a visit to other facilities with cogeneration installations to see first-hand the operational aspects, benefits and challenges of a co-generation project.

The Technical Services Manager provided an overview of a solar and battery storage energy option. He noted that the District had been approached by several Energy Service Companies (ESCOs) over the past few months, but that providers lost interest when they learned that the requested location for solar panels (500 Davidson St.) would not be financially viable. He discussed results from a Pacific Gas and Electric (PG&E) site audit, which outlined where potential energy savings could be realized.

The Technical Services Manager stated that the District's preliminary FY 2017/18 Budget includes funding for proceeding with implementation of a co-generation project, including engineering studies and design, potential California Environmental Quality Act (CEQA) related work, and assistance with securing grant funds. He stated that staff would continue exploring opportunities for energy-efficiency and alternative energy projects.

The Board stated that it was an informative and great presentation, and thanked him for his work. The Directors then discussed funding options and current debt levels at the District. Director Mariani stated that she supports alternative energy use but that she did not support a rate increase to implement a program of this nature. She encouraged staff to continue to explore funding options such as grants.

Director Miller stated that he would like to consider an evaluation of the economic benefit of converting natural gas into electricity through a District on-site generator.

At 7:25 p.m., President Peters declared a 10-minute recess. Mr. Gernetzke left the meeting.

At 7:35 p.m., Present Peters reconvened the meeting.

- Lateral Replacement Program, Account No. 72706-1: Receive update on sewer lateral grant program. The General Manager stated that the District has been implementing a sewer lateral grant program since FY 2010/11. He stated that the current FY 2016/17 program, budgeted at \$60,000, provided for one-half of the lateral replacement cost to a maximum of \$2,000 in the form of a grant for a sewer lateral replacement. He stated that the program has been very successful, and at this time, all available funds are either expended, or committed for expenditure. The General Manager continued that, for this reason, the preliminary FY 2017/18 capital budget includes an increase to \$80,000, retains the maximum individual grant amount at \$2,000, and includes a preliminary budget amount of \$100,000 for FY 2018/19.

Director Miller stated that he supports this program.

- Fiscal Year FY 17-18 Budget Workshop: outline FY 2017-18 budget elements. The General Manager stated that the purpose of his Budget Workshop presentation was to:

- Provide a "look back" at the FY16-17 budget,

- Discuss anticipated FY17-18 preliminary budget elements and highlights, and
- Provide a Preliminary Budget comparison, year-over-year, for FY16-17 vs. FY17-18

He then discussed the preliminary FY17-18 budget elements and highlights, including: the Recycled Water Facility (RWF) expansion; a Cogeneration/Alternative Energy project; Collection System projects; treatment facility projects; and staffing, noting that there was no net increase in planned positions over the next year. He noted that the FY17-18 Budget is based on a Sewer Service Charge (SSC) increase from \$573 per EDU (or Equivalent Dwelling Unit) in FY16-17 to \$594 per EDU in FY17-18, from the Board approved 2016 Sewer Service Rate study prepared by the Bartle Wells company. He provided a year-over-year budget comparison for FY16-17 versus FY17-18, including a Preliminary Summary of Revenues and Expenditures for FY17-18. He noted that based on the preliminary budget, the anticipated increase in total revenues for FY17-18 is about 6.3% while the anticipated increase in total expenses is about 6.1%, over FY16-17.

- Receive Fiscal Year FY 17-19 Preliminary Capital Improvements Program (CIP) Budget – Summary of Anticipated Project Work. The General Manager introduced Technical Services Manager Erik Brown and Field Services Manager Steve Krauthem. They, along with the General Manager, reviewed the FY 2017/18 Preliminary Capital Improvements Program Budget - Summary of Anticipated Project Work memorandum, and provided highlights of proposed project work elements, including among others, the Recycled Water Facility (RWF) Expansion project, the North Bay Water Reuse Authority (NBWRA), and Collections Systems projects (including continuing work on the Collection System Master Plan).

The Technical Services Manager noted that the RWF Expansion, which was had been scheduled to begin construction in FY16-17, was being deferred to the FY18-19 year to benefit from a potentially better bid climate. The General Manager noted the NBWRA was also transitioning to a more holistic water management program incorporating not only water recycling, but also groundwater management, drought management, and storm-water management. This would likely result in the water supply/management agencies assuming a larger role in NBWRA in the future, vis-à-vis the wastewater agencies (including the District).

- Set the date of June 26, 2017 for public hearing on individual sewer service charges, and adoption of a resolution confirming report on sewer service charges and collection on County tax rolls. The General Manager stated that each year the District must hold a public hearing in order to determine individual rates and collect the sewer service charges on the tax rolls.

On motion of Director Long, seconded by Director Miller, and carried unanimously, the Board set the date of June 26, 2017 for a public hearing on individual sewer service charges, and adoption of a resolution confirming report on sewer service charges and collection on County tax rolls.

STAFF REPORT:

- Receive report on Comprehensive Annual Financial Report (CAFR) Award from the Government Finance Officers Association (GFOA). The General Manager stated that this item

was to memorialize what was mentioned at the May 8th Board meeting: for the sixth year in a row, the District has received the Comprehensive Annual Financial Report (CAFR) from the Government Finance Officers Association (GFOA) Board. Finance Officer Laura Creamer was recognized for her excellence in the area of governmental accounting and financial reporting. The Board congratulated Laura on her achievement.

The General Manager also noted that the District's CAFR recognition was a news item in the "In Your Town" section of the Marin Independent-Journal (Marin IJ) newspaper of May 18, 2017 (included in the Board agenda packet).

GRAND JURY REPORT:

- Receive 2016-17 Marin County Civil Grand Jury report titled "Marin's Retirement Health Care Benefits – The Money Still Isn't There", dated May 17, 2017, and authorize staff and District Counsel to prepare a draft response for Board consideration. The General Manager stated that a new Grand Jury report was sent to the District on May 10th, and that it is a follow up to the report initially presented several years ago. He requested the Board authorize staff to work with District Counsel and prepare a draft response for presentation to the Board at a future meeting.

On motion of Director Miller, seconded by Director Mariani, and carried unanimously, the Board authorized staff to work with District Counsel and prepare a draft response to the Marin County Civil Grand Jury's report, "Marin's Retirement Health Care Benefits – The Money Still Isn't There", dated May 17, 2017, and to present the draft response to the Board at a future meeting.

COLLECTION SYSTEM OPERATIONS:

- Authorize purchase of a hydro-flusher truck, and authorize the General Manager-Chief Engineer to execute a purchase order with National Auto Fleet Group in the amount of \$170,052.12 (plus applicable taxes and fees). The current fiscal year budget included funds for the purchase of a hydro-flusher truck for the Collections Systems department. Field Services Manager Steve Krauthem stated that in a team effort, the Collection System staff has identified their specifications for a hydro-flusher truck. He noted that this truck is smaller than the typical hydro-flusher, making it much more maneuverable and more versatile than the District's existing hydro-flusher trucks, and does not require special permits or licenses to operate. He stated that Collection Systems Superintendent Dasse de longh worked with the National Joint Powers Alliance (NJPA) to secure a competitive bid. He stated that the District has received a quote of \$170,052.12 for the new vehicle, and requested the Board authorize a purchase order in this amount.

On motion of Director Mariani, seconded by Director Dillon-Knutson and carried unanimously, the Board authorized the purchase of a hydro-flusher truck, and authorized the General Manager-Chief Engineer to execute a purchase order with National Auto Fleet Group in the amount of \$170,052.12, plus applicable taxes and fees.

AD-HOC PERSONNEL COMMITTEE:

- Performance Evaluation, General Manager-Chief Engineer: The Ad-Hoc Personnel Committee recommends that the Board receive the Committee's report and recommendation, and approve a 5% merit increase on base salary, payable beginning with fiscal year 2016-17, to the General Manager-Chief Engineer. Directors Peters and Mariani were appointed to serve as an Ad-Hoc Personnel Committee to discuss the General Manager-Chief Engineer's performance with him. Director Peters stated that the Committee met and subsequently prepared the Memorandum dated May 4, 2017 (included with the Board packet). Director Mariani stated that the memo recommended that the Board authorize a five percent merit increase on base salary payable as a contribution to the General Manager-Chief Engineer's deferred compensation account beginning with fiscal year 2016-17. She noted that, at this time, the structure of the District's deferred compensation plan may preclude implementation of this recommendation. She stated therefore, that the Committee recommends the Board authorize a straight five percent (5%) merit increase on base salary, payable beginning with fiscal year 2016-17, to \$18,675 per month. The Board unanimously agreed with the Committee's recommendation.

On motion of Director Miller, seconded by Director Long, and carried unanimously, the Board accepted the Ad-Hoc Personnel Committee recommendation and approved a five percent merit increase on base salary, to \$18,675 per month, payable beginning with fiscal year 2016/17, to the General Manager-Chief Engineer.

Director Long congratulated the General Manager and expressed his thanks to the Ad-Hoc Personnel Committee. Director Mariani thanked the Board for their support of the Committee's recommendation.

BOARD MEMBER REPORTS AND REQUESTS:

- North Bay Water Reuse Authority (NBWRA), meeting of May 22, 2017 (Director Long). Director Long stated that he attended the NBWRA meeting, which was held on Monday, May 22nd at the Novato City Hall. For details of the NBWRA meeting, he deferred to the comments that the General Manager made earlier in the Board meeting on NBWRA transitioning to a water management type program.

GENERAL MANAGER'S REPORT AND ANNOUNCEMENTS:

The General Manager had the following reports and announcements:

- Reports:
 - Pending construction: North Marin Water District recycled water pipeline work will begin the week of May 22nd and will primarily be at the entrance of the District's treatment plant.

- The District has received the draft Fourth Amended MOU from the North Bay Water Reuse Authority (NBWRA). It is currently under review by District Counsel and will be brought back with a recommendation to the Board at a future Board meeting.
- Announcements:
- Thanks to Administrative Secretary Julie Hoover and Collection Systems Worker Joe Moreno for their participation staffing an outreach booth at the Novato Farmers Market on May 2nd. Also thanks to Julie Hoover and Electrical/Instrumentation Technician Russell Farmery for their participation staffing an outreach booth at the Marin Home and Garden Expo on May 20th and 21st. Both events were sponsored by the Wastewater Treatment Agencies of Marin County, which includes: Central Marin Sanitation Agency, Las Gallinas Valley Sanitary District, Sewerage Agency of Southern Marin, Sausalito-Marín City Sanitary District, Sanitary District No. 5, Tiburon and Belvedere, and the Novato Sanitary District.
 - The next Board meeting will be held on Monday, June 12th at 5:30 p.m.

ADJOURNMENT: There being no further business to come before the Board, President Peters adjourned the meeting at 8:42 p.m.

Respectfully submitted,

Sandeep Karkal, Secretary

Julie Hoover, Recording

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Board of Directors: Review Connection Fees for Residential Accessory Dwelling Units	MEETING DATE: June 12, 2017 AGENDA ITEM NO.: 5.a.
RECOMMENDED ACTION: Review staff memo on connection fees for Residential Accessory Dwelling Units (ADUs) and its recommendation, and provide direction.	
SUMMARY AND DISCUSSION: <p>Current and anticipated legislation on Accessory Dwelling Units (ADUs) has led to conflicting and confusing local practices in applying connection fee charges by special districts, primarily water and sewer districts. Staff and District Counsel request that the Board review the attached memorandum, the recommended ADU policy therein, and provide direction.</p>	
ATTACHMENTS: <ol style="list-style-type: none"> 1. Memorandum – Connection Fees for Residential Accessory Dwelling Units (ADUs). 2. Recent Legislative Changes (Not Applicable to Special Districts) - Accessory Dwelling Units. 3. Draft Novato Sanitary District Policy Regarding Connection And Permitting Fees For Residential Accessory Dwelling Units. 	
BUDGET INFORMATION: Based on the most recent three-year history, staff estimates that waving connection fees for ADUs would result in a potential decrease in fees of an average of four family units annually, or about \$43,440 at the current rate for Account No. 51020.	
STRATEGIC PLAN INFORMATION: This item addresses Goal 5 (Effective Governance and Administration) of the latest Strategic Plan Update.	
DEPT. MGR.: eb, ssk	GENERAL MANAGER: SSK

Novato Sanitary District

MEMORANDUM

TO: District Board of Directors

FROM: Kent Alm, District Counsel
Erik Brown, Technical Services Manager
Sandeep Karkal, General Manager-Chief Engineer

DATE: June 9, 2017

SUBJECT: Connection Fees for Residential Accessory Dwelling Units (ADUs).

1.0 Current Legislation on ADUs

Senate Bill SB 1069 in conjunction with Assembly Bill AB 2299 (both effective January 1, 2017) amended various sections of the State Government Code (GC) relating to land use. Specifically, GC section 65852.2 was amended to state that Accessory Dwelling Units (ADUs) shall not be considered as new residential uses for the purposes of calculating local agency connection fees or capacity charges for utilities, including sewer service under certain conditions.

GC section 65852.2 defines a “Local Agency” as a city, county, or city and county, whether general law or chartered. Since the District does not meet the definition of a “Local Agency,” District Counsel advised that SB 1069 and AB 2299 do not apply to the District without proposed amendments to these laws taking effect. Therefore, the District’s connection fee for an ADU is currently the same as the fee for a single-family equivalent dwelling unit, i.e. \$10,860.

2.0 Anticipated Legislation on ADUs

There is additional new legislation pending in the 2017 legislative session. The proposed legislation, specifically SB 229 (2017), seeks, among other changes, to amend GC section 65852.2 to include special districts. SB 229 is expected to become law and be effective as of January 1, 2018.

At this point, the proposed bill retains the several classes of ADUs as outlined on accompanying attachments. Each of these separate classes have different rules for charging connection fees and service charges. The applicability and amount of connection fees chargeable varies depending on the size of the unit and other factors.

3.0 2016-17 Grand Jury Report

In April 2017, the 2016-17 Marin County Civil Grand Jury released its report titled “Overcoming Barriers to Housing Affordability” Report dated April 6, 2017, and the District was required to respond to Recommendation R5 - Each utility district should

adopt waivers for hook-up fees for low-income housing projects and accessory dwelling units. The District provided the following response to the Grand Jury on its recommendation related to Accessory Dwelling Units (ADUs):

“Pursuant to Penal Code section 933.05(b)(2), the District has not yet implemented this recommendation on Accessory Dwelling Units (or ADUs), but will implement it in a manner consistent with the terms of California Government Code section 65852.2 which is anticipated to be amended and become applicable to special districts pursuant to pending legislation (SB 229 (2017)). SB 229 is fully expected to pass and be chaptered with the applicability to special districts to be effective January 1, 2018.”

4.0 Junior Accessory Dwelling Units (JADUs)

Junior ADUs (JADUs) are a separate and different class of ADUs and statutorily are treated differently. AB 2406 (2016) provided that a JADU is a separate living unit within an existing structure which is 500 square feet or less. If a separate unit qualifies as a JADU, then no separate connection fees or sewer service charges may be imposed. This bill became effective in late 2016. Also, at its May 11, 2015, meeting, the District Board voted to waive connection fees for city or county approved JADUs.

5.0 Local Implementation of Current Legislation

Local Practices

To date, the provisions of SB 1069 and AB 2299 (current legislation) have been implemented inconsistently at the local level, but cities and counties are generally expected to have modified their ordinances to reflect the 2016 ADU legislation.

Some special districts have also enacted new policies to reflect the 2016 legislation, although not required to do so under current law. This has caused confusion and frustration for ADU applicants, who may have been informed that connection fees do not apply by one special district, only to be told that connection fees still do apply by another special district in the same area with an overlapping or related function.

District staff has experienced this scenario of inconsistent local practices on several occasions since the beginning of this year, and seeks direction from the Board as discussed below.

District Options

Staff worked with District Counsel to identify options for the Board’s consideration in the event the Board wishes to address the effects to the District from the inconsistent local practices discussed above:

1. Make no changes to current practices regarding ADUs and comply with the pending legislation (SB 229), if and when it goes into effect.

If this option is adopted, staff will work with District Counsel to craft an explanatory memo that can be provided to ADU applicants through the remainder of the year;

2. Review and adopt the attached draft policy, subject to minor changes and additions. The draft policy essentially pre-emptively incorporates current legislation (SB 1069 and AB 2299), as well as the anticipated legislation of SB 229, and would be retroactive to an effective date of January 1, 2017:
3. Provide other direction to staff and District Counsel.

Note that under Option 2 above, the planning entities for development within the District's service area, i.e. the City of Novato or the County of Marin, will make the determination on whether a proposed ADU conforms to the criteria of their respective ADU ordinances. In order for the District to permit the ADU connection, applicants will be required to provide proper and official verification of ADU determination by the appropriate planning entity (i.e. City or County).

6.0 Recommendation

Staff recommends that the Board consider option 2 above for implementation. This option would essentially align the District's policy on ADUs with other related entities in the Novato area, primarily the City of Novato, County of Marin, and the North Marin Water District (NMWD).

Also, if the Board elects to implement this option, and adopts the recommended policy, it is recommended that the Board direct staff and District Counsel to draft a revised or amended District response to the Grand Jury's Recommendation R5 of its April 6, 2017 report, for the Board's consideration at a future meeting. In this event, the District has until July 12, 2017 to provide an amended response to the Grand Jury.

Recent Legislative Changes

(not yet applicable to Special Districts)

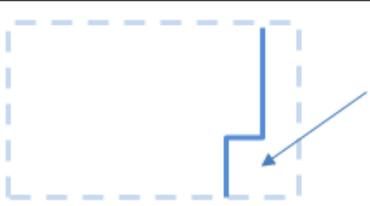
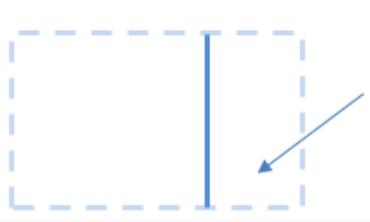
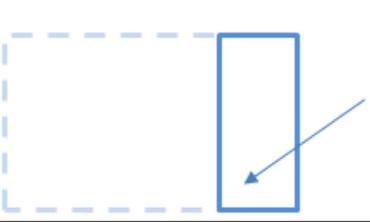
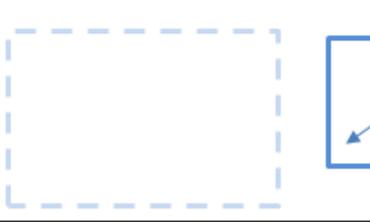
	Maximum Area	Capacity Fees	Annual Sewer Service Charge
Single Family Residence (Existing)	No Limit	Current Fee	Current Fee
Second Residential Unit (Existing)	> 1200 sf	Current Fee	Current Fee
Junior Accessory Dwelling Units ¹	500 sf	No Fee	No Fee
Attached Accessory Dwelling Units within existing space ²	1200 sf	No Fee	Current Fee
Detached Accessory Dwelling Unit within an existing Accessory Structure ²	1200 sf	No Fee	Current Fee
Attached Accessory Dwelling Units ² (New Construction outside of existing footprint)	1200 sf	Proportional to sf or fixture units	Current Fee
Detached Accessory Dwelling Units ² (New Construction)	1200 sf	Proportional based on sf or fixture units	Current Fee
Non-Conforming Accessory Dwelling Units ³ (New Construction or Conversion after Jan. 1, 2017)	> 1200 sf	Current Fee	Current Fee

¹ AB 2406 signed by Governor on September 28, 2016 and immediately effective (ADUs)

² SB 1069/AB 2299 signed by Governor on September 27, 2016 and effective January 1, 2017

³ Proposed District Code Change

Accessory Dwelling Units and Junior Accessory Dwelling Units

<p>Junior Accessory Dwelling Unit</p>		<ul style="list-style-type: none"> • 500 SF max • uses existing bedroom • efficiency kitchen 	<p>No Capacity Fee</p> <p>No Annual Sewer Service Charge</p>
<p>Attached Accessory Dwelling Unit WITHIN existing space</p>		<ul style="list-style-type: none"> • 1,200 SF max • not more than 50% of total area 	<p>No Capacity Fee</p> <p>Pays Annual Sewer Service Charge</p>
<p>Detached Accessory Dwelling Unit WITHIN existing accessory structure</p>		<ul style="list-style-type: none"> • 1,200 SF max 	<p>No Capacity Fee</p> <p>Pays Annual Sewer Service Charge</p>
<p>Attached Accessory Dwelling Unit NOT WITHIN existing space</p>		<ul style="list-style-type: none"> • 1,200 SF max • not more than 50% of total area 	<p>Pays Proportionate Capacity Fee</p> <p>Pays Annual Sewer Service Charge</p>
<p>Detached Accessory Dwelling Unit NOT WITHIN existing accessory structure</p>		<ul style="list-style-type: none"> • 1,200 SF max 	<p>Pays Proportionate Capacity Fee</p> <p>Pays Annual Sewer Service Charge</p>
<p>Greater than 1,200 SF</p>			<p>Pays Multi-family Capacity Fee</p> <p>Pays Annual Sewer Service Charge</p>

NOVATO SANITARY DISTRICT POLICY REGARDING
CONNECTION AND PERMITTING FEES FOR RESIDENTIAL ACCESSORY DWELLING UNITS

1. *Policy Background:* California State Senate Bill SB 1069 in conjunction with Assembly Bill AB 2299 (both effective January 1st, 2017) amended various sections of the State Government Code relating to land use. Specifically, Section 65852.2 includes provisions for local agencies to adopt ordinances allowing Accessory Dwelling Units (ADUs) in single-family and multifamily residential zones. In the District's service area, the local agencies with the authority to adopt ordinance(s) allowing ADUs are the City of Novato (City) and the County of Marin (County). Pursuant to Government Code Section 65852.2, certain ADUs shall not be considered new residential uses for the purposes of calculating local agency connection fees or capacity charges for utilities, including sewer service (with limited exceptions). As Government Code Section 65852.2 applies to Local Agencies (defined as a city, county, or city and county, whether general law or chartered), the District is not subject to its provisions at this time. The District currently charges connection fees for ADUs. Eliminating connection fees for certain ADUs to be consistent with the provisions of Government Code Section 65852.2 constitutes a change in District Policy. The Policy set forth herein is intended to conform District Policy with City and County ADU Ordinances, and other Novato area local agencies' ADU policies.
2. *Provisions of Service for Accessory Dwelling Units:*
 - a) Government Code Section 65852.2 (i) (4) defines an Accessory Dwelling Unit as "an attached or a detached residential dwelling unit which provides complete independent living facilities for one or more persons. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel as the single-family dwelling is situated. An accessory dwelling also includes the following: (A) An efficiency unit, as defined in Section 17958.1 of Health and Safety code. (B). A manufactured home, as defined in Section 18007 of the Health and Safety Code."
 - b) As the planning entities for development within the District's service area, the City of Novato or the County of Marin will make the determination on whether a proposed accessory dwelling unit conforms to the criteria of their respective ADU ordinances. In order for the District to permit the ADU connection without payment of standard district connection fees, applicants will be required to provide proper and official verification of ADU determination from the appropriate planning entity (i.e. City or County), that the proposed ADU conforms to their requirements.

c) Subject to the limitations in Section 3 below, applicants who propose to construct an ADU that meets the requirements of either the City of Novato or County of Marin will not be required to pay connection charges; nor will applicants be required to install a new or separate connection directly between the accessory dwelling unit and the public sewer.

d) ADUs will be subject to pay administrative, permit and inspection fees as follows:

i. Applicants proposing an attached ADU will pay an administrative fee (currently \$40)

ii. Detached ADUs that will connect to the existing sewer lateral serving the primary residence will be subject to the same permit and inspection fee for Single Family Dwellings (currently \$40). Detached ADUs that require a separate connection to the public sewer due to physical or other constraints will be subject to an additional "wye" charge (currently \$20).

iii. ADUs not meeting the criteria of the City of Novato or County of Marin's ADU ordinance(s) will be subject to the connection fees as described below.

3. *Provisions of Service for Accessory Dwelling Units Not Meeting the Requirements for Fee Waivers:*

a) For an ADU that is not described in subdivision (e) of Government Code Section 65852.2, that is constructed within the existing space of the residence or an accessory structure, or an ADU that does not meet the ADU requirements of the City of Novato or County of Marin, the District may require a new or separate utility connection directly between the accessory dwelling unit and the public sewer. Consistent with Section 66013, the connection shall be subject to a connection fee or capacity charge that shall be proportionate to the burden of the proposed accessory dwelling unit, based upon either its size or the number of its plumbing fixtures, upon the sewer system. Per the Government Code, this fee or charge shall not exceed the reasonable cost of providing this service.

b) Within the District's service area, connection fees for ADUs within this category will be calculated based on the square footage proportional to the maximum size allowable for an ADU, or 1,200 square feet. Any structure greater than 1,200 square feet would be considered a Single Family Unit (SFU) (or interchangeably, single family Equivalent Dwelling unit or EDU), and be subject to the full connection fee. For example, the connection fee for a proposed 600 square foot ADU would be calculated at 600/1200 or 0.5 SFU.

c) Permit fees for ADUs within this category will be the same as defined in 2. d), above.

4. Policy Implementation:

a) This Policy applies to newly constructed ADUs, constructed after January 1, 2017. ADUs constructed prior to January 1, 2017 will be subject to the established permit fees and connection charges as applicable to ADUs that were in place prior to the adoption of this Policy.

b) The District Board may revise this Policy or amend any portions hereto as deemed necessary.

DRAFT

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Board of Directors: Review request for Connection Fee Waiver for Residential Accessory Dwelling Unit (ADU) at 1120 Mirabella Avenue.	MEETING DATE: June 12, 2017 AGENDA ITEM NO.: 5.b.
RECOMMENDED ACTION: Receive report on request for waiver of ADU connection fees for 1120 Mirabella Avenue, and provide direction (request by Mr. David Gernetzke).	
SUMMARY AND DISCUSSION: <p>At the District Board meeting of May 22, 2017, Mr. David Gernetzke petitioned the District Board with the attached letter. Briefly, Mr. Gernetzke’s position is that his Accessory Dwelling Unit (ADU) at 1120 Mirabella Avenue should be considered either a Junior ADU and charged no connection fees, or be considered an ADU under Senate Bill SB1069, and receive a waiver of connection fees. He informed the Board that the City of Novato (responsible planning entity) has previously recognized this unit as an ADU, and the North Marin Water District (NMWD) has waived its connection fees.</p> <p>Separately, at this current Board meeting, the Board will be considering an item on Connection Fees for ADUs (see Item 5.a. of the Agenda packet), including a proposed policy for Residential ADUs. Based on the Board’s decision on this agenda item 5.a. (including the proposed policy therein on Connection fees for Residential ADUs), Mr. Gernetzke may be charged either a connection fee of \$10,860 plus a permit/administrative fee of \$40, or just a permit fee of \$40.</p> <p>Mr. Gernetzke has already paid a connection fee of \$10,860 and a permit/administrative fee of \$40. Therefore, if the Board adopts the recommended policy on new ADUs of Board Agenda item 5.a., staff will process a refund of the \$10,860 charge to Mr. Gernetzke on the agenda for the Board meeting of June 26, 2017. If the Board does not adopt the proposed policy, the District will retain the \$10,860 connection fee.</p>	
ATTACHMENTS: 1. Letter from Mr. David Gernetzke dated May 19, 2017, and hand delivered at the Board meeting of May 22, 2017.	
STRATEGIC PLAN INFORMATION: This item addresses Goal 5 (Effective Governance and Administration) of the latest Strategic Plan Update.	
DEPT. MGR.: eb, ssk	GENERAL MANAGER: SSK

May 19, 2017

Novato Sanitary District:

On January 1, 2017 assembly bill 1069 approved the building of Accessory Dwelling Units. (ADU) one which allows for 1200 sq. ft. and a JR ADU which allows for 500 sq. ft., also referred to as a second unit, in-law unit, or granny flat. This bill provides that ADU's shall not be considered new residential uses for the purpose of calculating utility connection fees or capacity charges, including water and sewer service for attached and detached ADU's, this fee or charge must be proportionate to the burden of the unit on the water or sewer system and may not exceed the reasonable cost of providing the service.

All impact fees, including water, sewer, park and traffic fees must be charged in accordance with the fee mitigation act, which requires fees to be proportionate to the actual impact, significantly less than a single family home. Special districts and non-city and county service districts must account for the lesser impact related to an ADU and should have fee's on unit size.

ADU's are permitted on accessory space. Simply, where a single family residence or accessory structure exists in any single family residential zone, so can an ADU. The purpose is to structure and expand potential for ADU's where impact is minimal and the existing footprint is not being increased. Such is the case in my situation. Furthermore, neither the North Marin Water District nor the Fire Department are charging a fee per the California Department of Housing and Community Development Accessory Dwelling Memorandum of December 2016, (re: letter from Water District)

Novato Sanitary District connection fees refer only to new dwellings, \$10,860, and Junior Accessory Dwelling Unit (JADU), \$40.00, there is no category for ADU's. Perhaps there should be a third fee for when a new ADU on a parcel results in an expanded footprint. There is no explanation where the \$10,860. Fee applies to an ADU.

In my case I built an ADU within an existing garage that is 500 sq. feet that meets the JADU requirements; however, I wanted 220 electrical and larger kitchen sink and wall heater in my unit that now makes it an ADU per the city, instead of the JADU. Because this is not new construction and it meets the requirements of the SB1069, the lessor fee for JADU's of \$40 should apply and not the \$10,860. For new construction fee charged to me. (see foot notes)

In summary, in my opinion, I should not be charged the \$10860. Permit fee for my ADU based on the following:

1. The Water District interpretation of SB1069 does not allow a permit fee to be charged, and you both provide similar services.

2. SB1069 does not allow the city to charge a fee for water and sewer connection for JADU's and the same should apply for ADU's
3. SB1069 allows ADU's up to 1200 sq. ft. of living area and the city limits it to 500 sq. ft. of living space for JADU's and my unit does meet the requirements of both.
4. The Sanitary District does not list a fee for an ADU, only a JADU, which in my opinion and based on AB1069, should be the same unless there is a new footprint on the property. My ADU does not have a new footprint.
5. The intent of SB1069 is to provide additional housing and that ADU's and JADU's shall not be considered new residential uses for the purpose of calculating utility connection fees or capacity charges, including water and sewer services.
6. As a matter of information I obtained a fee schedule from the Sanitary District of San Rafael and it states:
 - o **2016-2017 Sewer Connection Fee for a second unit (on same parcel, same owner, & connected to existing house lateral) NO FEE**

I am now 79 years old, living on Social Security and my savings each month. By renting out this ADU will supplement my income and make life a little easier for me, thanks to Governor Brown.

This letter is my demand for a refund of \$10,860. In accordance with SB1069.

Sincerely,


David Gernetzke
1120 Mirabella Avenue
Novato, CA 94945
(415) 892-1532

RECEIVED
MAY 22 2017

NOVATO SANITARY DISTRICT

Novato Sanitary District Board Fees Check Register

For May 2017

<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Credit</u>
Jun 9, 17			
06/09/2017	4984	Mariani, Jean M	675.36
06/09/2017	4986	Peters, Arthur Gerald	575.37
06/09/2017	4983	Long, William C	521.58
06/09/2017	4982	Dillon-Knutson-, Carole	415.57
06/09/2017	4985	Miller, Brant	
Jun 9, 17			<u>2,187.88</u>

Novato Sanitary District Operating Check Register

June 12, 2017

Date	Num	Name	Credit
Jun 12, 17			
06/12/2017	60702	Veolia Water North America, Inc.	170,746.40
06/12/2017	60693	PARS-OPEB-Post Employment Benefits Trust	63,636.36
06/12/2017	60703	Veolia Water North America, Lab	27,893.26
06/12/2017	60694	PARS-PSRP-Post Employment Benefits Trust	18,181.82
06/12/2017	60676	HACH/American Sigma Inc	8,178.84
06/12/2017	60680	Johnson, Dee	8,010.00
06/12/2017	60697	Rauch Communication Consultants. Inc.	7,650.79
06/12/2017	60707	WECO	6,657.98
06/12/2017	60700	U.S. Bank	5,010.82
06/12/2017	60686	Meyers, Nave, Riback, Silver & Wilson	2,750.00
06/12/2017	60689	North Marin Water District	2,638.36
06/12/2017	60681	Koffler Electrical Mech, Inc.	2,086.68
06/12/2017	60704	Veolia Water Recycled Water Oper.	1,905.00
06/12/2017	60698	RP Equipment previously MBE	1,859.82
06/12/2017	60667	Buckles-Smith1	1,622.08
06/12/2017	60674	Grainger	1,548.19
06/12/2017	60699	Siemens Industry	1,302.23
06/12/2017	60668	Cintas Corporation	1,167.01
06/12/2017	60678	IEDA, INC	1,143.00
06/12/2017	60673	Frontier Communications of CA	1,110.51
06/12/2017	60679	Jan-Pro Cleaning Systems	1,005.00
06/12/2017	60657	Alpha Analytical Lab, Inc.	931.00
06/12/2017	60664	Beecher Engineering, Inc	740.00
06/12/2017	60665	BoundTree Medical, LLC	707.86
06/12/2017	60705	Verizon Wireless-	677.15
06/12/2017	60706	Vision Service Plan	611.79
06/12/2017	60685	MarinScope Inc.	550.00
06/12/2017	60669	Eco Promotional Products, Inc	544.26
06/12/2017	60660	B.W.S. Distributors, Inc.	410.37
06/12/2017	60696	Pitney Bowes Reserve Account	400.00
06/12/2017	60656	3T Equipment Company Inc.	388.07
06/12/2017	60671	Fisher-Scientific	384.52
06/12/2017	60692	Novato Disposal-	363.48
06/12/2017	60683	Lightning Services, Inc.	270.00
06/12/2017	60675	Graybar Electric Co. Inc.	221.67
06/12/2017	60690	North Marin Water District - Lab	220.00
06/12/2017	60662	Batteries Plus Inc	212.48
06/12/2017	60695	Pini Hardware	182.18
06/12/2017	60661	Barnett Medical LLC	180.00
06/12/2017	60672	Fishman Supply Company	177.15
06/12/2017	60663	Bearings & Hydraulics	126.38
06/12/2017	60658	American Messaging	93.30
06/12/2017	60677	Honey Bucket	88.18
06/12/2017	60682	Leonardi Automotive & Electric, Inc.	87.36
06/12/2017	60659	AT&T Mobility	62.39
06/12/2017	60670	First Alarm	39.91
06/12/2017	60688	National Notary Association	33.00
06/12/2017	60684	Marin Landscape	24.14
06/12/2017	60666	Buck's Saw Service, Inc.	17.34
06/12/2017	60701	U.S. Bank (Sandeep)	16.50
06/12/2017	60691	Novato Builders Supply	11.91
06/12/2017	60687	NAPA Auto Parts	5.29
Jun 12, 17			<u>344,881.83</u>

Novato Sanitary District Capital Projects Check Register

May 23 through June 12, 2017

Date	Num	Name	Credit
May 24 - Jun 12, 17			
05/24/2017	3178	Downtown Ford Sales	26,256.86
06/12/2017	3180	Ghilotti Bros. Inc.	14,091.14
06/12/2017	3182	RMC Water & Environment, Inc.	6,580.90
06/12/2017	3179	Eaton Corporation	1,809.00
06/12/2017	3181	Nute Engineering Inc.	864.00
May 24 - Jun 12, 17			<u>49,601.90</u>

Novato Sanitary District
Deposit Detail
 May 2017

Item 6.b.

Type	Date	Name	Account	Amount
Deposit	05/04/2017		11113 - Westamerica - Operations	
		USCG	11200 - Accounts Receivable	14,608.10
		USCG-Finance Center	11200 - Accounts Receivable	190.35
TOTAL				14,798.45
Deposit	05/10/2017		11113 - Westamerica - Operations	
		Muha, Edward	41040 - Permit & Inspection Fee	40.00
		Ben Franklin Plumbing	41040 - Permit & Inspection Fee	40.00
		County of Marin	51015 - Property Taxes	70.14
		Koenigs, Mike	41030 - Plan Check & Inspection Fee	25.00
		MISC-	41040 - Permit & Inspection Fee	40.00
		Lamorte, Donat	41040 - Permit & Inspection Fee	60.00
		Nozu, Takio	41040 - Permit & Inspection Fee	40.00
		County of Marin	51015 - Property Taxes	59,696.82
		Alliant Insurance Services, Inc	66070 - Insurance	65.00
		Marin General	51020 - Connection Charges	25,521.00
TOTAL				85,597.96
Deposit	05/16/2017		11113 - Westamerica - Operations	
		Roto Rooter	41040 - Permit & Inspection Fee	40.00
		Mirabella Property	51020 - Connection Charges	10,860.00
		North Marin Water District-	(1) 11200 - Accounts Receivable	1,037.01
		Veolia Water	(2) 11200 - Accounts Receivable	13,393.93
		City of Novato - Used Oil/Beverage	(3) 11200 - Accounts Receivable	13,827.00
TOTAL				39,157.94
Deposit	05/23/2017		11113 - Westamerica - Operations	
		Novo Construction	41040 - Permit & Inspection Fee	60.00
		Devcon Const	41040 - Permit & Inspection Fee	25.00
		Devcon Const	51020 - Connection Charges	3,258.00
		Novato Disposal	(4) 11200 - Accounts Receivable	88,533.50
TOTAL				91,876.50
Deposit	05/31/2017		11113 - Westamerica - Operations	
		delongh, Dasse-	41040 - Permit & Inspection Fee	40.00
		County of Marin	51015 - Property Taxes	9,347.26
		County of Marin	51015 - Property Taxes	3,538.77
		County of Marin	51015 - Property Taxes	13,931.55
		Petaluma Septic	11200 - Accounts Receivable	928.09
TOTAL				27,785.67
		Total Deposits for May 2017		259,216.52

- (1)** Collection of Recycled Water Facility billing for January 2017 from North Marin Water District.
(2) Collection of quarterly reimburseable charges billed to Veolia for Jan - March 2017.
(3) Collection of beverage grant receivable for FY 15/16 from the City of Novato.
(4) Collection of quarterly billing for Hazardous Household Waste AB939 Fees.

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: ANNUAL BUDGET: FY17-19 Preliminary Budget	MEETING DATE: June 12, 2017 AGENDA ITEM NO.: 7.a. & b.
RECOMMENDED ACTION(S): <ul style="list-style-type: none"> a. Presentation of Preliminary Budget for Fiscal Years FY17-18 and FY18-19, and b. Receive Schedule of Committee meetings to review Annual Solid Waste, Operating, and Capital Improvements Program (CIP) Budgets. 	
SUMMARY AND DISCUSSION: <p>The District’s Preliminary Budget for Fiscal Years (FY) 2017-19 is being presented herein for the Board’s review (Attachment 1).</p> <p>The Board also traditionally reviews each of the Solid Waste, Operating, and Capital Improvement Program budgets by Committee. Based on Board feedback, the following review schedule is presented:</p> <ul style="list-style-type: none"> 1. Operating Budget review: Wastewater Operations Committee – 3:00pm, Tuesday, June 13, 2017 (Directors Peters and Miller). 2. Capital Improvement Program (CIP) budget review: New Facilities Committee – 1:00pm, Wednesday, June 14, 2017 (Directors Long and Dillon-Knutson). 3. Solid Waste Budget review: Solid Waste Committee – 3:30pm, Monday, June 19, 2017 (Directors Mariani and Dillon-Knutson). 	
ATTACHMENTS: 1. Preliminary Budget for Fiscal Years 2017-19.	
STRATEGIC PLAN INFORMATION: This item addresses Goal 4 (Well Planned Finances with a Long Range Outlook) of the latest Strategic Plan Update. The item also addresses other goals of the Strategic Plan including Goal 1 (Operational Excellence), and Goal 3 (Alignment and Communications).	
DEPT. MGR.: lc, ssk	GENERAL MANAGER: SSK



Preliminary Budget
FOR
FISCAL YEARS 2017-19

Proposed June 12, 2017

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SECTION I

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

June 26, 2017

Honorable Board of Directors
Novato Sanitary District
500 Davidson Street
Novato, California 94945

Honorable Board Members:

The proposed Preliminary District Budget for fiscal years (FY) 2017-18 and 2018-19 fiscal years is attached for your consideration and approval. The Preliminary Budget includes the following components:

- Summary of Fund Balances including Operating, Capital Improvement, and Reserve Funds (Section I).
- Operating Budget: Summary Revenues/Expenditures, and Summary Budget by Cost Center and Account Category (Section II).
- Detailed Operating Budget by Cost Center and Account Category (Section III).
- Capital Improvement Budget: Revenue and Expenditures Budget (Section IV)
- FY17-18 Wastewater Capital Reserve Fund and Certificates of Participation Reserve Fund (Section V)
- FY17-18 Rate Stabilization Fund (Section VI)
- FY17-18 Debt Service Fund Summary for State Revolving Fund (SRF) Loan and Certificates of Participation (COP) Bond Fund (Section VII).

Note that this year's annual Sewer Service Charge (SSC) increases from \$573 to \$594 per service unit, or an increase of 3.7% over the prior year. The basis of the rate increase is District Ordinance No. 120 – AN ORDINANCE OF THE NOVATO SANITARY DISTRICT ESTABLISHING SEWER SERVICE CHARGES FOR FISCAL YEARS 2016-17, 2017-18, 2018-19, 2019-20, AND 2020-21. This Ordinance No. 120 was adopted by the District Board at its regular meeting of June 13, 2016 upon completion of the appropriate Proposition 218 process.

As in prior years, the sewer service charge is divided in FY17-18, with \$330 (55%) allocated to the Operating Budget, and \$264 (45%) allocated to the Capital Budget.

A. BUDGET STRUCTURE

The District's budget is prepared on a cash basis. Operating and Capital Revenues and Expenditures are summarized in Table 1, and illustrated in Figure 1 at the end of this letter. Table 1 also compares the adopted budget for the immediate past year with the proposed budget for the next year. Total revenues are projected to increase overall by about 7 percent from a combination of the sewer service charge increase discussed above and anticipated increases in property tax revenues accruing to the District. Variances between the two budget years are also provided later in this letter.

	FY 16/17	FY 17/18	% Change
	Adopted Budget	Proposed Budget	FY 17 to FY 18
Operating Revenues	\$ 10,108,692	\$ 10,631,380	5.17%
Capital Revenues	10,015,352	10,926,445	9.10%
Total Revenues	\$ 20,124,044	\$ 21,557,825	7.12%
Operating Expenditures	9,972,648	10,320,004	3.48%
CIP Expenditures	4,675,000	5,680,000	21.50%
Debt Service	7,059,705	7,043,504	-0.23%
Total Expenditures	\$ 21,707,353	\$ 23,043,508	6.16%

B. FISCAL YEAR 2017-18 OPERATING BUDGET DETAILS

Operating Revenues

The proposed FY 2017-18 Operating Budget by revenue source is shown in Table 2 below (and graphically in Figure 2), along with the figures for the past two fiscal years. Total operating revenues are budgeted to increase by 5.2% or \$522,688 from FY 2016-17.

Funding Sources by Category	FY 15-16	FY 16-17	FY 17-18	% Change
	Adopted Budget	Adopted Budget	Proposed Budget	FY 17 to FY 18
Operating Sewer Service Charges	\$ 9,121,520	\$ 9,208,992	\$ 9,691,440	5.24%
Permit & Inspection fees	31,500	31,500	26,500	-15.87%
Interest Income	18,000	20,000	43,000	115.00%
Engineering/Admin Chgs	165,000	165,000	165,000	0.00%
Franchise Fees	50,962	52,186	53,438	2.40%
AB 939 Collector Fees	342,621	354,134	362,502	2.36%
Oil and Beverage Grant	59,880	59,880	54,000	-9.82%
Ranch Income	70,000	70,000	70,000	0.00%
Recycled Water Revenue	117,000	117,000	135,500	15.81%
Other Revenue	30,000	30,000	30,000	0.00%
Total Operating Revenue	\$10,006,483	\$10,108,692	\$10,631,380	5.17%

Operating Sewer Service Charges (SSCs) budgeted increase of \$482,448 or 5.24% primarily from the approved 3.7% rate increase recommended by the 2016 sewer service charge rate study, and adopted by Ordinance No. 120.

Interest Income budgeted increase of \$13,000 or 115.0% from potential increase in interest rates.

AB 939 Collector Fees budgeted to increase by \$8,368 or 2.36% due to the current projection for the Solid/HHW Cost center revenue.

Recycled Water Revenue is based on projections for cost recovery of operating costs through an agreement with the North Marin Water District (NMWD).

Operating Expenditures

A summary of proposed and past two fiscal years Operating Expenditures is shown in Table 3. The proposed FY17-18 Operating Expenditures are also shown graphically in Figure 3 (by expense type) and Figure 4 (by department or cost center), at the end of this letter. Operating expenditures are budgeted to increase by 3.48% or \$347,356 between FY2016-17 and FY2017-18. In terms of staffing, note that FY16-17 expenditures for Salaries and Benefits within individual cost centers are skewed by one-time “savings” from vacant positions; two of these positions were filled in the latter part of this budget period. Also of note in FY16-17, the District moved forward on addressing its liabilities under Government Accounting Standards Board (GASB) Statement 45 (GASB 45 - Other Post-Employment Benefits or OPEB) and Statement 68 (GASB 68 - Net Pension Liability or NPL). The District set up and initiated funding a trust account with Public Agency Retirement Services (PARS), Irvine, CA, which incorporates separate sub-accounts for each of the GASB 45 and 68 liabilities. Consistent with Board direction (provided November 14, 2016) future District budgets (including FY17-19) will include amounts to fund this trust, subject to Board approval.

Table 3: Operating Budget Expenditures 3-year Summary:

Expenditures by Department	FY 15-16	FY 16-17	FY 17-18	% Change
	Adopted Budget	Adopted Budget	Proposed Budget	FY 17 to FY 18
Collections	\$ 1,386,100	\$ 1,392,148	\$ 1,397,514	0.39%
Treatment	3,018,331	3,076,191	3,160,475	2.74%
Reclamation	487,029	521,538	555,541	6.52%
Laboratory	601,633	648,636	599,461	-7.58%
Pump Stations	814,633	854,139	859,031	0.57%
Administration/Engineering	2,936,237	2,947,210	3,173,328	7.67%
Hazardous Household Waste	402,501	415,787	439,155	5.62%
Recycled Water	117,000	117,000	135,500	15.81%
Total Expenditures	\$ 9,763,464	\$ 9,972,648	\$ 10,320,004	3.48%

Table 4 summarizes the main anticipated operating budget variances.

Table 4: Operating Budget Significant Budget Variances 2016-17 to 2017-18

Anticipated Budget Variances – Year-over-year, FY 16-17 to FY 17-18	Budget Impact
1. 7.0% increase in Salaries & Wages (Merit based & COLA increases and two positions filled).	\$ 155,895
2. 7.2% increase in employee benefits category.	\$ 68,772
3. 100.0% increase for new account to fund trust for pension expenses.	\$ 223,152
4. 43.6% decrease in District's Gas, Oil and Fuel account.	\$ (22,000)
5. 12.9% decrease in the District's Agency Dues account.	\$ (8,000)
6. 66.7% decrease in District's Software maintenance expenses.	\$ (62,000)
7. 28.5% decrease in District's Operating Chemicals expenses.	\$ (11,700)
8. 26.3% increase in Sludge Disposal - contract for Reclamation cost center.	\$ 50,000
9. 33.3% decrease in attorney fees in the Admin & Eng. cost center.	\$ (25,000)
10. 23.4% decrease for Outside consulting in the Admin & Eng. cost center.	\$ (51,000)
11. 50.0% decrease in Ditch/Dike maintenance expenses in the Reclamation cost center.	\$ (10,000)
12. 17.6% decrease for Research & Monitoring fees in the Lab cost center.	\$ (34,500)

C. FISCAL YEAR 2017-18 CAPITAL BUDGET DETAILS

Capital Revenues

The proposed FY2017-18 Capital Budget by Revenue source is shown in Table 5 below, along with the figures for the past two fiscal years. Percentage changes in actual property tax revenue for the last ten years is illustrated in Figure 5. Total capital revenues for FY17-18 are expected to increase by 9.10% or \$ 911,093 from FY 2016-17. Notable items include:

Capital SSC Revenues - projected increase of \$157,200 or 2.07% primarily from the 3.7% rate increase recommended by the current sewer service charge rate study.

Property Taxes - projected increase of \$250,963 or 12.94% from greater activity in the housing market over the past few years. For comparative purposes, Figure 5 (attached to this letter) illustrates property tax-related revenues for the last ten years.

Connection Fees – projected to increase \$13,200 or 3.04% assuming about 40 new connections per year.

Interest Income – projected increase of \$15,000 or 60.0% from potential increase in interest rates.

Grant Revenue – projected increase of \$475,000 or 100.0% from potential USBR Title XVI grant funds through the North Bay Water Reuse Authority (NBWRA) Phase I Program for the Recycled Water Facility expansion project.

Table 5: Capital Budget Revenue 3-year Summary

Funding Sources by Category	FY 15-16	FY 16-17	FY 17-18	% Change
	Adopted Budget	Adopted Budget	Proposed Budget	FY 17 to FY 18
Capital Sewer Service Charges	\$ 7,435,040	\$ 7,595,952	\$ 7,753,152	2.07%
Property Taxes	1,900,000	1,938,000	2,188,693	12.94%
Connection Charges	518,000	434,400	447,600	3.04%
Collector/Special Equalization Chgs	6,000	2,000	2,000	0.00%
Interest Income	22,000	25,000	40,000	60.00%
Grant Revenue	0	0	475,000	100.00%
Other Revenue	20,000	20,000	20,000	0.00%
Total Capital Revenues:	\$9,901,040	\$10,015,352	\$10,926,445	9.10%

Capital Expenditures

The proposed Capital Improvement Program (CIP) Budget for FY17-18 is \$12,723,504 or \$988,799 more or an increase of 8.4% over last year. Capital projects for 2017-18 will be funded through sewer service charges, property taxes, and connection fees. Notable items include:

On-going major capital project work, including Collection System Improvements and the expansion of the Recycled Water Facility (RWF).

Continuing work on regional efforts including NBWRA, Novato Creek Watershed, and the Hamilton Wetlands/Outfall study.

Debt service of \$7,043,504 including principal and interest payments on the District's State Revolving Fund (SRF) loan and the 2011 Certificates of Participation (COPs).

Table 6 shows summary Capital Debt Service and Capital Project Costs for three fiscal years.

Capital Expenditures	FY 15-16 Adopted Budget	FY 16-17 Adopted Budget	FY 17-18 Proposed Budget	% Change FY 17 to FY 18
Capital Projects	\$3,360,500	\$4,675,000	\$5,680,000	21.50%
Debt Service	7,075,104	7,059,705	7,043,504	-0.2%
Total	\$10,435,604	\$11,734,705	\$12,723,504	8.4%

Debt Coverage Ratio

In the 2011 Certificates of Participation(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, or a debt coverage ratio of 1.20. The projected Debt Coverage Ratio for FY2017-18 is **1.60**.

D. COMPARISON OF ANNUAL SEWER SERVICE CHARGES LEVIED BY NEIGHBORING AGENCIES

The following table compares the District's rate with those of other nearby sanitation agencies. For illustrative purposes, see Figure 6 (following this letter) compares the District's SSC changes relative to changes in the Consumer Price Index (CPI) for the Water and Sewer Services industry for the last ten years.

AGENCY	RATE (\$/yr.)
Sanitary District No. 5 – Belvedere	1,985 ^(a)
Sausalito-Marin City Sanitary District ⁽¹⁾	1,377 ^(b)
Sanitary District No. 5 – Tiburon	1,034 ^(a)
Sanitary District No. 1 – City of Larkspur	1,125 ^(b)
Tamalpais Community Services District	1,397 ^(b)
City of Santa Rosa	957 ^(b)
City of Petaluma	823 ^(b)
Las Gallinas Valley Sanitary District	870 ^(b)
Ross Valley Sanitary District (SD #1)	856 ^(b)
City of Mill Valley	779 ^(b)
Napa Sanitation District	638 ^(b)
NOVATO SANITARY DISTRICT	594 ^(b)
Vallejo Sanitation & Flood Control District	520 ^(a)
Town of Corte Madera	500 ^(a)

Notes: ⁽¹⁾ Includes SMCS D charge of \$817 and City of Sausalito charge of \$492.

^(a)FY2016-17 charges; ^(b)FY2017-18 (proposed or adopted)

In conclusion, the proposed FY2017-18 budget will be able to accomplish the District's commitments to achieving the key goals set forth in its Strategic Plan while maintaining reasonable rates for its customers.

Sincerely,

SANDEEP KARKAL
General Manager-Chief Engineer

Figure 2:

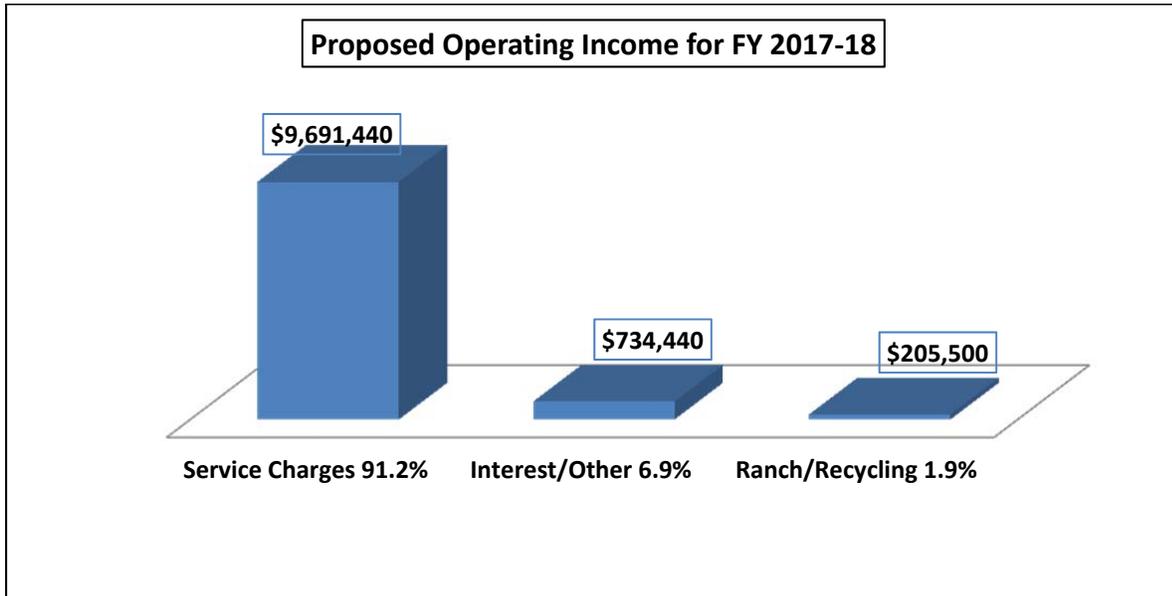


Figure 3:

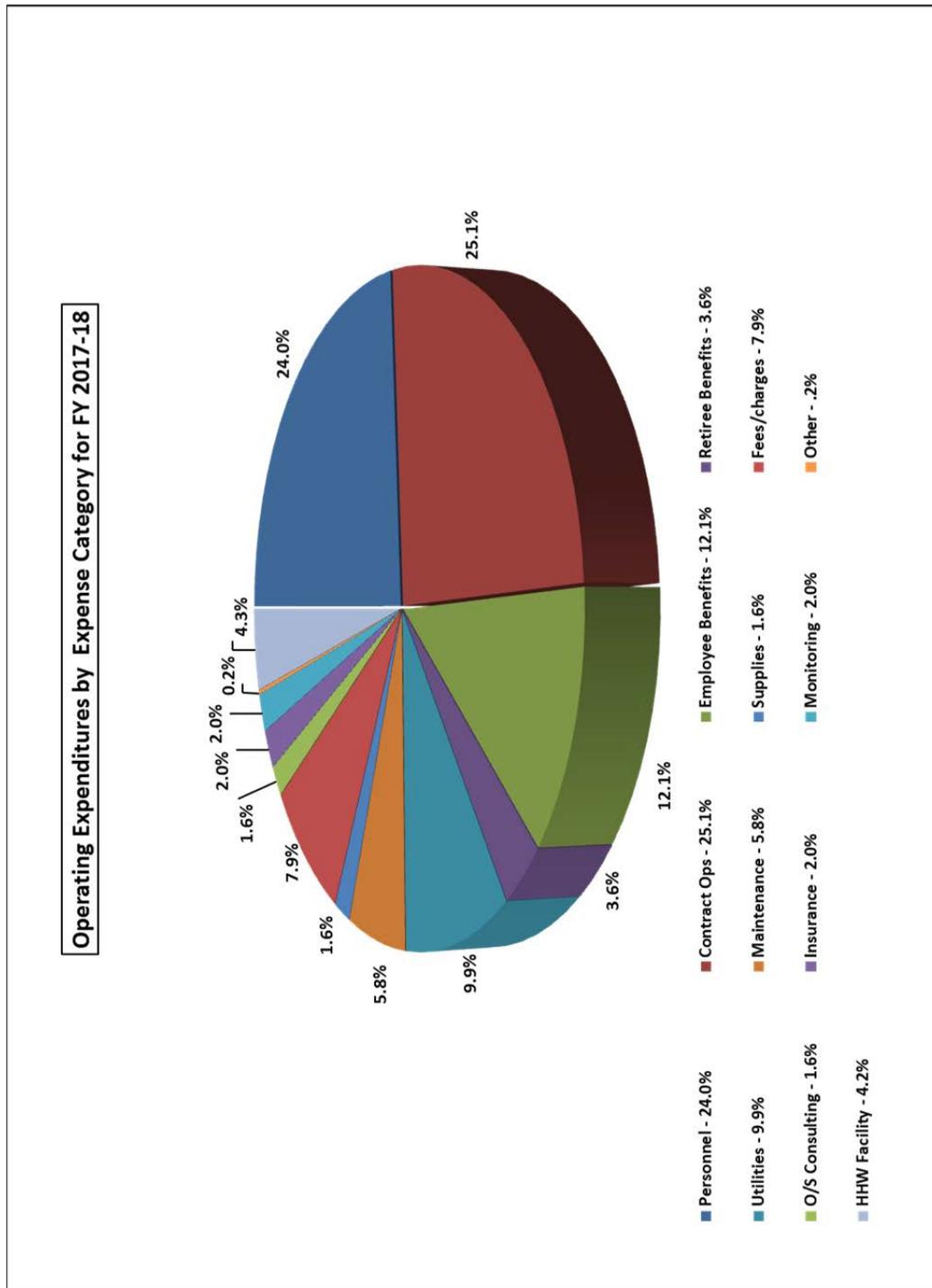


Figure 4:

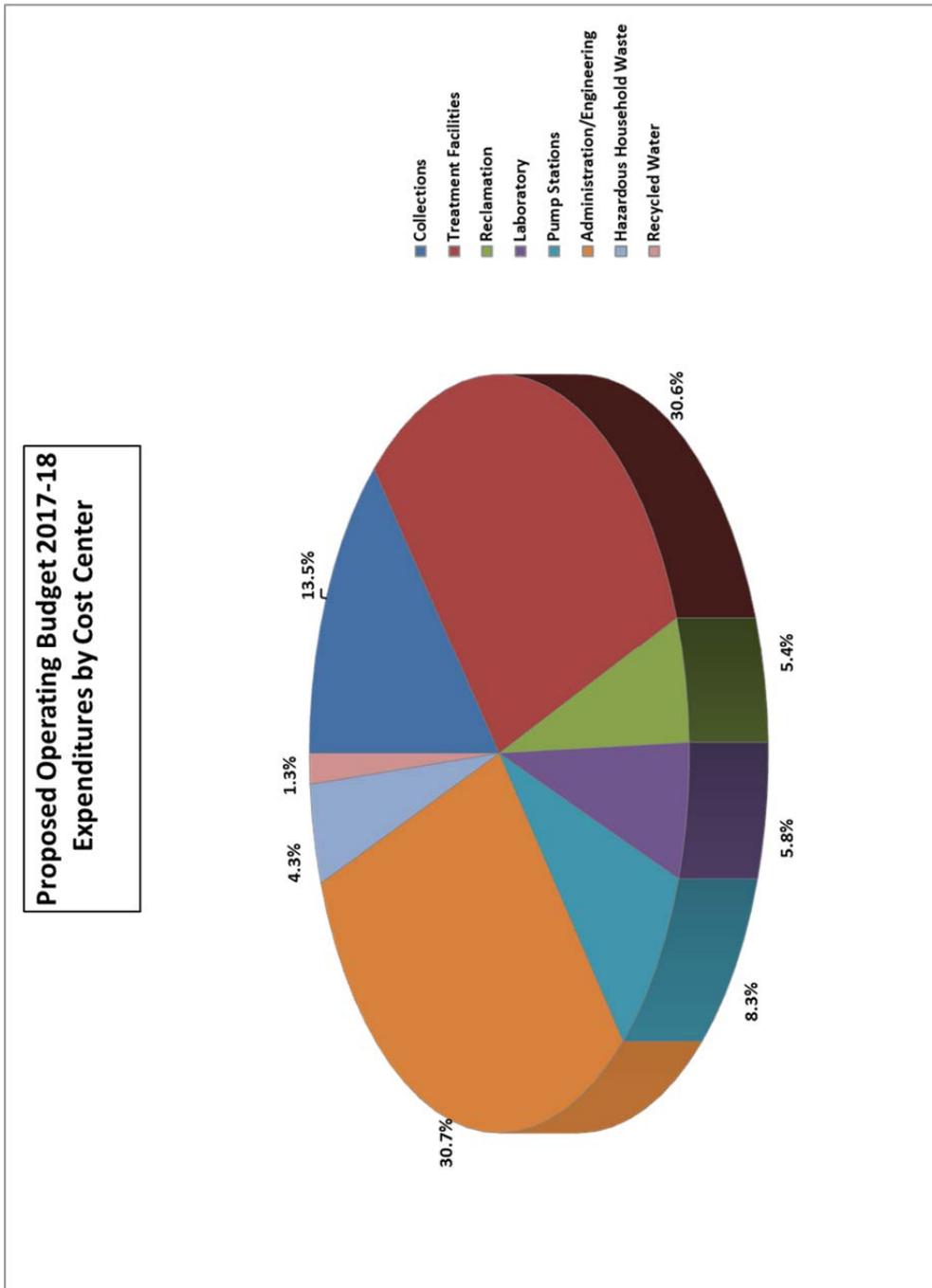
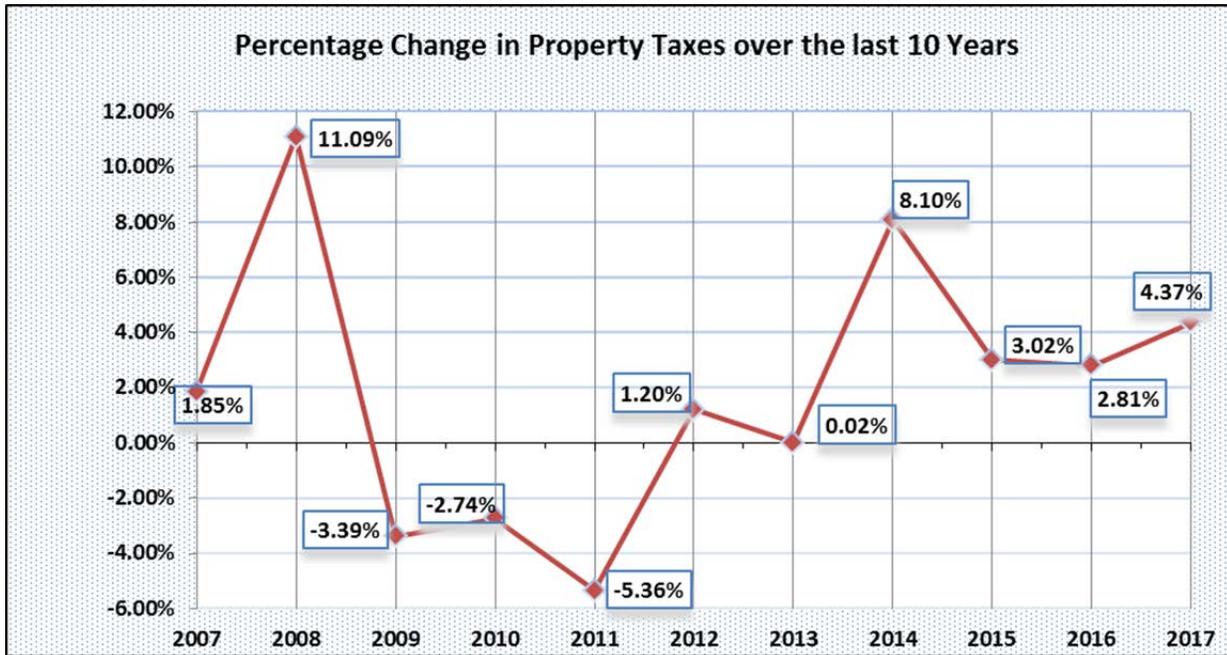
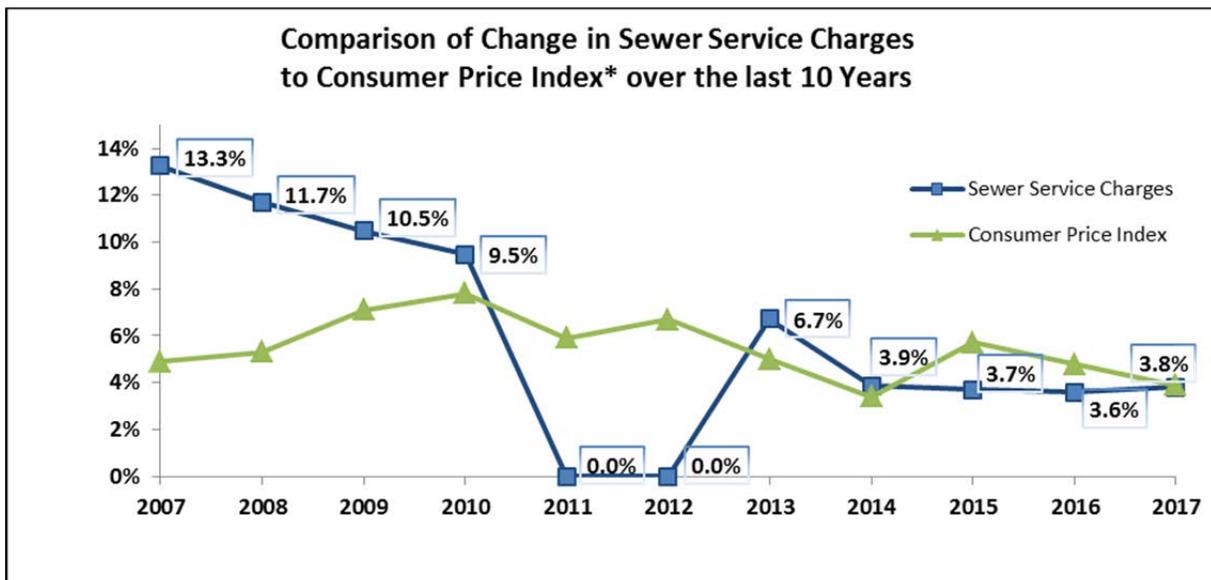


Figure 5:



Note: Based on actual revenues received through 15/16 and projected revenues for 16/17.

Figure 6:



*CPI – Bureau of Labor Statistics – Series Id: CUUR0000SEHG01; Not Seasonally Adjusted; U.S. city average; Water and sewerage maintenance; Base Period: 1982-84=100

**Novato Sanitary District
2017-19 Preliminary Budget
Summary of Fund Balances**

	Adopted Budget 16/17	Projected Rev/Exp 2016-17	Proposed Budget 2017-18	Preliminary Budget 2018-19
Operating Fund at July 1st Beginning of Each Year	12,278,229	12,278,229	12,361,487	12,623,690
Operating Revenue (p. 2)	10,108,692	10,092,562	10,631,380	11,111,183
Operating Expenditures (p. 3)	9,972,648	9,870,213	10,320,004	10,939,844
Net Operating Revenue	136,044	222,349	311,376	171,339
Operating Fund before transfers at the End of Each Year	12,414,273	12,500,578	12,672,863	12,795,029
Transfers Out (1)	-	139,091	49,173	50,648
Operating Fund after transfers at the End of Each Year	12,414,273	12,361,487	12,623,690	12,744,381
Capital Improvement Fund at July 1st Beginning of Each Year	5,958,923	5,958,914	7,057,594	5,233,200
Capital Revenue (p. 15)	10,015,352	10,267,729	10,926,445	10,704,826
Capital Expenditures (p. 16)	4,675,000	2,109,344	5,680,000	3,845,000
Debt Service (p. 19)	7,059,705	7,059,705	7,043,504	7,026,504
Transfers Out (2)	0	0	27,336	297,317
Total Capital Expenditures	11,734,705	9,169,049	12,750,840	11,168,821
Capital Improvement Fund Balance at the End of Each Year (3)	4,239,570	7,057,594	5,233,200	4,769,205
Wastewater Capital Reserve Fund Balance at the End of Each Year (p. 16)	-	-	27,336	324,653
Rate Stabilization Fund Balance at the End of Each Year (p. 18)	-	1,639,091	1,688,263	1,738,911
Fund Balances at The End of Each Year	16,653,843	21,058,172	19,572,489	19,577,150

(1) To Rate Stabilization Fund.

(2) To Wastewater Capital Reserve Fund.

(3) Includes the 2011 Certificates of Participation(COP) Reserve fund balance (See also p. 17).

SECTION II

OPERATING BUDGET SUMMARY SCHEDULES

**Novato Sanitary District
2017-19 Preliminary Operating Budget
Summary of Revenues**

Operating Fund Revenue Center - 41000	Adopted Budget 15/16	Adopted Budget 16/17	Projected Revenues 2016-17	Proposed Budget 2017-18	Preliminary Budget 2018-19
Accounts					
41010 · Sewer Service Charges (1)	9,121,520	9,208,992	9,208,992	9,691,440	10,145,760
41030 · Plan Check & Inspection Fee	500	500	250	500	500
41040 · Permit & Inspection Fee	6,000	6,000	6,000	6,000	6,000
41060 · Interest Income	18,000	20,000	43,000	43,000	50,000
41080 · Engineering & Admin Charges	165,000	165,000	125,000	165,000	165,000
41090 · Non-domestic Permit Fees (2)	25,000	25,000	20,000	20,000	20,000
41100 · Garbage Franchise Fees	50,962	52,186	52,186	53,438	54,721
41105 · AB 939 Collector Fees	342,621	354,134	354,134	362,502	371,202
41107 · Oil/Bev/Tire Grants (3)	59,880	59,880	50,000	54,000	56,000
41130 · Ranch Income	70,000	70,000	70,000	70,000	70,000
41135 · Recycled Water Revenue	117,000	117,000	143,000	135,500	142,000
41140 · Other Revenue (4)	20,000	20,000	17,000	20,000	20,000
41142 · Loss on disposal of assets	10,000	10,000	3,000	10,000	10,000
Totals	10,006,483	10,108,692	10,092,562	10,631,380	11,111,183

Comments:

- (1) Sewer Service Charge (SSC) revenue is based on rate increase approved on June 13, 2016 and actual revenue received in prior year. The Sewer Service Charges allocations are as follows:
 - For 2017/18 the charge is \$594 split between operating (\$330) and capital (\$264).
 - For 2018/19 the charge is \$615 split between operating (\$345) and capital (\$270).
- (2) Includes application fees, permits and monitoring charges.
- (3) Oil/Bev/Tire Grants ~ \$29,000/ JPA Reimb Fees \$25,000
- (4) Other revenue includes septic tank hauling fees, and miscellaneous revenue.

APPROPRIATIONS LIMITATION

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

**Novato Sanitary District
2017-19 Preliminary Budget
Operating Budget - Summary of Expenditures**

Operating Cost Center	Adopted Budget 15/16	Adopted Budget 16/17	Projected Exp 2016-17	Proposed Budget 2017-18	Preliminary Budget 2018-19
Collections	1,386,100	1,392,148	1,146,388	1,397,514	1,457,505
Treatment Facilities	3,018,331	3,076,191	3,033,186	3,160,475	3,382,423
Reclamation	487,029	521,538	473,085	555,541	522,007
Laboratory	601,633	648,636	564,188	599,461	605,492
Pump Stations	814,633	854,139	751,679	859,031	910,203
Administration/Engineering	2,936,237	2,947,210	3,412,400	3,173,328	3,469,071
Solid/Hazardous Household Waste	402,501	415,787	391,592	439,155	451,501
Recycled Water	117,000	117,000	97,695	135,500	141,640
	9,763,464	9,972,648	9,870,213	10,320,004	10,939,844

Novato Sanitary District												
2017-18 Preliminary Operating Budget												
Operating Budget:By Cost Center and Account Category												
	Treatment Facilities	Recl	L-M	Pump Stations	Collection System	A-E	HHW Program	Recycled Water	Total	As Percent of Budget	Over/Under PY Budget	% Over/Under PY Budget
Salaries and Wages		94,562		372,332	678,903	1,226,084			2,371,881	22.98%	155,895	7.04%
Contract Services (Operations & Lab)	2,173,976		363,761	162,699	308,112	513,033		50,000	2,587,737	25.07%	56,322	2.22%
Employee Benefits		35,978							1,019,821	9.88%	68,772	7.23%
Retiree Health Benefits						370,060			370,060	3.59%	(7,288)	-1.93%
Pension Expense(Trust)						223,152			223,152	2.16%	223,152	100.00%
Directors' Fees						36,000			36,000	0.35%	(2,000)	-5.26%
Election Expense						0			-	0%	-	0.00%
Gasoline, Oil & Fuel		2,000	1,500	5,000	15,000	5,000			28,500	0.28%	(22,000)	-43.56%
Insurance	14,000					150,000			164,000	1.59%	-	0.00%
Ins Claims Expense						45,000			45,000	0.44%	(5,000)	-10.00%
Agency Dues						54,000			54,000	0.52%	(8,000)	-12.90%
Memberships						10,000			10,000	0.10%	-	0.00%
Office Expense						26,000			26,000	0.25%	(1,000)	-3.70%
Safety		500	1,000	2,000	3,500	2,000			9,000	0.09%	-	0.00%
Software Maint		2,000	1,000	8,000	20,000	10,000		2,000	31,000	0.30%	(62,000)	-66.67%
Operating Supplies		2,000	20,000	10,000	28,000	10,000			72,000	0.70%	(2,000)	-2.70%
Operating Chemicals				2,000				27,300	29,300	0.28%	(11,700)	-28.54%
Sludge Disposal-Contractual		240,000							240,000	2.33%	50,000	26.32%
Accounting & Auditing						26,000			26,000	0.25%	(1,000)	-3.70%
Attorney						50,000			50,000	0.48%	(25,000)	-33.33%
Outside Consulting						167,000			167,000	1.62%	(51,000)	-23.39%
IT/Misc. Electrical						40,000			40,000	0.39%	(5,000)	-11.11%
Safety & Wellness Incentive Program						10,000			10,000	0.10%	-	0.00%
Printing & Publication						22,000			22,000	0.21%	-	0.00%
Repairs & Maintenance		65,000	19,200	115,000	80,000	50,000		24,200	353,400	3.42%	(13,600)	-3.71%
Unusual Equipment Maint	150,000								150,000	1.45%	-	0.00%
Small Tools		500		2,000					4,500	0.04%	-	0.00%
Outside Services				30,000	175,000				205,000	1.99%	(5,000)	-2.38%
Ditch/Dike Maintenance		10,000							10,000	0.10%	(10,000)	-50.00%
Research & Monitoring			147,500					14,000	161,500	1.56%	(34,500)	-17.60%
Travel, Mfgs & Train.						55,000			55,000	0.53%	-	0.00%
Pollution Prevention/Pub. Ed.			41,500					17,000	41,500	0.40%	(1,500)	-3.49%
Gas & Electricity	732,499	95,000		115,000					959,499	9.30%	43,586	4.76%
Water		3,000		7,000	12,000				22,000	0.21%	-	0.00%
Telephone				24,000	4,000	12,000			40,000	0.39%	4,000	11.11%
Other/Operational Assistance					1,000				1,000	0.01%	-	0.00%
Permits & Fees	90,000	5,000	4,000	4,000	70,000			1,000	174,000	1.69%	(8,000)	-4.40%
Co. Collection Fees						66,000			66,000	0.64%	(2,000)	-2.94%
Ser. Chg. System Exp						5,000			5,000	0.05%	(150)	-2.91%
AB 939 Solid Waste Programs						439,155			439,155	4.26%	23,368	5.62%
Total	3,160,475	555,541	599,461	859,031	1,397,514	3,173,328	439,155	135,500	10,320,000	100.00%	347,356	3.48%
	30.62%	5.38%	5.81%	8.32%	13.54%	30.75%	4.26%	1%	100.00%			

SECTION III

***OPERATING BUDGET
By Cost Center and Account Category***

**Novato Sanitary District
2017-19 Preliminary Budget
Operating Budget - Collections**

Collections Cost Center - 60000	Adopted Budget 15/16	Adopted Budget 16/17	Projected Exp 2016-17	Proposed Budget 2017-18	Preliminary Budget 2018-19
Accounts					
60010 · Salaries & Wages	634,609	627,355	551,420	678,903	720,601
60020 · Employee Benefits	269,491	286,293	250,268	308,112	353,404
60060 · Gas, Oil & Fuel	28,000	28,000	12,000	15,000	15,000
60085 · Safety	7,000	3,500	3,500	3,500	3,500
60091 · Software Maint	25,000	75,000	20,000	20,000	20,000
60100 · Operating Supplies	30,000	30,000	30,000	28,000	28,000
60150 · Repairs & Maint	85,000	85,000	70,000	80,000	80,000
60152 · Small Tools	2,000	2,000	2,000	2,000	2,000
60153 · Outside Services	225,000	175,000	175,000	175,000	155,000
60192 · Water	12,000	12,000	12,000	12,000	12,000
60193 · Telephone	2,000	2,000	2,000	4,000	4,000
60200 · Other(Garbage Coll)	1,000	1,000	500	1,000	1,000
60201 · Permits & Fees	65,000	65,000	17,700	70,000	63,000
	1,386,100	1,392,148	1,146,388	1,397,514	1,457,505

**Novato Sanitary District
2017-19 Preliminary Budget
Operating Budget - Treatment Facilities**

Treatment Facilities - Cost Center - 61000	Adopted Budget 15/16	Adopted Budget 16/17	Projected Exp 2016-17	Proposed Budget 2017-18	Preliminary Budget 2018-19
Accounts					
61000-1 · Fixed Fee(1)	2,059,201	2,113,278	2,113,278	2,173,976	2,322,675
61000-2 · Insurance & Bonds	12,000	14,000	14,000	14,000	14,000
61000-3 · Major Repair/Replcmnt	150,000	150,000	150,000	150,000	150,000
61000-4 · Water/Permits/Phone	90,000	90,000	90,000	90,000	90,000
61000-5 · Gas & Electricity(2)	707,130	708,913	665,908	732,499	805,748
	3,018,331	3,076,191	3,033,186	3,160,475	3,382,423

Comments:

- (1) Fixed fee - 5% increase from prior year, and an allowance for contractual incentive payment.
(2) Assumes 10% increase for purchased utility power based on actual expenditures for 2016/17, and an allowance for contractual incentive payment with 50-50 sharing of savings from power usage below contract baseline, between District and Veolia.

**Novato Sanitary District
2017-2019 Preliminary Budget
Operating Budget - Reclamation**

Reclamation Cost Center - 63000	Adopted Budget 15/16	Adopted Budget 16/17	Projected Exp 2016-17	Proposed Budget 2017-18	Preliminary Budget 2018-19
Accounts					
63010 · Salaries & Wages	75,400	91,943	83,808	94,562	97,827
63020 · Employee Benefits	28,629	36,595	21,459	35,978	39,181
63060 · Gasoline & Oil	4,000	4,000	2,000	2,000	2,000
63085 · Safety	500	500	500	500	500
63091 · Software Maint	2,000	2,000	1,000	2,000	2,000
63100 · Operating Supplies	2,000	2,000	2,000	2,000	2,000
63115 · Sludge Disposal	210,000	190,000	188,818	240,000	200,000
63150 · Repairs & Maint	50,000	70,000	70,000	65,000	65,000
63152 · Small Tools	500	500	500	500	500
63157 · Ditch/Dike Maint	20,000	20,000	0	10,000	10,000
63191 · Gas & Electricity	85,000	95,000	95,000	95,000	95,000
63192 · Water	3,000	3,000	4,000	3,000	3,000
63201 · Permits & Fees	6,000	6,000	4,000	5,000	5,000
	487,029	521,538	473,085	555,541	522,007

**Novato Sanitary District
2017-19 Preliminary Budget
Operating Budget - Laboratory**

Laboratory Cost Center - 64000	Adopted Budget 15/16	Adopted Budget 16/17	Projected Exp 2016-17	Proposed Budget 2017-18	Preliminary Budget 2018-19
Accounts					
64010 · Contract Lab Services (1)	357,133	368,136	357,133	363,761	375,792
64060 · Gasoline & Oil	3,000	2,500	1,500	1,500	1,500
64085 · Safety	1,000	1,000	0	1,000	1,000
64091 · Software Maintenance	4,000	4,000	4,000	1,000	1,000
64100 · Operating Supplies	20,000	20,000	20,000	20,000	20,000
64150 · Repairs & Maintenance	10,500	25,000	10,000	19,200	10,700
64160 · Research & Monitoring	163,000	182,000	125,000	147,500	150,000
64170 · Pollution Prev/Public Ed	40,000	43,000	43,000	41,500	41,500
64201 · Permits & Fees	3,000	3,000	3,555	4,000	4,000
	601,633	648,636	564,188	599,461	605,492

Comments:

- (1) Includes fees and charges paid for contract laboratory and environmental services provided by Veolia Water and North Marin Water District (NMWD).

**Novato Sanitary District
2017-2019 Preliminary Budget
Operating Budget - Pump Stations**

Pump Stations Cost Center - 65000	Adopted Budget 15/16	Adopted Budget 16/17	Projected Exp 2016-17	Proposed Budget 2017-18	Preliminary Budget 2018-19
Accounts					
65010 · Salaries & Wages	337,753	344,528	300,955	372,332	394,791
65020 · Employee Benefits	141,880	154,611	114,272	162,699	186,413
65060 · Gasoline & Oil	5,000	6,000	3,000	5,000	5,000
65085 · Safety	2,000	2,000	2,000	2,000	2,000
65091 · Software Maintenance	12,000	12,000	12,000	8,000	8,000
65100 · Operating Supplies	10,000	10,000	8,000	10,000	10,000
65101 · Operating Chemicals	15,000	15,000	100	2,000	2,000
65150 · Repairs & Maintenance	110,000	115,000	115,000	115,000	120,000
65152 · Small Tools	1,000	2,000	2,000	2,000	2,000
65153 · Outside Services, Elect.	32,000	35,000	35,000	30,000	30,000
65191 · Gas & Electricity	100,000	110,000	111,352	115,000	115,000
65192 · Water	7,000	7,000	7,000	7,000	7,000
65193 · Telephone	24,000	24,000	24,000	24,000	24,000
65201 · Permits & Fees	17,000	17,000	17,000	4,000	4,000
	814,633	854,139	751,679	859,031	910,203

**Novato Sanitary District
2017-2019 Preliminary Budget
Operating Budget - Administration/Engineering**

Administration and Engineering Cost Center - 66000	Adopted Budget 15/16	Adopted Budget 16/17	Projected Exp 2016-17	Proposed Budget 2017-18	Preliminary Budget 2018-19
Accounts					
66010 · Salaries & Wages	1,102,409	1,152,160	983,396	1,226,084	1,292,503
66020 · Employee Benefits	440,568	473,551	444,537	513,033	582,764
66021 · Retiree Health Benefits(1)	375,260	377,348	191,960	207,274	224,242
66021-1 · Retiree Health Benefits(2)	0	0	700,000	162,786	167,521
66022 · Pension Expense (3)	0	0	0	223,152	290,041
66022-1 · Pension Expense (4)	0	0	200,000	0	0
66030 · Director's Fees	43,000	38,000	25,500	36,000	36,000
66040 · Election Expense	50,000	0	250	0	45,000
66060 · Gasoline & Oil	10,000	10,000	4,892	5,000	5,000
66070 · Insurance	135,000	150,000	150,486	150,000	150,000
66071 · Insurance Claim Expense	40,000	50,000	30,000	45,000	45,000
66075 · Agency Dues	55,000	62,000	50,000	54,000	54,000
66080 · Memberships	9,000	10,000	8,500	10,000	10,000
66085 · Safety	2,000	2,000	2,000	2,000	2,000
66090 · Office Expense	25,000	27,000	25,000	26,000	28,000
66100 · Engineering Supplies	8,000	10,000	8,000	10,000	10,000
66121 · Accounting & Auditing	24,000	27,000	23,000	26,000	27,000
66122 · Attorney Fees	90,000	75,000	50,000	50,000	60,000
66123 · O/S Contractual	270,000	218,000	270,000	167,000	170,000
66124 · IT/Misc Electrical	36,000	45,000	36,000	40,000	42,000
66125 · Safety & Wellness Incent Prog	10,000	10,000	10,000	10,000	10,000
66130 · Printing & Publications	22,000	22,000	22,000	22,000	24,000
66150 · Repairs & Maintenance	50,000	50,000	50,000	50,000	53,000
66170 · Travel, Meetings & Training	55,000	55,000	50,000	55,000	55,000
66193 · Telephone	10,000	10,000	10,879	12,000	12,000
66202 · County Fees-Property Taxes	27,000	26,000	26,000	26,000	27,000
66203 · County Fees-Sewer Ser Chg	42,000	42,000	35,000	40,000	42,000
66250 · Service Charge Sys Exp	5,000	5,150	5,000	5,000	5,000
	2,936,237	2,947,210	3,412,400	3,173,328	3,469,071

Comments:

- (1) Projected contribution to current retirees' health care premiums.
- (2) Represents FY16-17 contributions to set up a PARS* Trust (OPEB sub-account), per Board action of November 14, 2016, and FY17-19 Unfunded Actuarial Liability (UAL) contributions into the PARS Trust (OPEB sub-account).
- (3) Represents FY17-19 projected contributions to PARS Trust (Pension sub-account).
- (4) Represents FY16-17 contribution to set up a PARS Trust (Pension sub-account), per Board action of November 14, 2016.

*PARS = Public Agency Retirement Services.

OPEB = Other Post-Employment Benefits.

Novato Sanitary District									
Preliminary Operating Budget 2017-19									
PERSONNEL DETAIL									
Number	Position	Cost Center	Pay Range	Salaries					
				2017-18	2018-19				
1.00	General Manager-Chief Engineer.....	A/E		224,104	233,516				
1.00	Technical Services Manager.....	A/E	MC119	154,750	162,539				
1.00	Field Services Manager25AE/.25CS/.25PS/.25Rec	MC119	155,988	162,539				
1.00	Senior Engineer.....	.65AE/.25PS/.10Rec	MC116.5	138,120	143,921				
0.46	Administrative Services Specialist	A/E	MC117.5	66,941	69,752				
1.00	Administrative/Risk Services and Safety Officer (1)	A/E	MC117.5	132,640	145,119				
1.00	Administrative Assistant	A/E	MC103	46,296	67,537				
1.00	Administrative Secretary.....	A/E	MC106	82,728	86,203				
1.00	Finance Officer.....	A/E	MC115	128,328	133,718				
1.00	Staff Engineer.....	.5A/E/.5CS	47	105,576	110,010				
1.00	Construction Inspector.....	A/E	44.5	78,289	80,138				
1.00	Information System Specialist II.....	.5A/E/.5CS	43.5	89,028	92,767				
1.00	Electrical/Instrumentation Tech I.....	.34A/E/.33PS/.33Rec	40.5	66,986	73,292				
1.00	Collection System Superintendent.....	.67CS/.33PS	MC115	124,765	133,718				
1.00	Collection System Leadworker.....	.67CS/.33PS	47	98,154	107,391				
0.00	Collection System Worker III.....	.67CS/.33PS	43.5	-	-				
3.00	Collection System Worker II.....	.67CS/.33PS	40.5	222,240	239,143				
4.00	Collection System Worker I.....	.67CS/.33PS	38.5	258,596	282,143				
1.00	Admin Intern	A/E	N/A	7,200	7,200				
1.00	Engineering Aide - temp	A/E	N/A	8,640	8,640				
0.40	Hourly Electrician	.25AE/.25PS/.50Rec	N/A	33,000	32,000				
	Allowance for Overtime.....	C/S		33,000	33,000				
	Allowance for Overtime.....	A/E		7,500	7,500				
	Allowance for Standby Duty Pay.....	C/S		35,000	36,000				
	Adjustment for CMSA Reimbursement(1)	A/E		(17,276)	(18,739)				
	Subtotal			2,280,593	2,429,047				
	Allowance for Possible COLA - across the board	4.20%		91,288	76,675				
		3.30%							
				2,371,881	2,505,722				
23.86	Administration and Engineering (A/E)		1,226,084	1,292,503					
	Collection System	67%	678,903	720,601					
	Pump Stations	33%	372,332	394,791					
	Reclamation Facilities		94,562	97,827					
	Total/Check		2,371,881	2,505,722					
(1) A portion of the compensation for this position to be reimbursed by Central Marin Sanitation Agency (CMSA) under the Joint Safety Program between CMSA and the District.									

**Novato Sanitary District
2017-2019 Preliminary Budget
Operating Budget - Solid/Household Hazardous Waste**

Solid/HHW Cost Center - 67000	Adopted Budget 15/16	Adopted Budget 16/17	Projected Exp 2016-17	Proposed Budget 2017-18	Preliminary Budget 2018-19
Accounts					
67400 · Management Services	131,464	134,750	100,555	138,118	142,464
67500 · Household Haz. Waste	211,500	220,000	230,000	242,500	248,000
67530 · Used Oil Grant	11,269	11,269	11,269	11,269	11,269
67530-1 Beverage Container Grant	11,268	11,268	11,268	11,268	11,268
67540 · Education/Public Outreach	22,000	23,500	23,500	21,000	23,500
67600 · Other	5,000	5,000	5,000	5,000	5,000
67610 · City AB 939 Admin Service	10,000	10,000	10,000	10,000	10,000
	402,501	415,787	391,592	439,155	451,501

Comments:

Per proposed budget by HHW Coordinator.

**Novato Sanitary District
2017-2019 Preliminary Budget
Operating Budget - Recycled Water**

Recycled Water Cost Center - 68000	Adopted Budget 15/16	Adopted Budget 16/17	Projected Exp 2016-17	Proposed Budget 2017-18	Preliminary Budget 2018-19
Accounts					
68010 · O & M Services	50,000	50,000	31,695	50,000	50,000
68100 · Operating Supplies	2,000	2,000	2,000	2,000	2,200
68101 · Operating Chemicals	26,000	26,000	26,000	27,300	30,030
68150 · Repairs & Maintenance	22,000	22,000	14,000	24,200	25,410
68160 · Research & Monitoring	14,000	14,000	8,000	14,000	14,000
68191 · Gas & Electricity	2,000	2,000	16,000	17,000	19,000
68201 · Permits & Fees	1,000	1,000	0	1,000	1,000
	117,000	117,000	97,695	135,500	141,640

SECTION IV

CAPITAL IMPROVEMENT BUDGET

**Novato Sanitary District
2017-19 Preliminary Budget
Capital Improvement Budget - Summary of Revenues**

			Projected	Proposed	Preliminary
Capital Fund	Adopted	Adopted	Revenue	Budget	Budget
Revenue Center - 51000	Budget 15/16	Budget 16/17	2016-17	2017-18	2018-19
Accounts					
Capital Improvement Income					
51010 · Sewer Service Charges(1)	7,435,040	7,595,952	7,595,952	7,753,152	7,940,160
51015 · Property Taxes	1,900,000	1,938,000	2,145,777	2,188,693	2,232,466
51015-1 · Redevelopment Agency(2)	0	0	81,000	0	0
51020 · Connection Charges(3)	518,000	434,400	175,000	447,600	461,200
51030 · Collector Sewer Charges	2,000	1,000	0	1,000	2,000
51040 · Special Equalization Chrg	4,000	1,000	0	1,000	4,000
51060 · Interest	22,000	25,000	40,000	40,000	45,000
51070 · Other Revenue(4)	20,000	20,000	230,000	20,000	20,000
51072 · Grant Revenue - RWF	0	0	0	475,000	0
Total Capital Improvement Income	9,901,040	10,015,352	10,267,729	10,926,445	10,704,826
Comments:					
(1) Sewer Service Charge (SSC) revenue is based on rate increase approved on June 13, 2016 and actual revenue received in prior year. The Sewer Service Charges allocations are as follows:					
- For 2017/18 the charge is \$594 split between operations(\$330) and capital (\$264).					
- For 2018/19 the charge is \$615 split between operations(\$345) and capital (\$270).					
(2) Redevelopment Agency(RDA) related revenues are being shown separately as they have increased over the past few years from the dissolution and distribution of assets of these agencies. Also, projections for future RDA fund distributions are not available at this time.					
(3) Connection Charges projected at 40 new connections each year.					
- Per Ordinance 120, the connection charge beginning July 1, 2017 is \$11,190 per EDU, and increases by 3% on July 1, 2018 to \$11,530 per EDU.					
(4) Includes one-time amount of \$225,000 in FY16-17 from settlement of the Bayside matter.					

**Novato Sanitary District
2017-2019 Preliminary Budget
Capital Improvement Budget - CIP Expenditures**

			Projected	Proposed	Preliminary
Capital Improvements	Adopted	Adopted	Exp	Budget	Budget
Cost Centers - 72000 & 73000	Budget 15/16	Budget 16/17	2016-17	2017-18	2018-19
Accounts					
72110 · Drainage PS 3&7 Outfall Rehab	5,000	0	0	0	0
72403 · Pump Station Rehabilitation	50,000	50,000	0	150,000	250,000
72508 · North Bay Water Reuse Authority (NBWRA)	403,000	440,000	207,344	100,000	100,000
72706 · Collection System Improvements	1,050,000	1,200,000	1,000,000	1,700,000	1,700,000
72706-1 · Lateral Replacement Program	50,000	60,000	60,000	80,000	100,000
72707 · Hamilton Wetlands/Outfall Integration	22,500	10,000	2,000	10,000	10,000
72708 · Cogeneration	20,000	45,000	45,000	350,000	700,000
72802 · Annual Sewer Adj. for City Proj	10,000	10,000	10,000	40,000	20,000
72803 · Annual Collection Sys Repairs	200,000	200,000	50,000	200,000	225,000
72804 · Annual Reclamation Fac Improvements	100,000	100,000	100,000	175,000	100,000
72805 · Annual Treatment Plant Improvements	300,000	100,000	80,000	300,000	100,000
72806 · Annual Pump Station Improvements	0	100,000	70,000	100,000	140,000
72807 · Annual Ignacio Facility Improvements	0	0	0	50,000	50,000
72808 · Strategic Plan Update	10,000	20,000	0	20,000	20,000
72809 · Novato Creek Watershed	15,000	10,000	0	5,000	5,000
73001 · WWTP Upgrade - Contract C (Solids handling)	10,000	0	0	0	0
73003 · Admin Building Upgrade/Maint. Building	740,000	350,000	35,000	350,000	50,000
73004 · Odor Control and NTP Landscaping	50,000	75,000	60,000	50,000	50,000
73005 · RWF Expansion (1)	150,000	1,300,000	200,000	1,460,000	50,000
73006 · NTP Corrosion Control	150,000	180,000	160,000	150,000	150,000
73090 · Vehicle Replacement	25,000	425,000	30,000	390,000	25,000
Subtotal before Debt Service	3,360,500	4,675,000	2,109,344	5,680,000	3,845,000
78500 · Interest - SRF Loan	1,698,525	1,610,195	1,610,195	1,519,744	1,427,123
78500 · Principal - SRF Loan	3,680,431	3,768,762	3,768,762	3,859,212	3,951,833
78500 · Interest - COP Bond	811,148	775,748	775,748	739,548	702,548
78500 · Principal - COP Bond	885,000	905,000	905,000	925,000	945,000
Subtotal for Debt Service	7,075,104	7,059,705	7,059,705	7,043,504	7,026,504
Totals	10,435,604	11,734,705	9,169,049	12,723,504	10,871,504

Comments:

(1) FY17-18 expenditures include provisions for USBR Title XVI grant funds through the NBWRA Phase I program, and potential reimbursement from the joint NMWD/NSD Recycled Water Capital Replacement and Expansion Fund.

SECTION V

***WASTEWATER CAPITAL RESERVE FUND &
CERTIFICATE OF PARTICIPATION (COP)
RESERVE FUND***

**Novato Sanitary District
2017-19 Preliminary Budget
Wastewater Capital Reserve Fund**

		2017-19 Budget	
		Prelim	Final
<u>Wastewater Capital Reserve Fund</u>			
FUND BALANCE 6/30/16		3,275,000	3,275,000
	Required Deposits	0	0
FUND BALANCE 6/30/17		3,275,000	3,275,000
	Required Deposits/Transfers In	27,336	
ANTICIPATED FUND BALANCE 6/30/18		3,302,336	
	Required Deposits/Transfers In	297,317	
ANTICIPATED FUND BALANCE 6/30/19		3,599,653	0
Note:	<p>The District borrowed \$81,307,947 between 2008 and 2011 from the State Revolving Fund (SRF) program, under a loan agreement with the State Water Resources Control Board (SWRCB). The loan agreement requires the District to deposit sufficient funds to build up the Wastewater Capital Reserve Fund (WCRF) at a minimum rate of 0.5% of the SRF loan amount each year for a period of ten years, beginning in FY08-09. The District's unused bonding capacity of \$3,275,000 from the 1970 and 1986 General Obligation (GO) bonds may be used to offset, dollar for dollar, the required cash deposits to the WCRF. The maximum required WCRF balance is \$3,599,654 of which \$3,275,000 is satisfied by the unused GO bonding capacity. District Policy No. 3500 (adopted August 8, 2013), paragraph 3500.33, sets the reserve amounts in accordance with the terms of the loan, and requires the remainder to be funded as follows: \$27,336 in FY17-18, and \$297,317 in FY18-19. These amounts are being funded from unreserved amounts in the capital improvement fund, and the total of these required deposits (i.e. \$324,653) is included in the Summary of Fund Balances table (Page 1).</p>		

**Novato Sanitary District
2017-19 Preliminary Budget
COP Reserve Fund**

		2017-19 Budget			
		Preliminary	Final		
<u>Certificates of Participation Reserve Fund</u>					
FUND BALANCE 6/30/16		-	0		
	Interest Income	176	176		
	Transfer from Capital Improvement Fund (Note 2)	1,693,858	1,693,858		
FUND BALANCE 6/30/17		1,694,034	1,694,034		
	Interest Income	185	-		
ANTICIPATED FUND BALANCE 6/30/18		1,694,219			
	Interest Income	185	-		
ANTICIPATED FUND BALANCE 6/30/19		1,694,404	0		
Summary of COP Activity:					
		15/16	16/17	17/18	18/19
	Beginning Balance each year	1,693,343	1,693,858	1,694,034	1,694,219
	Cop Proceeds	-	-	-	-
	Less Withdrawals	-	-	-	-
	Interest earned and Reinvested	515	176	185	185
	Cash Balance for COP Expenditures	1,693,858	1,694,034	1,694,219	1,694,404
Note 1: The Trust Agreement established a reserve fund in October 2011.					
The reserve fund is funded based on the upcoming annual debt service payment which is currently at \$1.6 million, and is held by the Trustee. This amount will be used to make the final payment on the COPs, and the Reserve Fund will be closed out at that time.					
Note 2: Transfer from Capital Improvement Fund (CIP) to present COP Reserve fund as separate fund on the Summary of Funds page, previously included with the activity of the CIP Fund.					

SECTION VI

RATE STABILIZATION FUND

**Novato Sanitary District
2017-19 Preliminary Budget
Rate Stabilization Fund**

			2017-19 Budget	
			Prelim	Final
<u>RATE STABILIZATION FUND</u>				
FUND BALANCE 6/30/16			1,500,000	0
Required Deposits/Transfers from Operating			139,091	0
FUND BALANCE 6/30/17.....			1,639,091	0
Required Deposits/Transfers from Operating			49,173	
FUND BALANCE 6/30/18			1,688,263	0
Required Deposits/Transfers from Operating			50,648	
FUND BALANCE 6/30/19			1,738,911	0
Note: This fund is maintained at a minimum balance of \$1,500,000 adjusted annually for inflation from unreserved amounts in the operating fund. Beginning FY17-18, this Fund is also included in the Summary of Fund Balances table (Page 1) to relate the cash based methodology of the budget document with the accrual methodology of the Comprehensive Annual Financial Report (CAFR).				

SECTION VII

DEBT SERVICE FUND SUMMARY

**Novato Sanitary District
2017-19 Preliminary Budget
State Revolving Fund Loan
and
COP Bond Fund**

		2017-18 Budget			
		Preliminary	Final		
<u>State Revolving Fund Loan</u>					
DEBT BALANCE 6/30/16		67,091,044	67,091,044		
Principal Payment 2016-17		(3,768,762)	0		
Interest payments 2016-17		(1,610,195)	0		
Transfer from Capital Improvement Fund 2016-17		1,610,195	0		
DEBT BALANCE 6/30/17		63,322,282	0		
Principal Payment 2017-18		(3,859,212)	0		
Interest payments 2017-18		(1,519,744)	0		
Transfer from Capital Improvement Fund 2017-18		1,519,744	0		
ANTICIPATED DEBT BALANCE 6/30/18		59,463,070	0		
<u>COP Bond Financing Issued October 2011</u>					
DEBT BALANCE 6/30/16		18,380,000	-		
Principal Payment 2016-17		(905,000)	-		
Interest payments 2016-17		(775,748)	-		
Transfer from Capital Improvement Fund 2016-17		775,748	-		
DEBT BALANCE 6/30/17		17,475,000	0		
Principal Payment 2017-18		(925,000)	-		
Interest payments 2017-18		(739,548)	-		
Transfer from Capital Improvement Fund 2017-18		739,548	-		
ANTICIPATED DEBT OWED 6/30/18		16,550,000	0		
		Projected	Preliminary	Preliminary	
		Rev/Exp	Budget	Budget	
Debt Coverage Ratio(1)		Budget 16/17	2017-18	2018-19	
Net Operating Revenue		136,044	222,349	311,376	171,339
Capital Revenue		10,015,352	10,267,729	10,926,445	10,704,826
Annual Debt Service		7,059,705	7,059,705	7,043,504	7,026,504
Debt Coverage Ratio		1.44	1.49	1.60	1.55
Net revenues covenant requires a 1.20 coverage ratio					
(1) Net Operating Revenue + Capital Revenue/ Annual Debt Service = Debt Coverage Ratio					

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Wastewater Operations Report, May 2017.

MEETING DATE: June 12, 2017

AGENDA ITEM NO.: 8.a.

RECOMMENDED ACTION: Receive Wastewater Operations Report for May 2017.

SUMMARY AND DISCUSSION:

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

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

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

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

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

GENERAL MANAGER: SSK



June 7, 2017

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

Subject: Veolia Water Operations Report – May 2017

Dear Mr. Karkal:

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

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

Best regards,

A handwritten signature in blue ink, appearing to read "John Bailey".

John Bailey
Project Manager, Veolia



**MONTHLY OPERATIONS REPORT
May 2017**

Prepared for

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

Prepared by

Veolia Water West Operating Services, Inc. (VWWOS)

TABLE OF CONTENTS

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

ATTACHMENTS

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

A: TREATMENT PLANT PERFORMANCE SUMMARY: May 2017:

Parameter	Value		Limit	
	Ave	Max	#1	#2
Flow, MGD (monthly ave/max)	4.27	4.80	N/A	N/A
Influent				
BOD ₅ , lb/day (month ave/max)	10,277	13,311	N/A	N/A
TSS, lb/day (monthly ave/max)	10,360	15,903	N/A	N/A
Effluent				
BOD ₅ , mg/L (monthly ave/max weekly ave)	8	15	15	30
TSS, mg/L (monthly ave/max weekly ave)	7	9	10	20
BOD ₅ - % Removal, Average	97	N/A	85	N/A
TSS - % Removal, Average	98	N/A	85	N/A
Ammonia, mg/L – (monthly ave/daily max)	4.20	4.20	5.9	21
pH, su (min / max)	6.8	7.0	6.0	9.0
Enterococcus, MPN/100 ml (30 day geo mean)	6.16	N/A	35	N/A
Fecal Coliform, MPN/100 ml (30 day median)	N/A	N/A	140	N/A
Fecal Coliform, MPN/100 ml (90 th percentile)	N/A	N/A	430	N/A
Total Permit Exceedances (NPDES)	0			

Title 22 - Recycled Water Production and Quality

Description	Units	Value	Limit
Volume Produced	Million Gallons	16.664	N/A
Average Turbidity	NTU	1.3	2.0
Turbidity > 5 NTU (in 24 hour)	Minutes	0	72
Minimum CT (disinfection)	mg-min/L	>450	450 minimum
Minimum Dissolved Oxygen (DO)	mg/L	7.5	2 mg/L minimum
Maximum Total Coliform	MPN/100 ml	2	240
Maximum Total Coliform 2 Samples 30 d	MPN/100 ml	<2	23
Total Coliform 7 Sample Median	MPN/100 ml	<2	2.2

Discussion of Violations / Excursions

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



B: SAFETY AND TRAINING:

- Monthly plant safety inspections for Novato WWTP and Ignacio Transfer Pump Station completed
- Five Minute Tailgate training is held daily with all staff.
- No safety incidents for the month of May
- Accident Free: 6/1/10 – 5/31/17: 2,563 days
- Monthly Safety Topics and Training:
 - Hand and Power Tool Safety

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

- Routine rounds, readings and maintenance
- Annual crane certifications
- Repair to UV Crane
- Annual fire extinguisher service
- Annual flow meter calibrations
- Secondary scum pump #1 rewire

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

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

Ignacio Transfer Pump Station

- Routine rounds, readings and maintenance
- Annual crane certification
- Annual fire extinguisher service
- Annual flow meter calibration
- Installed new conveyance pump at Ignacio
- Removed conveyance pump #3 - sent to Shape for overhaul

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

- None

Recycled Water Plant (RWP)

- Routine rounds, readings and maintenance

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

- None



Sludge Lagoons (and Reclamation Area)

- Performed routine rounds and inspection
- Pump down irrigation wells for sampling

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

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

Total Coliforms

When effluent is discharged to the Bay, there is no requirement for Total Coliform.

Enterococcus

When effluent is discharged to the Bay, the bacteriological requirement is for *Enterococcus*. Three samples were analyzed each week in April and all were well under the regulatory limits.

Fecal Coliforms

Fecal Coliform sampling is required once per quarter during Bay discharge. The quarterly sample was analyzed in March for the March through May Quarter, with the results well below the regulatory limit.

Proficiency Testing

Proficiency testing was conducted in May for Enterococcus and Dissolved Oxygen and also for Total Coliform and E.coli using the IDEXX Colilert methods and we achieved 100% acceptable data in both of the studies.

BACWA

Liz attended the BACWA Permits and Laboratory committee meetings.

Training

Kurt Hawkyard attended the CWEA Redwood Empire Section P3 training “Generating Legally Defensible Field Sampling and Testing Data for Pretreatment Compliance Professionals” Presented by Diane Lawver.

Public Education

None

Pretreatment**Permits**

- 1 new Zero Discharge Non-Domestic Permit for a Non-Significant Categorical Industry User
- 1 Groundwater discharger completed the specified project

Inspections and Sampling

- Inspected 1 new industry (nano-brewery)
- Inspected 1 carwash
- Sampled 1 Categorical Industrial User
- Sampled 1 Industrial User

Uploaded the Regional Monitoring Program (RMP) mass loading into the San Francisco Estuary Institute (SFEI) database.

E: ADMINISTRATION:

- April Electronic Self-Monitoring Report (SMR) submitted on May 25, 2017
- April Electronic Discharge Monitoring Report (DMR) submitted on May 25, 2017

F: ODORS & LANDSCAPING:

- Two contacts from neighbors in May, see Attachment 6.
- Jerome meter (H₂S) readings performed in neighborhood and within treatment plant.
- All readings in neighborhood were at the minimum detection threshold of the Jerome meter.

G: MISCELLANEOUS

- Process Control Management Plan (PCMP) meetings held weekly.
- Teamsters Managed Trust Audit
- School Fuel Booth

Veolia Support Staff On/Off Site (Various Times)

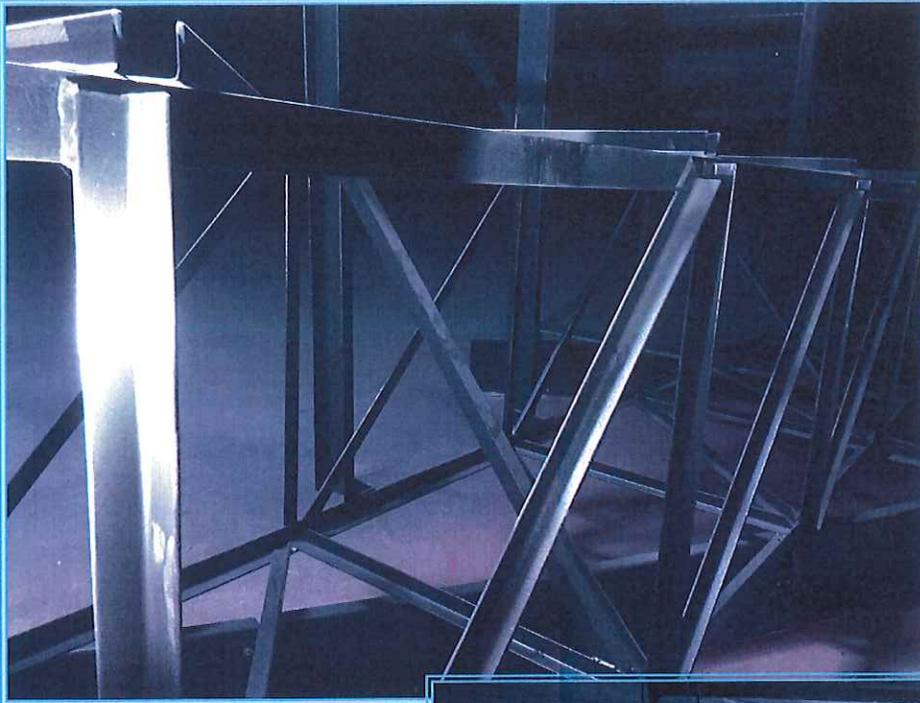
John O'Hare (Veolia Corporate)

Technical Support, Pretreatment & Laboratory



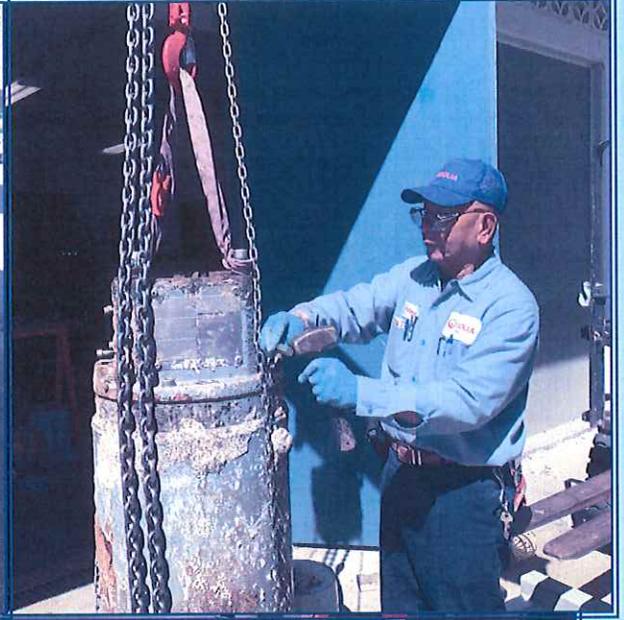
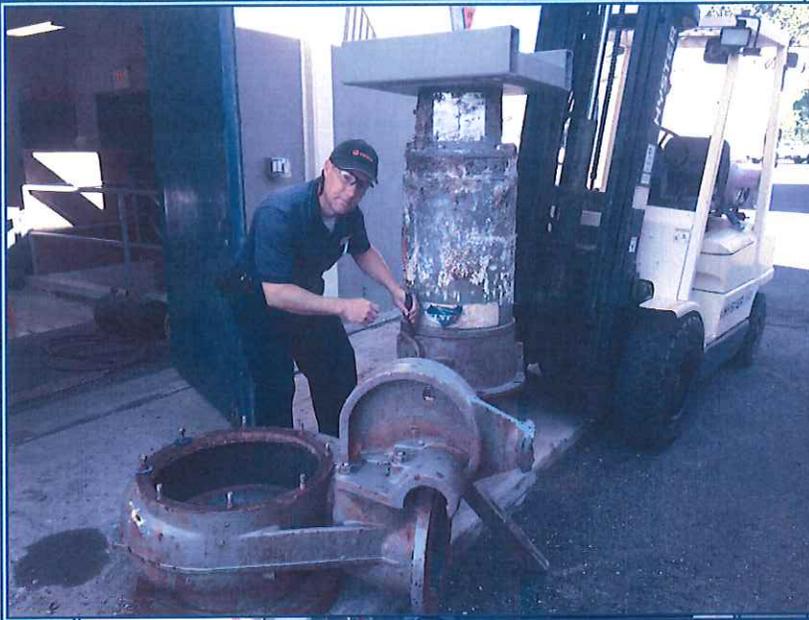
1) PHOTOS

PRIMARY CLARIFIER #1 – COATING
APRIL - MAY 2017



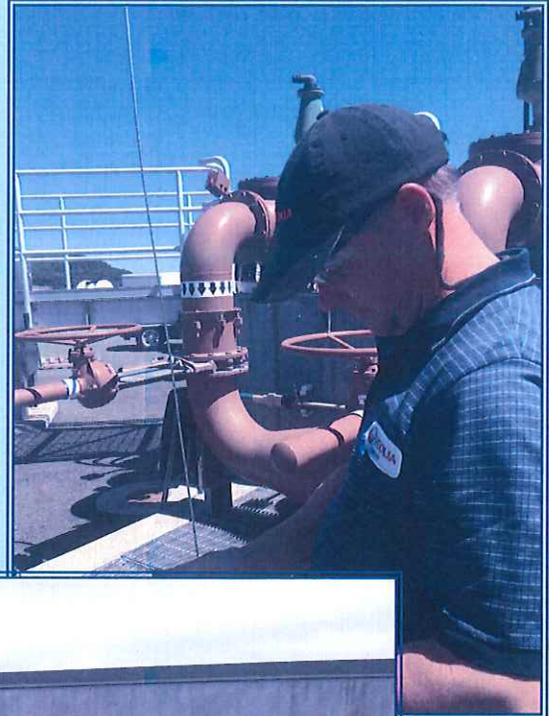
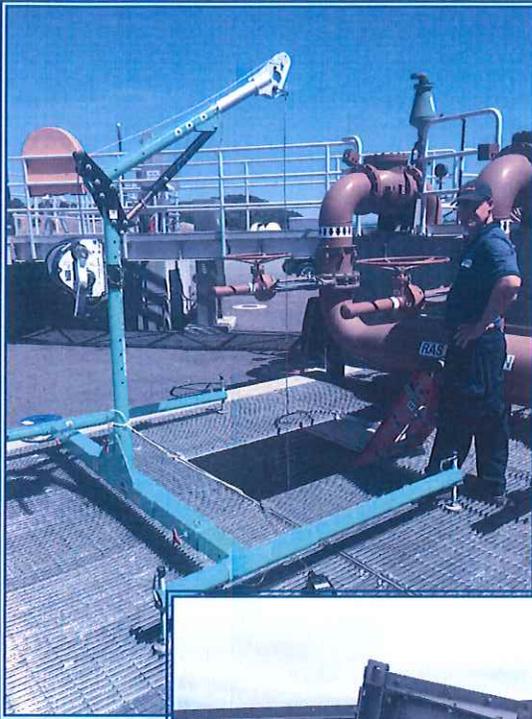
Top – Sludge Collector Arm – Freshly Coated
Bottom – Underside of Scum Beach – Freshly Coated

INFLUENT PUMP #6 REHABILITATION
MAY 2017



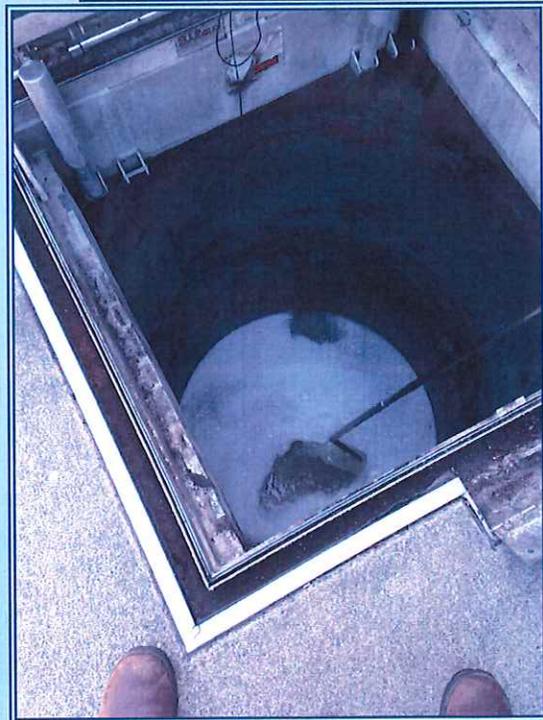
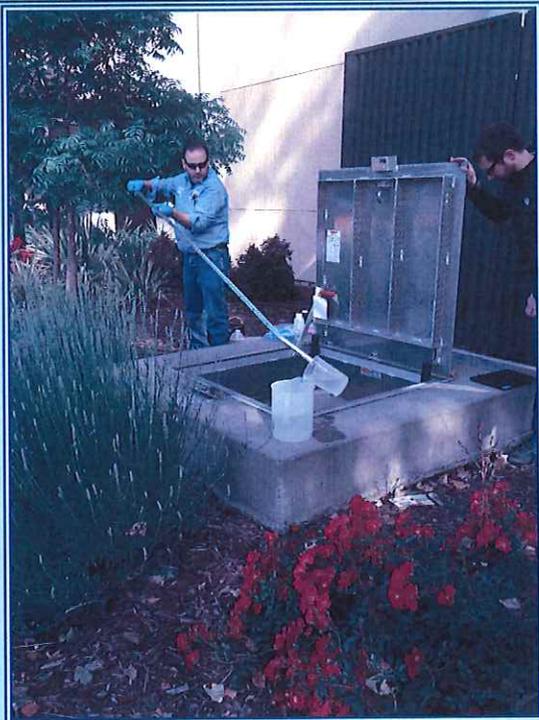
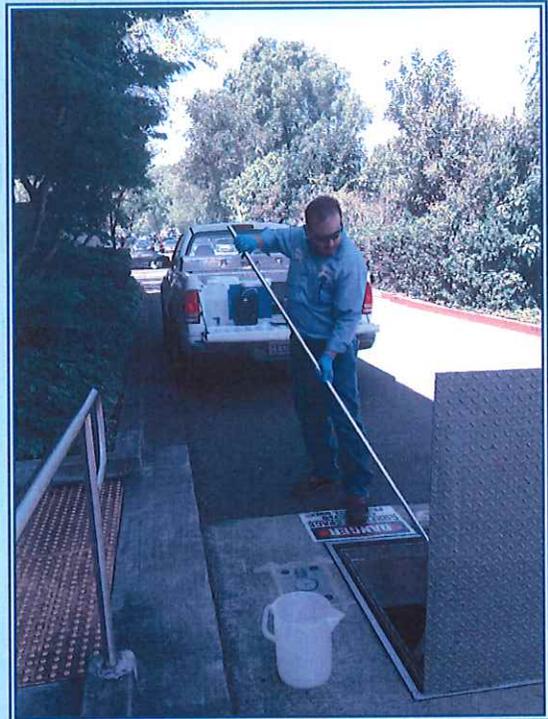
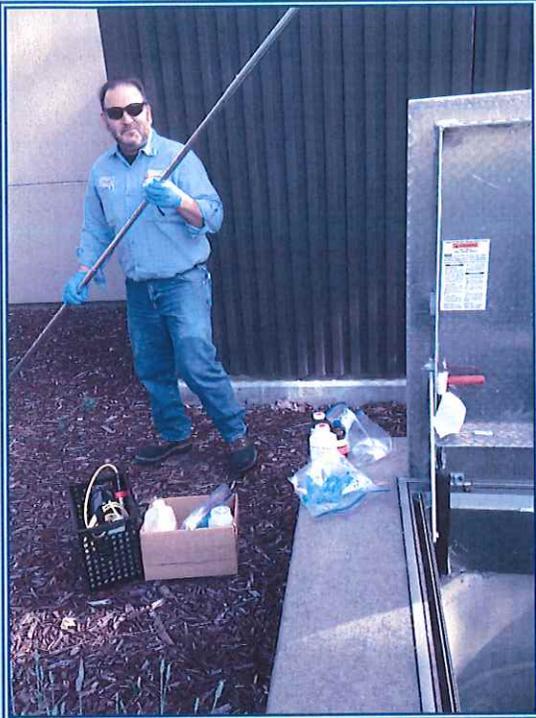
Top Left – Brian Exberger inspects pump
Top Right – Alejo Cuntapay disassembles pump
Bottom Left – Alejo cleaning and inspecting rotor
Bottom Right – Pump components prior to cleaning and coating

REPAIRS
MAY 2017



Top Left & Right – Brian Exberger oversees confined space entry for repair of flow meter
Bottom – Jeff Hendricks prepares to repair channel screen

PRETREATMENT SAMPLING
MAY 2017



Kurt Hawkyard – Performs Pretreatment Sampling

2) LABORATORY DATA

Novato Sanitary District
BOD/TSS Report



May, 2017

Date	Flow MGD	Influent				Effluent				BOD % Removal PERCENT	TSS % Removal PERCENT
		BOD		TSS		BOD		TSS			
		mg/l	lb/d	mg/l	lb/d	mg/l	lb/d	mg/l	lb/d		
05/01/17	4.77										
05/02/17	4.62										
05/03/17	4.27	250	8,903	236	8,404	6	214	6	214	97.6	97.5
05/04/17	4.42					<5	<184	6	221		
05/05/17	4.09										
05/06/17	4.29										
05/07/17	4.44										
05/08/17	4.31										
05/09/17	4.30										
05/10/17	4.20	380	13,311	454	15,903	15	525	9	315	96.1	98.0
05/11/17	4.21										
05/12/17	4.12										
05/13/17	4.13										
05/14/17	4.33										
05/15/17	4.40										
05/16/17	4.00										
05/17/17	4.02										
05/18/17	4.41	310	11,402	258	9,489	6	221	7	257	98.1	97.3
05/19/17	4.25										
05/20/17	4.04										
05/21/17	4.80										
05/22/17	4.26										
05/23/17	4.42										
05/24/17	4.05	250	8,444	257	8,681	7	236	6	203	97.2	97.7
05/25/17	4.22										
05/26/17	4.19										
05/27/17	3.92										
05/28/17	4.17										
05/29/17	4.18										
05/30/17	4.30	260	9,324	260	9,324	6	215	5	179	97.7	98.1
05/31/17	4.16										
Weekly Averages											
05/06/17	Week 1	250	8,903	236	8,404	6	199	6	217		
05/13/17	Week 2	380	13,311	454	15,903	15	525	9	315		
05/20/17	Week 3	310	11,402	258	9,489	6	221	7	257		
05/27/17	Week 4	250	8,444	257	8,681	7	236	6	203		
	Week 5										
Monthly											
Minimum	3.92	250	8,444	236	8,404	<5	<184	5	179	96	97
Maximum	4.80	380	13,311	454	15,903	15	525	9	315	98	98
Total	132.29										
Average	4.27	290	10,277	293	10,360	8	<266	7	232	97	98

Novato Sanitary District
Conventional Pollutants Report



May, 2017

Date	INFLUENT - A001			Effluent - E002							
	Flow Total	pH	Ammonia	Coliform / Bacteria			pH	Ammonia	Oil & Grease	Temp	Rainfall
				Fecal	Entero	Total					
	MGD	su	mg/L	MPN/100 mL			su	mg/L	mg/L	Deg C	Inches
05/01/17	4.77						7.0			22.2	0.00
05/02/17	4.62				12.2		6.9			21.3	0.00
05/03/17	4.27				6.3		6.8			21.4	0.00
05/04/17	4.42	7.2			2.0		7.0	4.20	<1.4	21.1	0.00
05/05/17	4.09						7.0			20.5	0.00
05/06/17	4.29										0.00
05/07/17	4.44										0.00
05/08/17	4.31				7.3		7.0			20.7	0.00
05/09/17	4.30				5.1		6.9			21.1	0.00
05/10/17	4.20						7.0			21.3	0.00
05/11/17	4.21				8.6		6.9			20.9	0.00
05/12/17	4.12	7.5					7.0			20.7	0.00
05/13/17	4.13										0.00
05/14/17	4.33										0.00
05/15/17	4.40				5.2		7.0			20.7	0.00
05/16/17	4.00						7.0			21.2	0.00
05/17/17	4.02				13.1		6.9			20.7	0.00
05/18/17	4.41				9.7		7.0			21.1	0.00
05/19/17	4.25	7.4					6.9			21.9	0.00
05/20/17	4.04										0.00
05/21/17	4.80										0.00
05/22/17	4.26						7.0			22.0	0.00
05/23/17	4.42				6.2		6.9			21.9	0.00
05/24/17	4.05				7.2		6.9			21.6	0.00
05/25/17	4.22				8.4		6.9			21.6	0.00
05/26/17	4.19	7.5					6.9			21.6	0.00
05/27/17	3.92										0.00
05/28/17	4.17										0.00
05/29/17	4.18				5.2		7.0			21.4	0.00
05/30/17	4.30				1.0		7.0			21.5	0.00
05/31/17	4.16				10.9		6.9			22.1	0.00
Monthly											
Minimum	3.92	7.2			1.0		6.8	4.20		20.5	0.00
Maximum	4.80	7.5			13.1		7.0	4.20	<1.4	22.2	0.00
Total	132.29										0.00
Average	4.27	7.4					6.9	4.20	<1.4	21.3	0.00
Geomean					6.16						

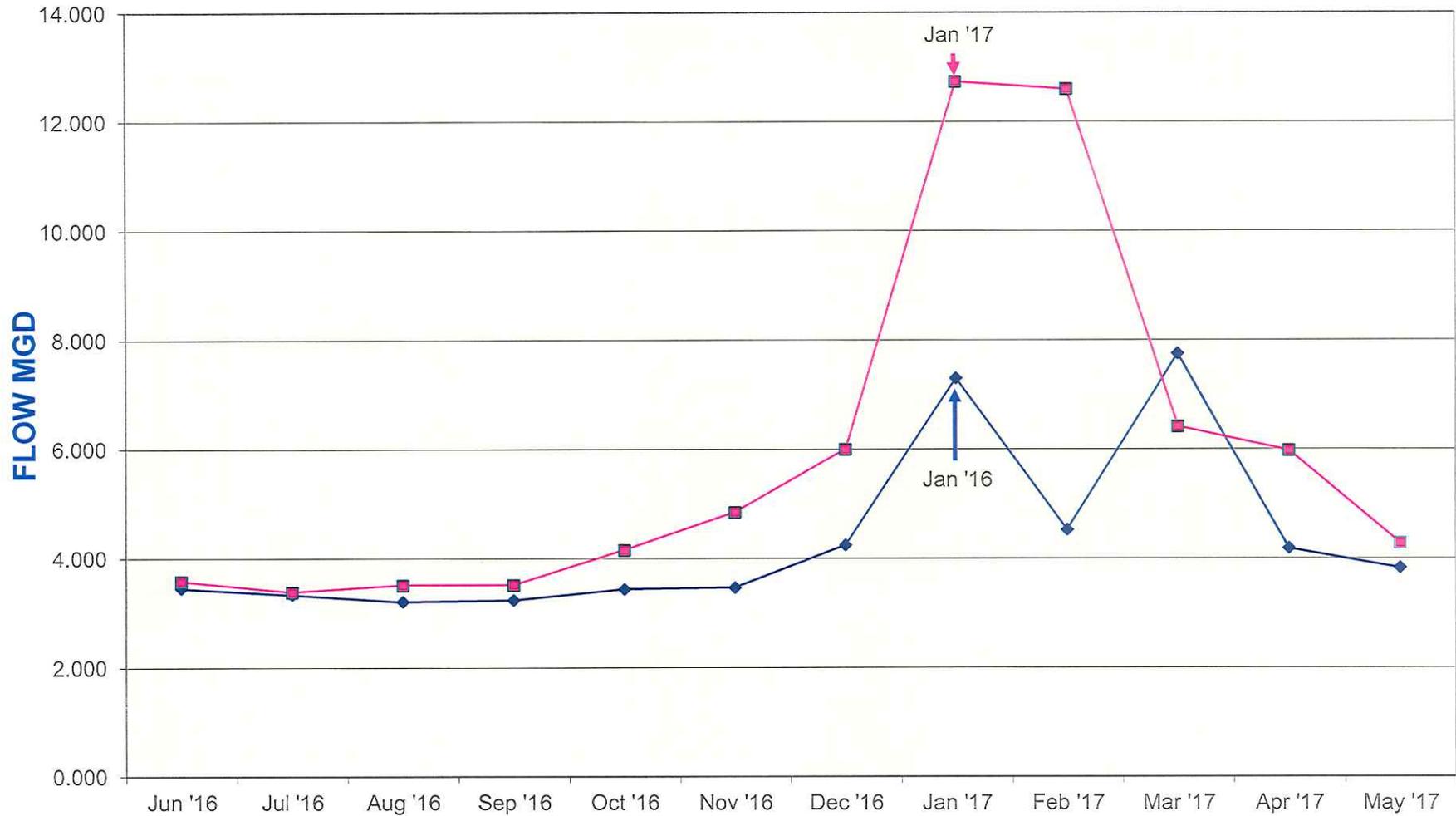
3) RECYCLED WATER REPORT

NOVATO SANITARY DISTRICT RECYCLED WATER COMPLIANCE SUMMARY REPORT

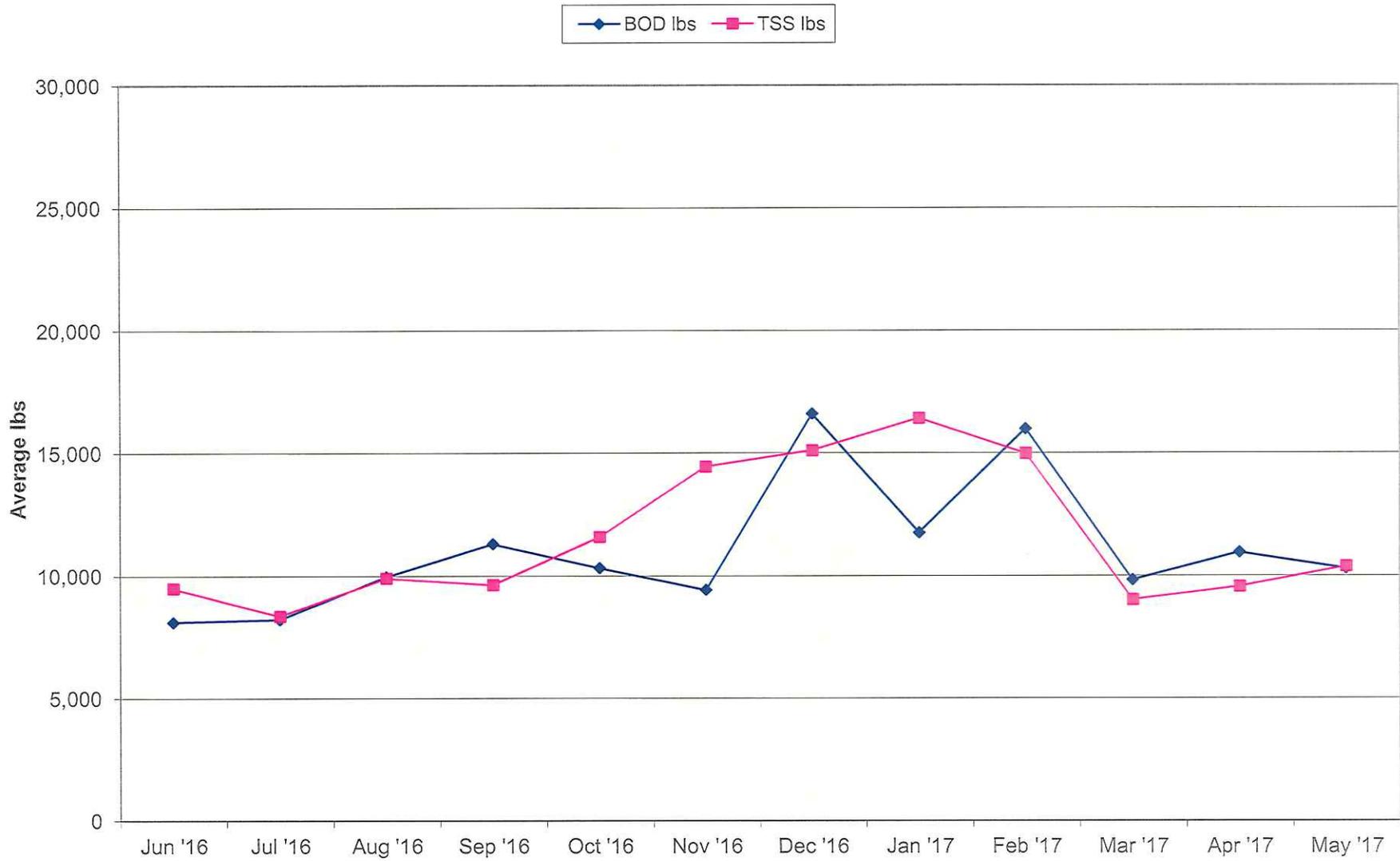
Date	Filter Influent Flow	Recycled Water Flow to Plum St.	Recycled Water Banked	Banked Water To Plum Street Tank	Potable Water To Plum St Tank	Recycled Water Influent Turbidity Max	Recycled Water Influent Turbidity Ave.	Minutes Over 5 NTU Turbidity	Filter Effluent 24 Hr Average Turbidity	Recycled Water Inf Chlorine Dose	Filter Effluent Dissolved Oxygen	Filter Effluent Total Coliform	Chlorint Contact Time
	MGD	MGD	MG	MGD	NTU	NTU	(m)	NTU	(mg/l)	(mg/l)	MPN/100m	Minutes	
5/1/2017	0.520	0.451				2.1	0	1.4		8.8	<2	>450.000	
5/2/2017	0.780	0.438				2.7	0	1.5		8.6	<2	>450.000	
5/3/2017	0.730	0.626				3.5	0	1.4		8.3	<2	>450.000	
5/4/2017	0.710	0.592				2.8	0	1.6			<2	>450.000	
5/5/2017	0.660	0.565				3.1	0	1.3			<2	>450.000	
5/6/2017	0.720	0.610				2.8	0	1.3			<2	>450.000	
5/7/2017	0.680	0.572				2.4	0	1.4		8.6	<2	>450.000	
5/8/2017	0.790	0.600				1.5	0	1.4		8.5	<2	>450.000	
5/9/2017	0.850	0.759				3.3	0	1.8		8.3	<2	>450.000	
5/10/2017	0.780	0.689				2.8	0	1.6			<2	>450.000	
5/11/2017	0.740	0.643				3.4	0	1.4			<2	>450.000	
5/12/2017	0.760	0.637				3.5	0	1.4			<2	>450.000	
5/13/2017	0.790	0.663				2.5	0	1.3			<2	>450.000	
5/14/2017	0.850	0.737				2.7	0	1.6		8.6	<2	>450.000	
5/15/2017	0.810	0.674				3.3	0	1.6		8.2	<2	>450.000	
5/16/2017	0.700	0.613				3.6	0	1.4		8.6	<2	>450.000	
5/17/2017	1.000	0.766				3.9	0	1.2			2	>450.000	
5/18/2017	0.950	0.418				1.9	0	0.9			<2	>450.000	
5/19/2017	0.920	0.469				1.7	0	0.8			<2	>450.000	
5/20/2017	0.950	0.415				1.6	0	0.8			<2	>450.000	
5/21/2017	0.940	0.486				1.5	0	0.8		8.3	<2	>450.000	
5/22/2017	0.850	0.368				2.6	0	0.8		8.6	<2	>450.000	
5/23/2017	0.800	0.474				1.0	0	1.3		8.6	<2	>450.000	
5/24/2017	0.710	0.415				3.0	0	1.3			<2	>450.000	
5/25/2017	0.730	0.447				3.0	0	1.3			<2	>450.000	
5/26/2017	0.730	0.449				2.4	0	1.4			<2	>450.000	
5/27/2017	0.710	0.420				1.6	0	1.2			2	>450.000	
5/28/2017	0.710	0.413				1.7	0	1.1		7.5	<2	>450.000	
5/29/2017	0.720	0.419				1.7	0	1.2		7.6	<2	>450.000	
5/30/2017	0.710	0.418				1.9	0	1.0		7.7	<2	>450.000	
5/31/2017	0.730	0.418				2.1	0	0.8			<2	>450.000	
Total	24.030	16.664											
Minimum	0.520	0.368				1.0	0	0.8		7.5	<2	>450.0	
Maximum	1.000	0.766				3.9	0	1.8		8.8	2	>450.0	
Average	0.775	0.538				2.5	0	1.3		8.3	<2	>450.0	

4) ANNUAL PERFORMANCE SUMMARY

WASTEWATER INFLUENT FLOW COMPARISON



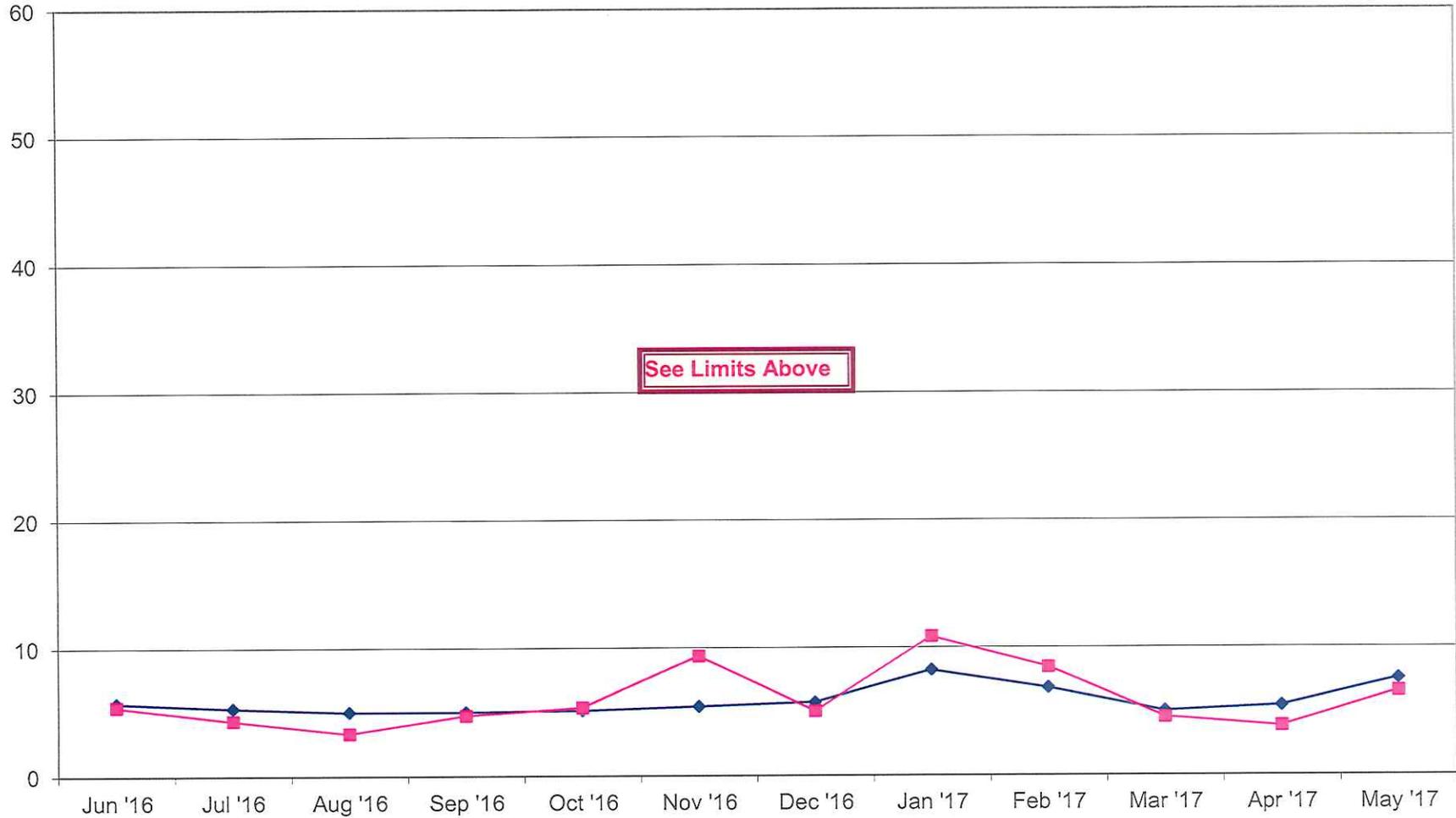
Influent Load BOD / TSS lbs



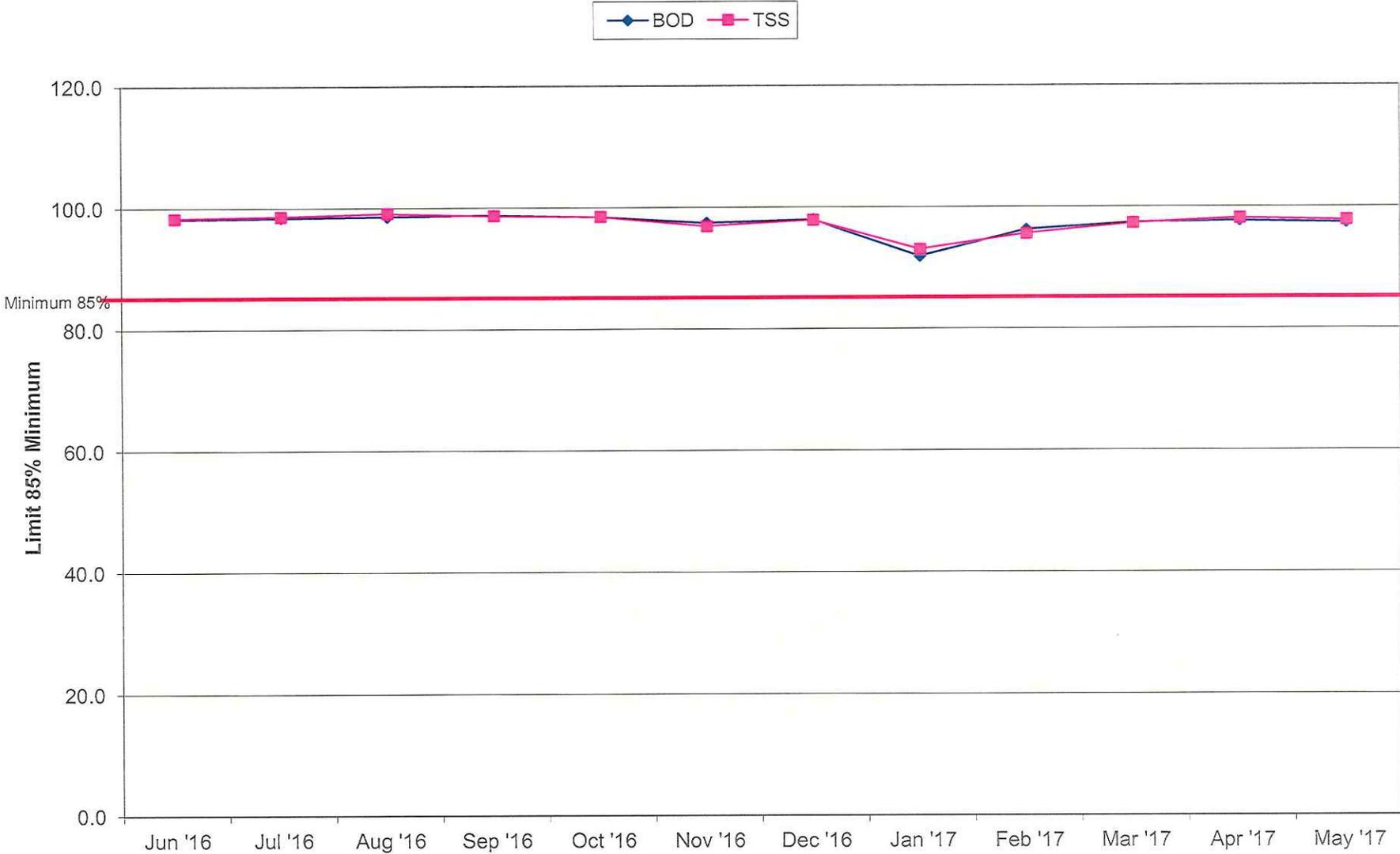
Effluent BOD / TSS Concentration

◆ BOD ■ TSS

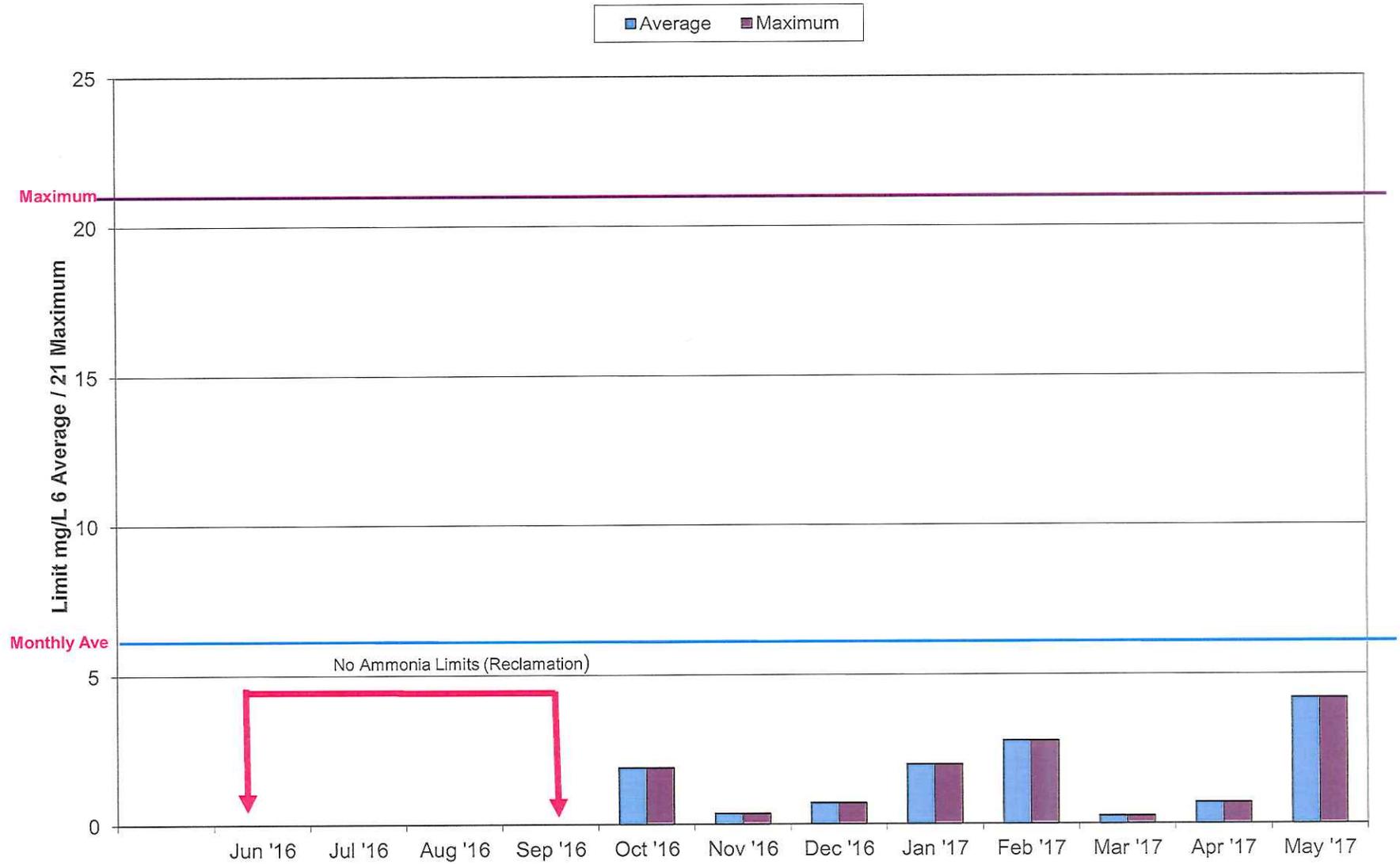
NPDES LIMITS DRY SEASON
 BOD - 15 mg/L Monthly Ave, 30 mg/L Weekly Ave
 TSS - 10 mg/L Monthly Ave, 20 mg/L Weekly Ave
 WDR (Waste Discharge Requirements) RECLAMATION
 BOD - 40 mg/L



BOD / TSS Percent Removal



Effluent Ammonia



Disinfection - Fecal Coliform

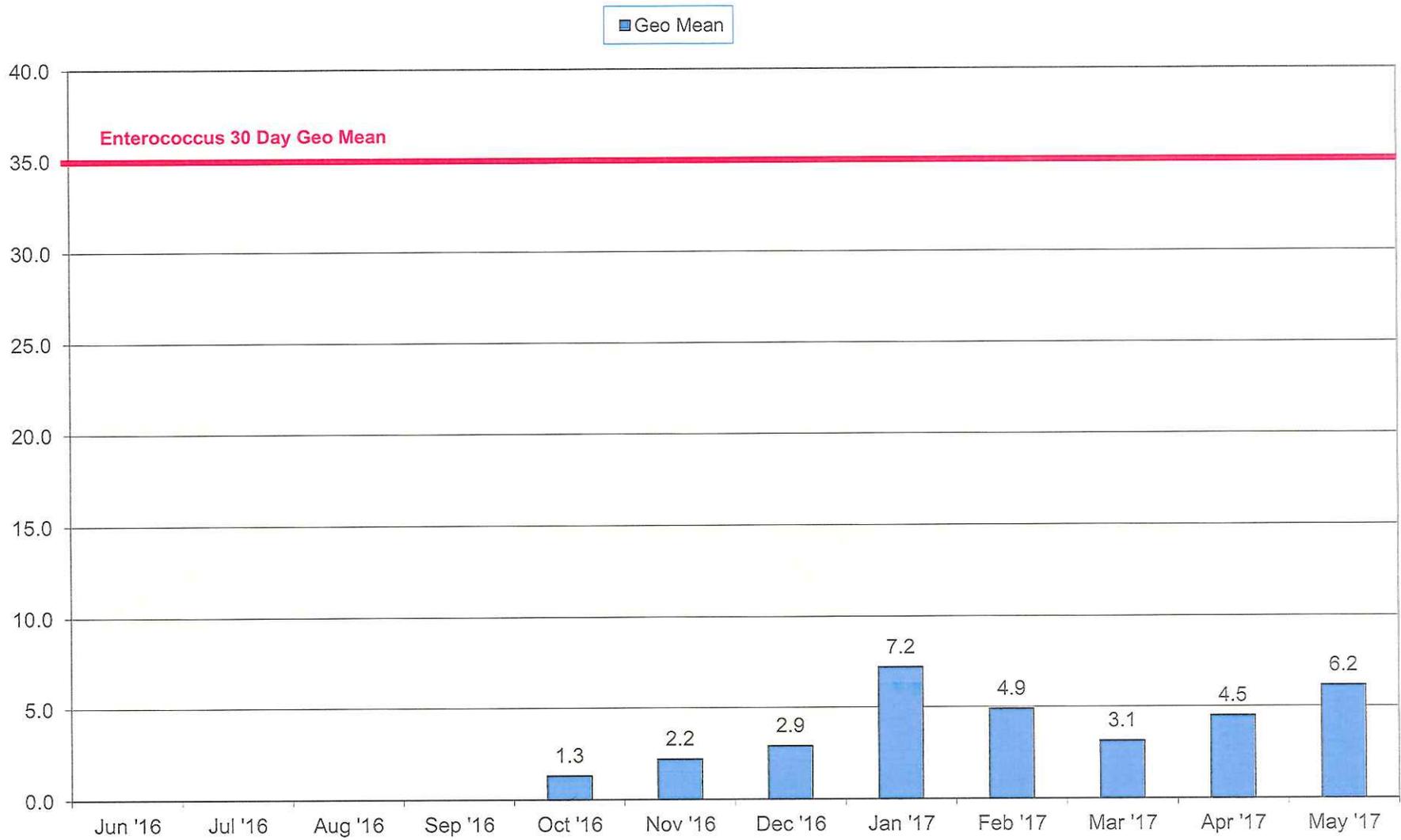
LIMITS - NPDES
Fecal 140 mpn monthly median
Fecal 430 mpn 90th percentile 30 day

90th % ile 30 day med



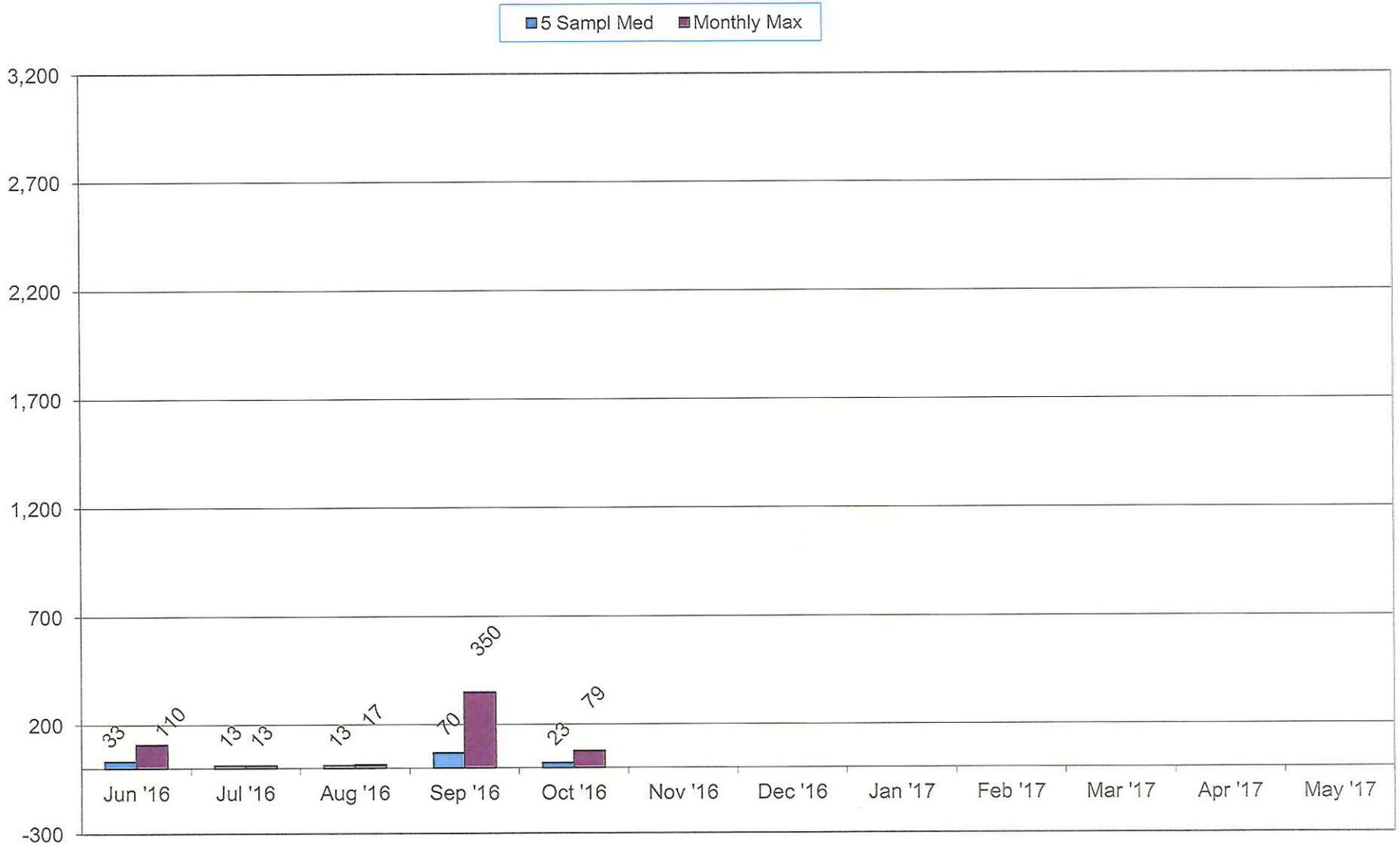
Disinfection - Enterococcus

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

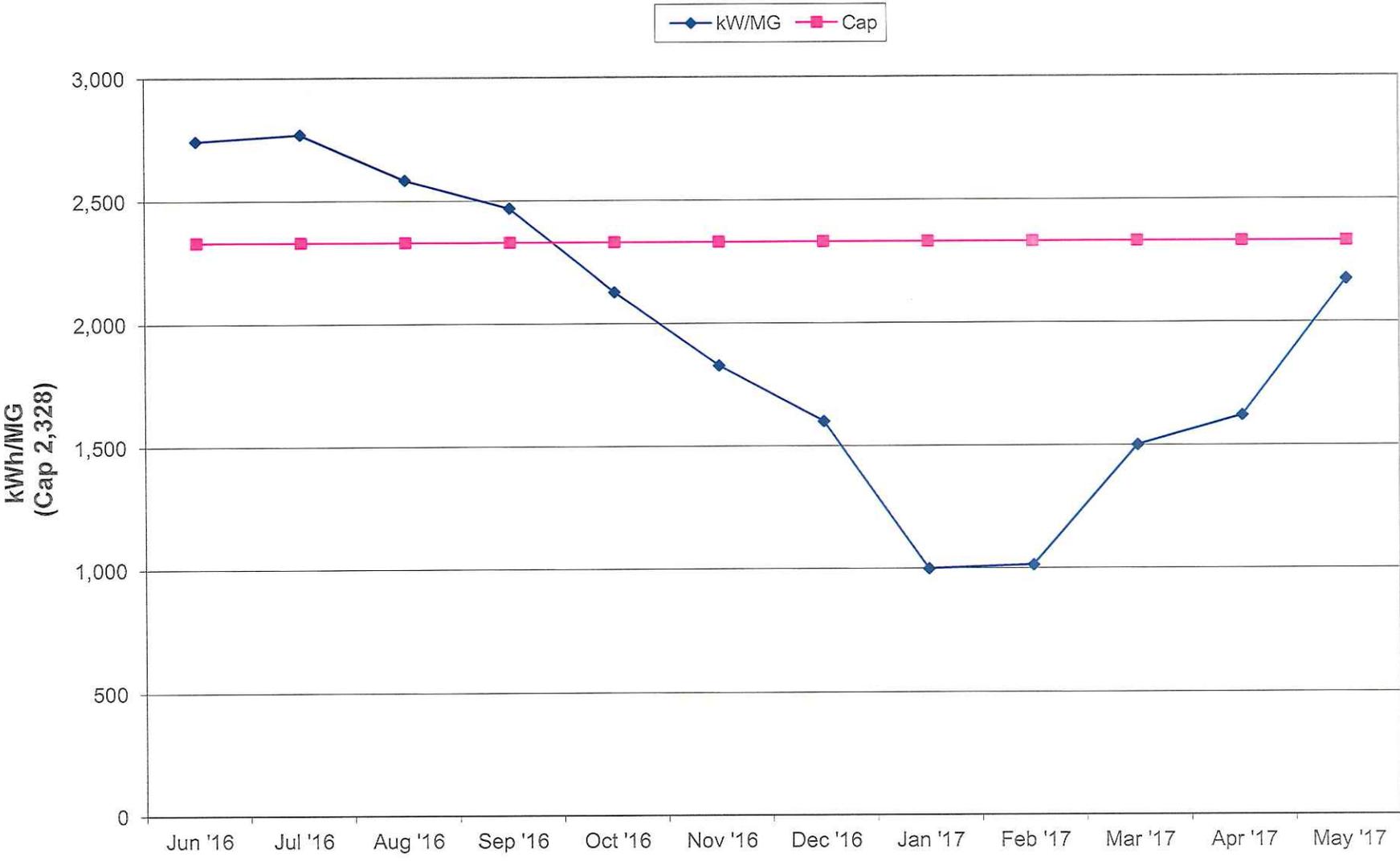


Disinfection - Total Coliform

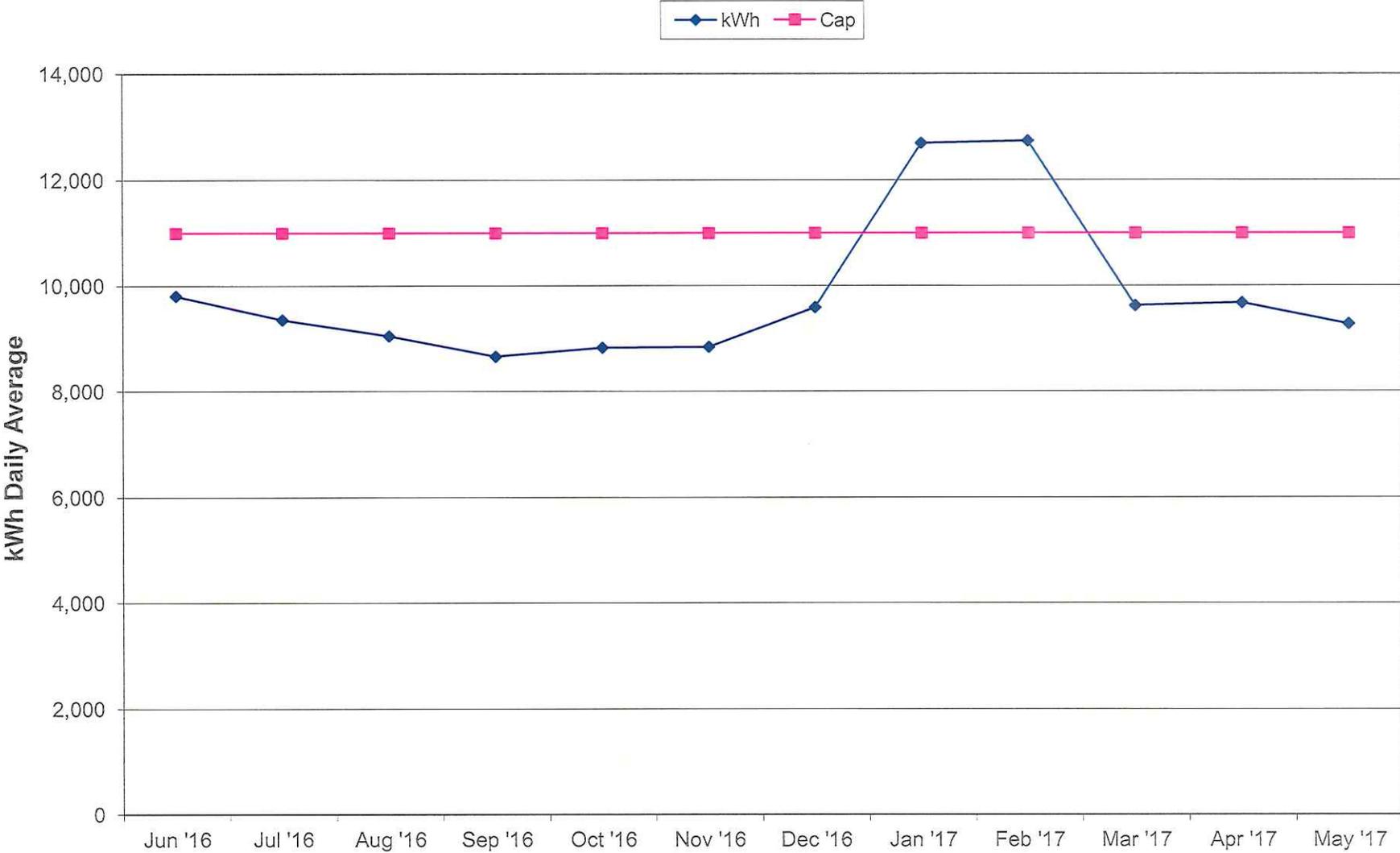
TOTAL COLIFORM LIMITS - WDR
 5 Sample Median - 240 mpn /100 ml
 Maximum - 10,000 mpn/100 ml



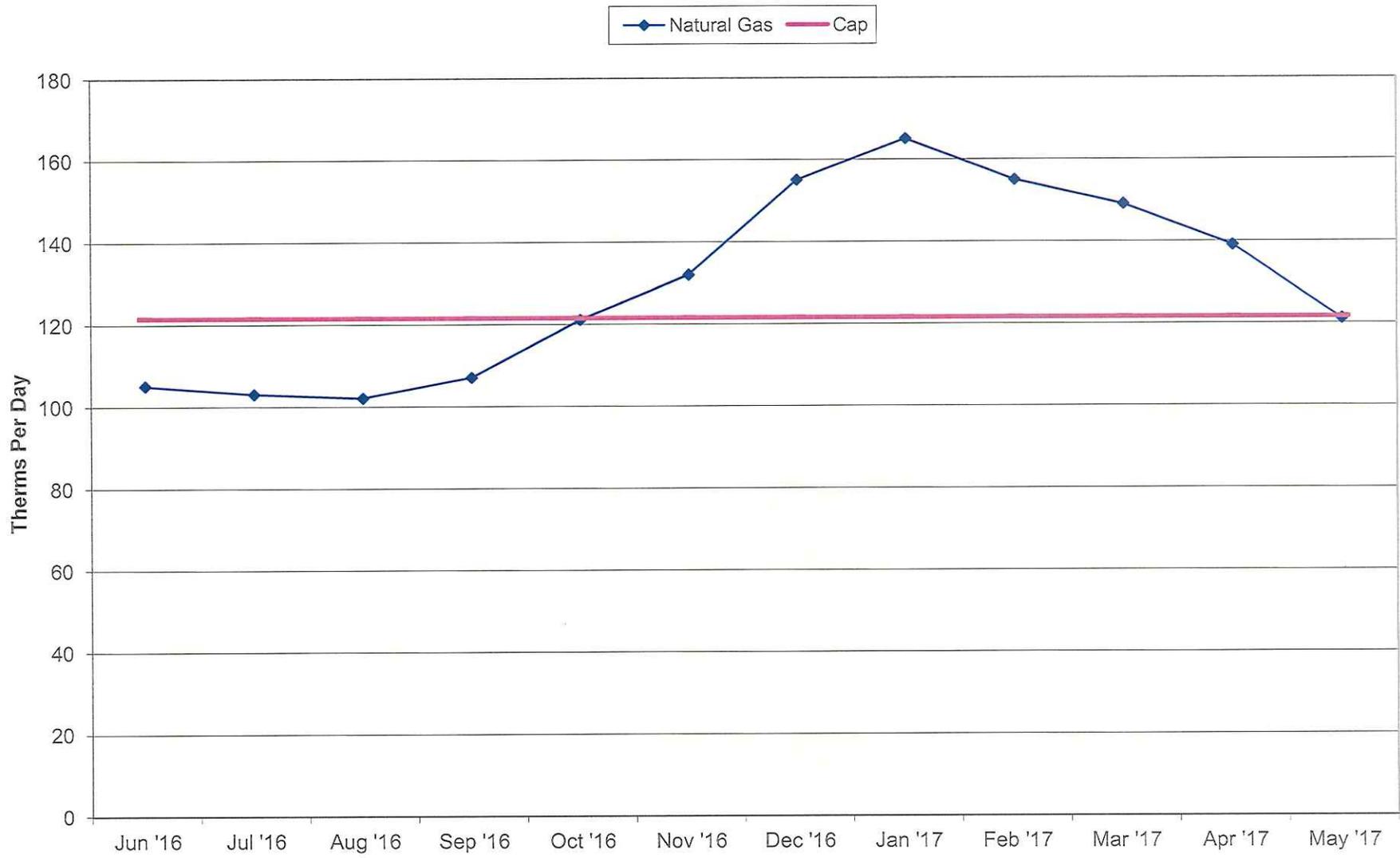
Energy kWh/MG



Energy kWh

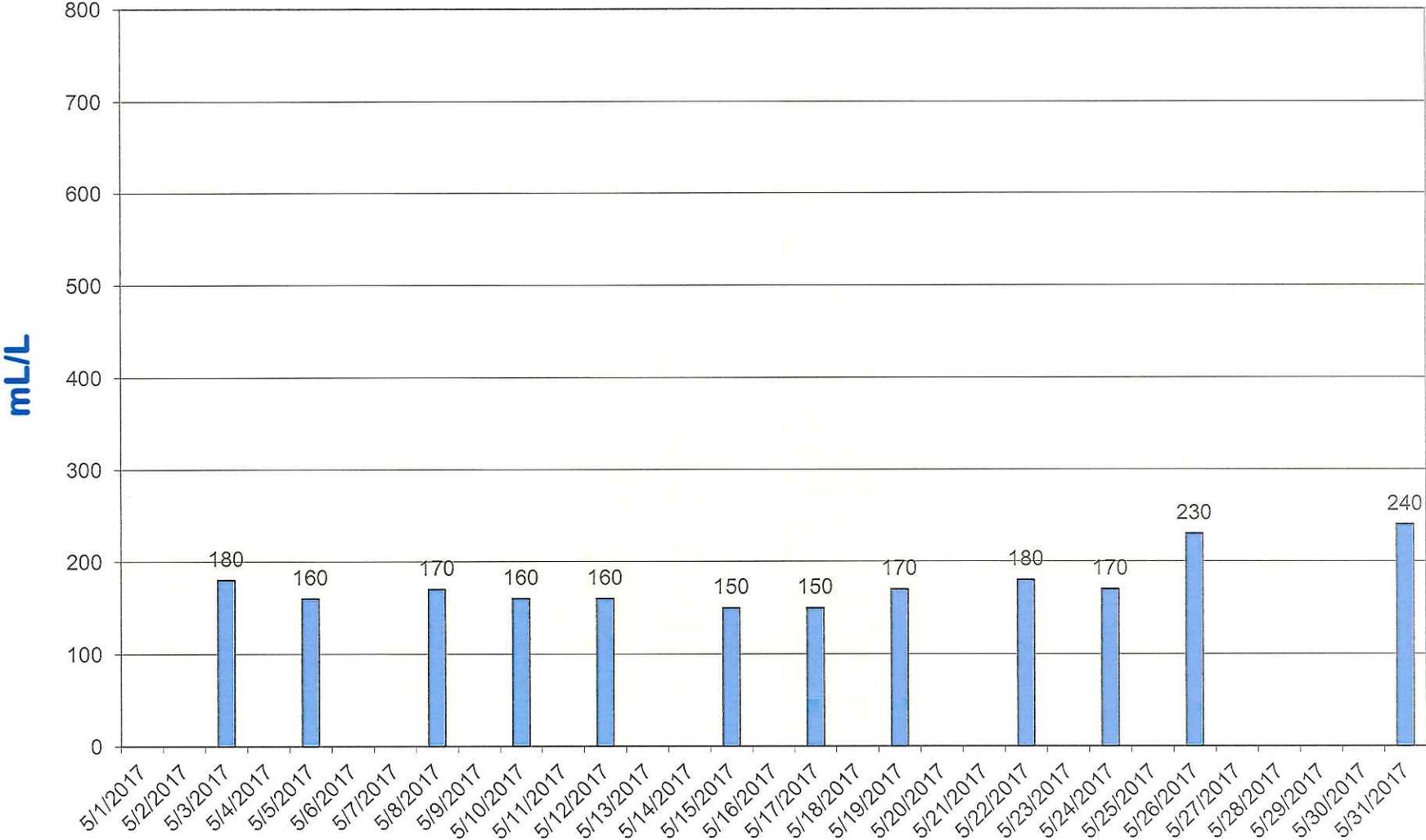


Natural Gas Use

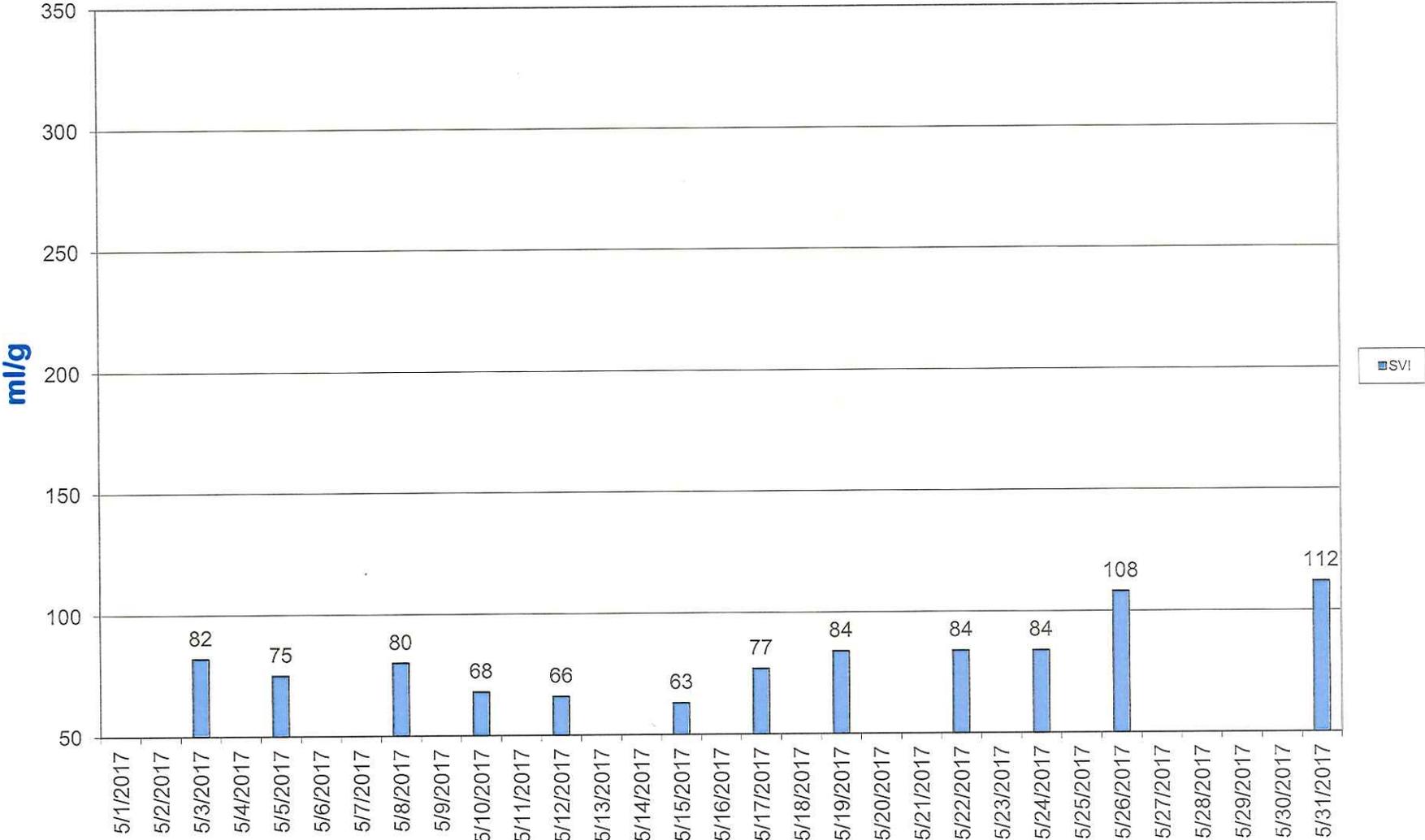


5) PROCESS CONTROL DATA / GRAPHS

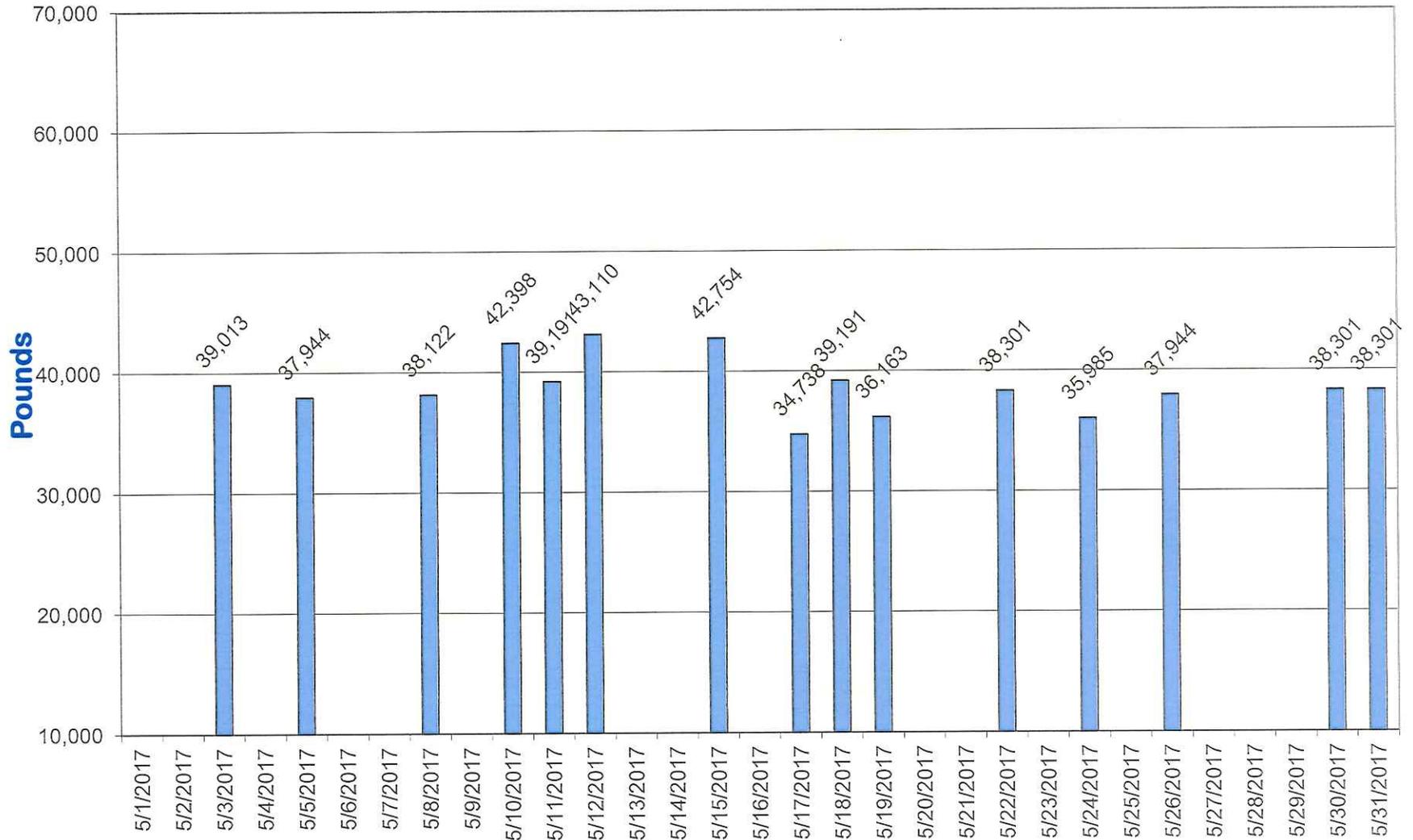
Settleability



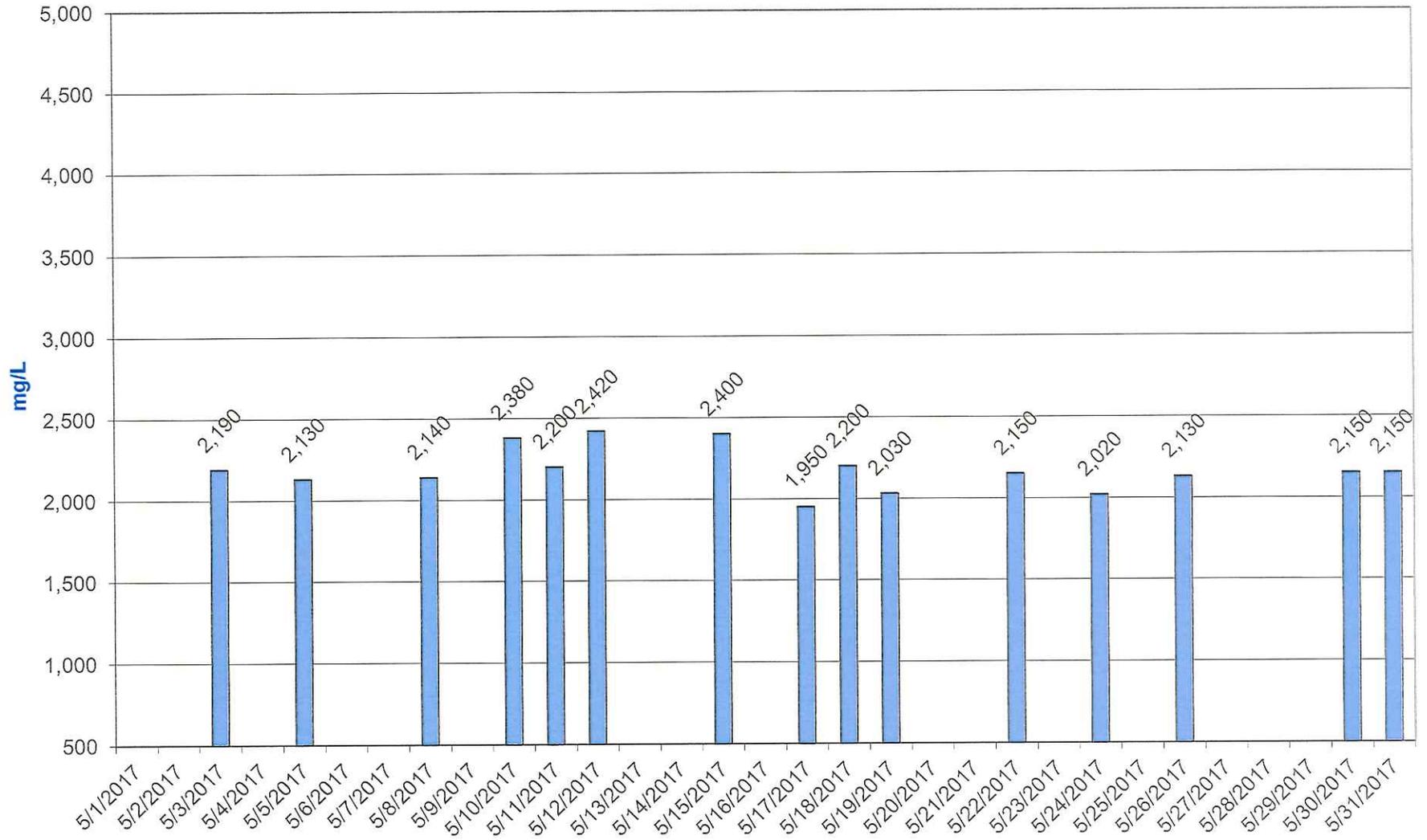
Sludge Volume Index



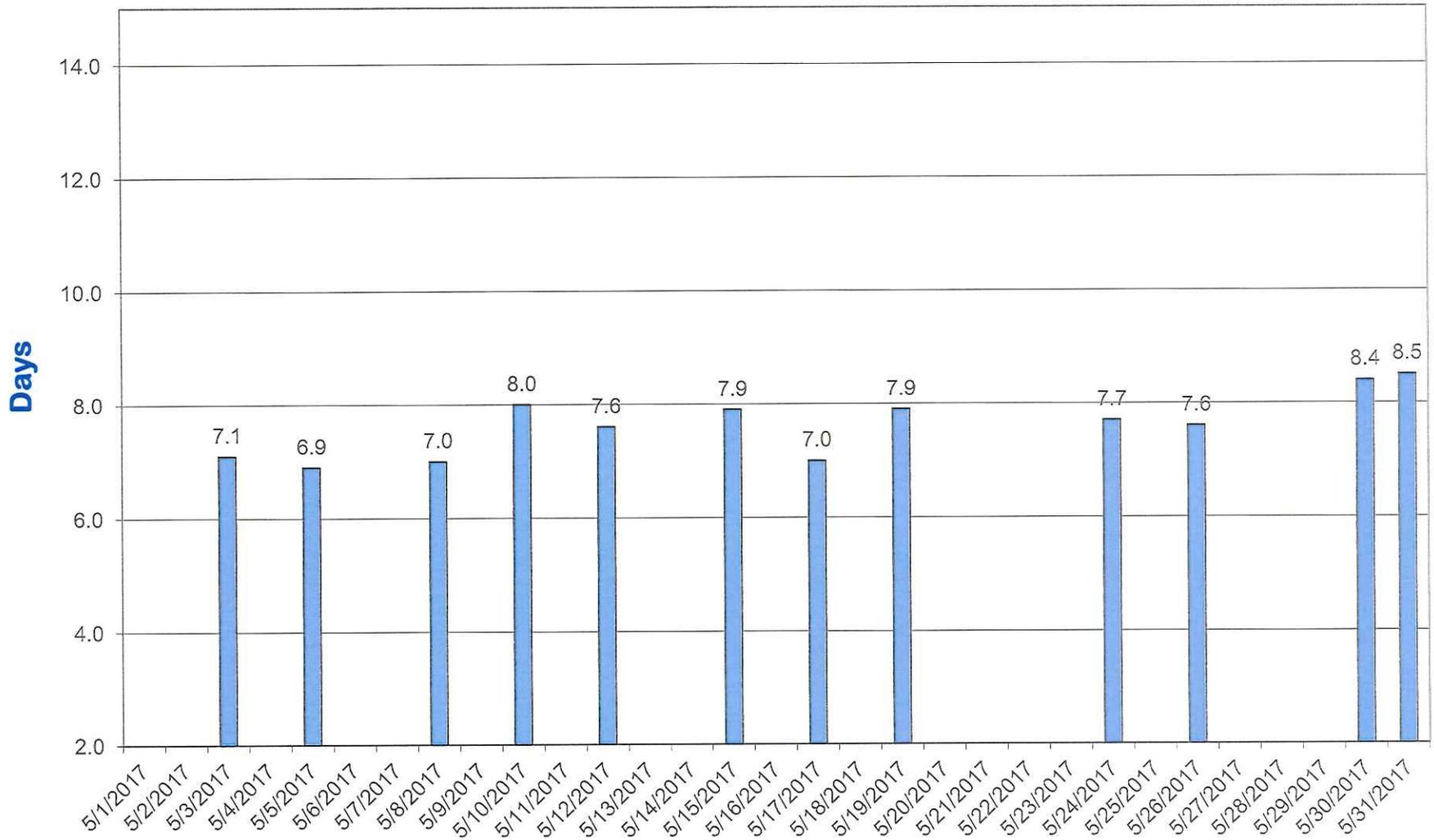
MLSS Inventory



MLSS Concentration



Mean Cell Residence Time

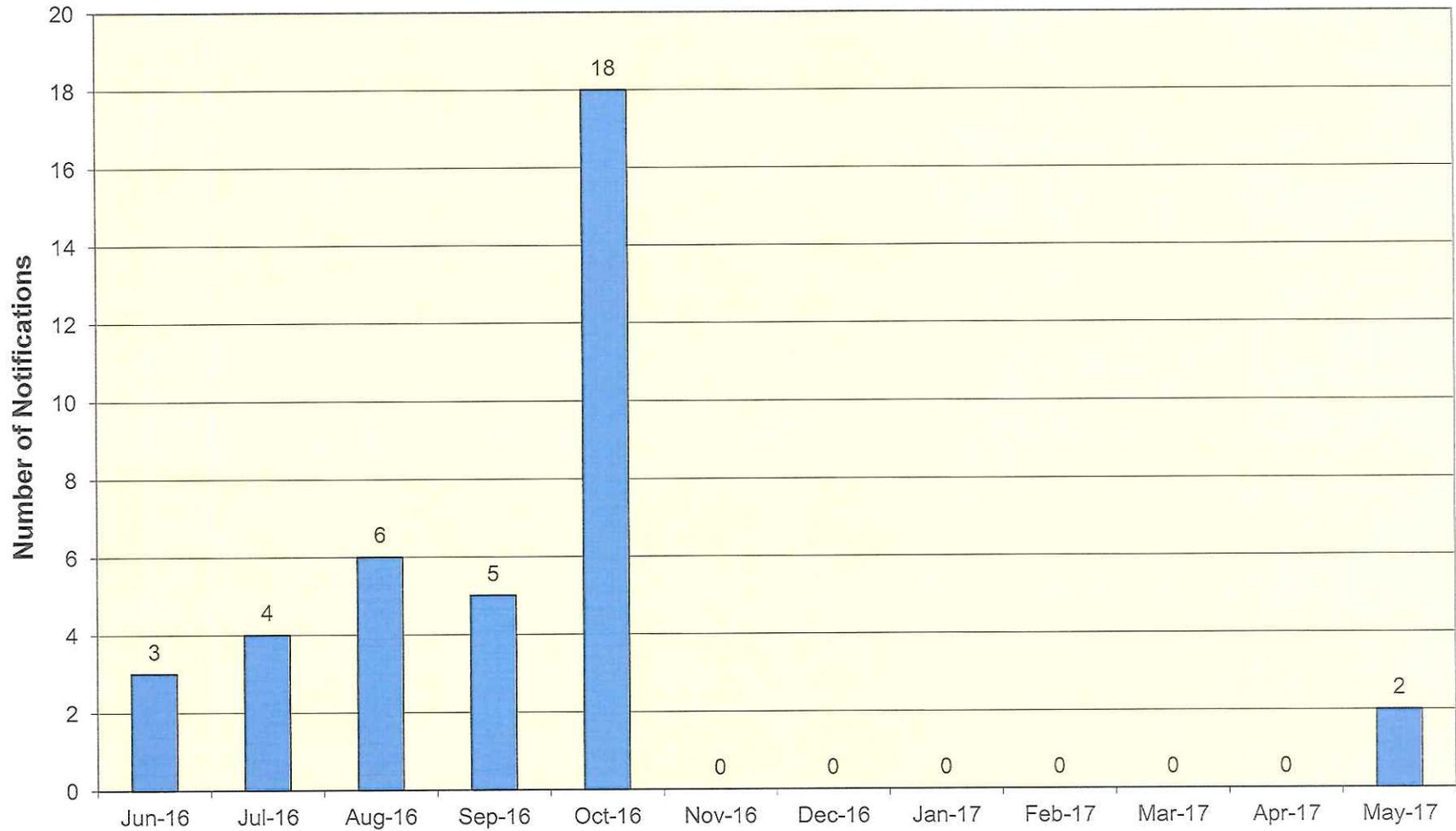


Process Control Data

	Influent Flow	Settleability	MLSS Concentration	MLSS Inventory	F:M Ratio	MCRT	SVI
5/1/2017	4.77						
5/2/2017	4.62						
5/3/2017	4.27	180	2,190	39,013	0.18	7.1	82
5/4/2017	4.42						
5/5/2017	4.09	160	2,130	37,944		6.9	75
5/6/2017	4.29						
5/7/2017	4.44						
5/8/2017	4.31	170	2,140	38,122		7.0	80
5/9/2017	4.30						
5/10/2017	4.20	160	2,380	42,398		8.0	68
5/11/2017	4.21		2,200	39,191	0.28		
5/12/2017	4.12	160	2,420	43,110		7.6	66
5/13/2017	4.13						
5/14/2017	4.33						
5/15/2017	4.40	150	2,400	42,754		7.9	63
5/16/2017	4.00						
5/17/2017	4.02	150	1,950	34,738		7.0	77
5/18/2017	4.41		2,200	39,191	0.27		
5/19/2017	4.25	170	2,030	36,163		7.9	84
5/20/2017	4.04						
5/21/2017	4.80						
5/22/2017	4.26	180	2,150	38,301			84
5/23/2017	4.42						
5/24/2017	4.05	170	2,020	35,985	0.20	7.7	84
5/25/2017	4.22						
5/26/2017	4.19	230	2,130	37,944		7.6	108
5/27/2017	3.92						
5/28/2017	4.17						
5/29/2017	4.18						
5/30/2017	4.30		2,150	38,301		8.4	
5/31/2017	4.16	240	2,150	38,301		8.5	112
Minimum	3.92	150	1,950	34,738	0.18	6.9	63
Maximum	4.80	240	2,420	43,110	0.28	8.5	112
Total	132.29						
Average	4.27	177	2,176	38,764	0.23	7.6	82

6) NEIGHBORHOOD CONTACTS

Neighborhood Contacts Received



WEEKLY NEIGHBOR CONTACT LOG											
May 22, 2017	May 22, 2017 - May 28, 2017										
NEIGHBOR	Mon 22-May	Tue 23-May	Wed 24-May	Thu 25-May	Fri 26-May	Sat 27-May	Sun 28-May				
	Time	Time	Time	Time	Time	Time	Time	Notes			
Neighbor #1											
Neighbor #2				1 4 13:24							Notified via phone odors throughout the early am and ongoing as of the time of call
Neighbor #3					6 6 12:04						Text - Described as strong headworks odors lasting a couple of hours.
Neighbor #4											
Total											

Legend

Description	
Aeration Basins	1
Raw Sewage	2
H2S	3
Aeration + Sewage	4
Aeration, Sewage, H2S	5
Sewage + H2S	6
Other (see notes)	7
Not Specified / Unknown	8
Intensity	
Mild Intermittent	1
Mild Persistent	2
Moderate Intermittent	3
Moderate Persistent	4
Strong Intermittent	5
Strong Persistent	6
Other (see notes)	7
Not Specified / Unknown	8

Gusty wind conditions - 5-25 turned on fogger, 5-26 increased sodium hypochlorite feed at Ignacio, turned on sodium hypochlorite feed at Novato (Main Plant) Influent Junction Structure. Some odor seemed to be stripping out of on site storm drains.

7) JEROME METER READINGS & LOCATIONS

JEROME METER READINGS - MAY 2017

Sample Location	Min	Max	Ave	NOTES / COMMENTS
A: McLelland	0.000	0.001	0.0003	Neighborhood
B: Lea 1	0.000	0.000	0.0000	Neighborhood
C: Lea 2	0.000	0.000	0.0000	Neighborhood
D: Lea 3	0.000	0.000	0.0000	Neighborhood
E: Lea 4	0.000	0.000	0.0000	Neighborhood
F: Lea 5	0.001	0.001	0.0010	Neighborhood

NEIGHBORHOOD JEROME METER LOCATIONS – LEA AND McCLELLAND



Novato Sanitary District Wastewater Operations - Collection System Operations Report May 2017

1.0 General:

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

- 1.8 FTE field workers for sewer maintenance (main line cleaning)
- 1.1 FTE field workers for pump stations' maintenance
- 0.3 FTE field workers for closed circuit television (CCTV) work
- 2.2 FTE field workers for time spent on data input, training, service calls, overflow response, or any other activity that does not directly relate to main line cleaning, CCTV work, pump station maintenance, or special activities (e.g. smoke testing of mainlines), and
- An equivalent of 1.6 FTE field workers for vacation, holiday or sick leave.

2.0 Collection System Maintenance:

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

Line Cleaning Performance

The sewer system ICOM3 Computerized Maintenance Management System (CMMS) generated 346 work orders for the month. Collections staff completed 346 work orders, leaving zero work orders outstanding. The 346 maintenance work orders completed resulted in 65,074 feet of sewer pipelines cleaned by staff.

CCTV Performance:

The District's CCTV van was in the field for eight working days in May and televised 41 line segments, totaling 9,682 feet of sewer main inspected. Staff did not conduct any sewer main inspections using the push camera.

CCTV Findings:

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



ARV Repair Work

3.0 Pump Station Maintenance:

Collections staff conducted 241 lift station inspections this month, of which 117 inspections were generated through the District's JobsCal Plus CMMS system. There are two (2) outstanding work orders for the month - zero correctives and two preventatives. A Collection Systems (Pump Stations) Work Order Statistics summary is attached.

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

4.0 Air Relief/Vacuum Valves (ARVs):

Staff completed maintenance inspections on six (6) air relief/vacuum valves.

Staff replaced a damaged float mechanism on an ARV located on the Ignacio Transfer Pump Station force main.

5.0 Safety and Training:

General: Collections Department staff attended seven (7) safety tailgate meetings in May.

Specialized training: Collections Department staff attended Sewer Backup Response and Defensible SSO Volume Estimation Training conducted by David Patzer of DKF Solutions.

The Collection Systems Lead Worker attended the annual CWEA Supervisor's Safety Seminar in San Leandro.

Four District personnel attended a 2.5 day NASSCO Infrastructure Condition Assessment and Certification Program for Evaluation of Pipelines (PACP) and Manholes (MACP) by Master Trainer, Marilyn Shepard.

District staff attended a Claremont EAP Wellness Workshop on Assertive Speaking and Active Listening.

Safety performance: There were no lost time accidents this month, for a total of 2,270 accident free days since the last lost time accident.

6.0 Miscellaneous Projects:

The debris tank interiors of both of the District's existing hydro-flusher trucks were severely rusted. An outside contractor prepared the interior surface of both hydro-flusher truck debris tanks by sandblasting, and applied Enduraflex 1988 protective coating. This work is anticipated to prolong the working life of the debris tanks.

An outside contractor completed the East Hamilton Pump Station Force Main ARV Improvement Project located on Hamilton Parkway and Sunny Cove Drive. The project consisted of removing a manhole at the crest of the hill on Hamilton Parkway and installing an air-relief valve (ARV) structure. This location was the site of several sewer overflows and the new structure was installed to prevent future overflows.

7.0 Sanitary Sewer Overflows (SSOs):

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



Debris Tank before coating application (above), and after coating application (below).



Novato Sanitary District
Collection System Monthly Report For May 2017 (as of May 31, 2017)

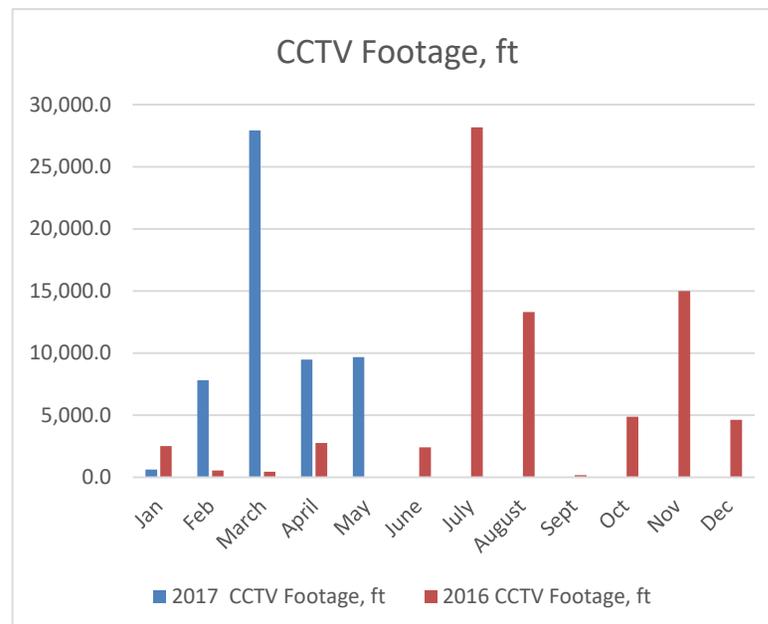
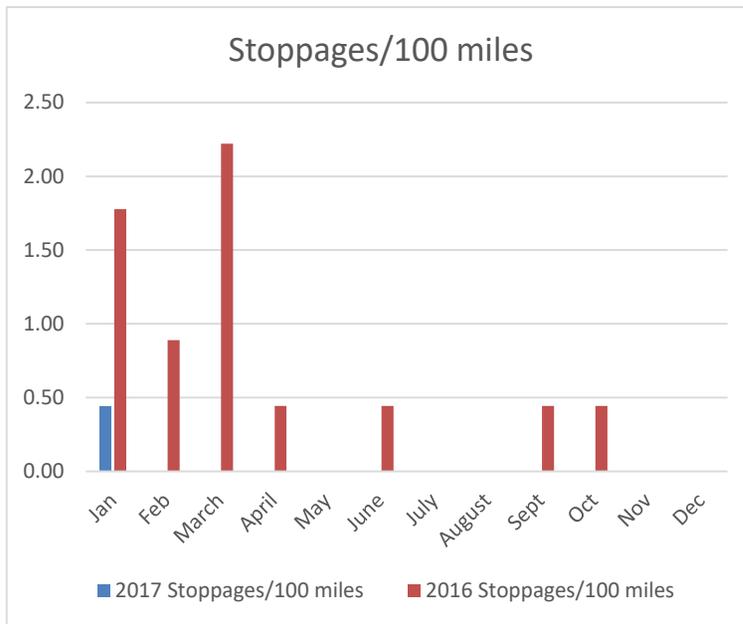
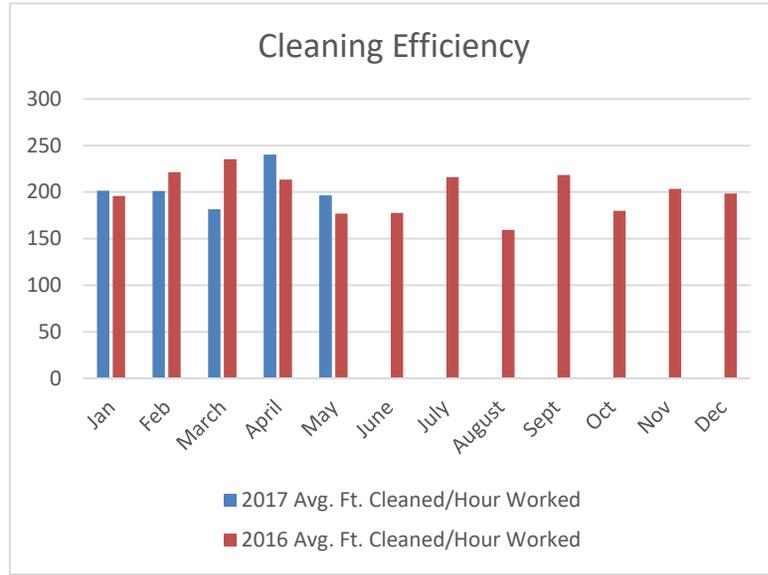
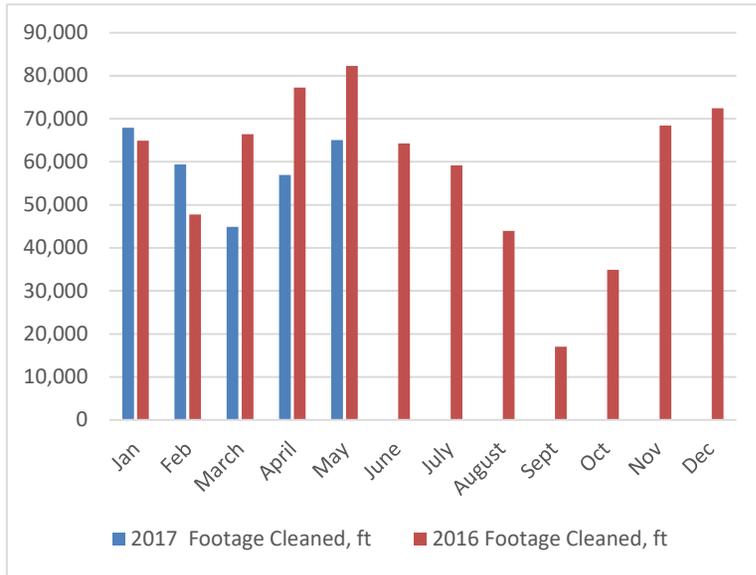
	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Total Year to Date	Average Year to Date
A. Employee Hours Worked														
Number of FTEs (main line cleaning), hrs.	1.9	1.8	1.4	1.5	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NA	0.7
Number of FTEs (other)	2.0	1.7	2.0	1.5	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NA	0.8
Number of FTEs (CCTV)	0.0	0.4	1.0	0.5	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NA	0.2
Total, FTEs	3.9	3.9	4.3	3.5	4.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NA	1.7
Regular Time Worked, (main line cleaning), hrs	337	295	247	237	331									
Regular Time Worked on Other, hrs (1)	360	270	362	247	415									
Regular Time Worked on CCTV (2)	2	57	182	75	58									
Total Regular time, worked, hrs	699	622	791	559	804	0	0	0	0	0	0	0	3,475	290
Total Vacation/Sick Leave/Holiday, hrs	359	295	254	391	300								1,599	320
Vacation/Sick Leave/Holiday, FTEs	2.0	1.8	1.4	2.4	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.3	0.8
Overtime Worked on Coll. Sys., hrs	0	0	0	0	0								0	0
Overtime Worked on Other, hrs (1)	74	11	4	4	20								113	23
Overtime Worked on CCTV (2)	0	5	0	0	0								5	1
Total Overtime, hrs	74	16	4	4	20	NA	NA	NA	NA	NA	NA	NA	118	24
B. Productivity														
1. Line Cleaning														
Rodder Work Orders generated	39	28	6	15	66								154	31
Rodder 3208 ft. cleaned	8,884	5,385	1,145	3,310	11,176								29,900	5,980
Rodder - outside services, ft cleaned	0	0	0	0	0								0	0
Flusher Work Orders generated	277	278	214	266	280								1,315	263
Truck 3205V ft. cleaned	8,395	12,037	512	776	4,349								26,069	5,214
Truck 3206V ft. cleaned	50,644	41,951	43,188	52,869	49,549								238,201	47,640
Flusher - outside services, ft. cleaned	0	0	0	0	0								0	0
Total Footage cleaned(3)	67,923	59,373	44,845	56,955	65,074	NA	NA	NA	NA	NA	NA	NA	294,170	58,834
Work Orders completed	316	306	220	281	346								1,469	294
Work Orders backlog	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	0	0
2. Closed Circuit Television (CCTV)														
Camera Work Orders generated	0	0	0	0	0								0	0
CCTV Truck 3126T, ft. videoed	0	7,055	27,927	8,727	9,682								53,391	10,678
CCTV (hand cam), ft. videoed	612	757	0	749	0								2,118	0
CCTV Inspection - outside services, ft. videoed	0	0	0	0	0								0	0
Total CCTV footage(3)	612	7,812	27,927	9,476	9,682	NA	NA	NA	NA	NA	NA	NA	55,509	0
C. Sanitary Sewer Overflows (SSOs)														
Minor (Category III)	1	0	0	0	0								1	NA
Major (Category II)	1	0	0	0	0								1	NA
Major (Category I)	0	0	0	0	0								0	NA
Overflow Gallons	90	0	0	0	0								90	NA
Volume Recovered	0	0	0	0	0								0	NA
Percent Recovered	0%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	0%	NA
D. Service Calls (non-SSO related)														
Service calls, normal hours, #	9	9	6	3	2								23	6
Normal hours S.C. response time, mins (avg.)	10	12	18	15	23								78	16
Service Callouts, after hours, #	0	1	0	0	0								1	0
After Hours S.C. response time, mins (avg.)	NA	30	NA	NA	NA								30	30
E. Benchmarks														
Average Ft. Cleaned/Hour Worked	202	201	182	240	197	NA	NA	NA	NA	NA	NA	NA	NA	204
Total Stoppages/100 Miles	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	NA
Average spill response time (mins)	0	0	0	0	0								NA	0
Callouts/100 Miles	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0
Overtime hours/100 Miles	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0
Overflow Gallons/100 Miles	39	0	0	0	0	0	0	0	0	0	0	-	39	3

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

(2)This category separates time spent on CCTV from other Collection System maintenance activities.

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

Collection System: 2017 & 2016 Graphs



Novato Sanitary District
Pump Station Monthly Report For May 2017 (as of May 31, 2017)

	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Total Year to Date	Average Year to Date
Employee Hours Worked	218	239	276	205	246	0	0	0	0	0	0	0	1,184	
Number of Employees (FTEs)	1.2	1.3	1.3	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.5
Regular Time Worked on Pump Sta	190	203	235	172	206								1,006	
Overtime Worked on Pump Sta	28	36	41	33	40								178	
After Hours Callouts	3	3	6	4	5								21	
Average Callout response time (mins)	23	28	30	13	24								118	24
Work Orders														
Number generated in month	99	95	87	91	117								489	98
Number closed in month	99	95	87	91	115								487	97
Backlog	0	0	0	0	2	0	0	0	0	0	0	0	2	0

**PUMP STATIONS
WORK ORDER STATISTICS
May 1, 2017-May 31, 2017**

	Open Work Orders Due Prior to 5/1/2017	Open Work Orders 5/1/2017-5/31/2017	Total Open Work Orders
Preventive	2	117	119
Corrective	0	0	0
Total	2	117	119

	Closed Work Orders 5/1/2017 - 5/31/2017
Preventive	117
Corrective	0
Total	117

Total Outstanding Work Orders as of 5/31/2017	2
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NOVATO SANITARY DISTRICT
Wastewater Operations - Reclamation Facilities Report
May 2017

1.0 Summary:

The rancher continued cutting pasture grass on Sites 3 & 7. Both Drainage Pump Stations were removed from service for the season. Staff inventoried the fallen eucalyptus trees on Site 2. Investigation into the control system failure on Site 7 found multiple problems.

2.0 Ranch Operations:

As reported last month, the rancher began cutting pasture grass in Site 7 on April 30th. This is a late start due to the lingering rainy season. The rancher completed cutting Parcels 5, 6, 7 & 8 on Site 7 and Parcels 5, 6, 7 & 8 on Site 3. The rancher is experiencing multiple breakdowns of harvesting equipment, which is severely slowing harvesting production.



Swather harvesting pasture grass on Site 7

Drainage Pump Station No. 3 pumped 3 MG of storm water and Drainage Pump Station No. 7 pumped 8 MG of storm water this month. Both pump stations were removed from service at the end of the month.

Staff inventoried the fallen eucalyptus trees in order to request quotes for removal later this season. 60 trees or cluster of trees were inventoried, ranging in size between 6" and 36" in diameter at the base. The average size was somewhere between 12" and 20" in diameter. Approximately 10 of the trees inventoried fell in a previous year and were only partially cut up and/or removed at that time.

3.0 Irrigation Parcels:

There were no irrigation activities this month.

As mentioned in prior reports, the electrical breaker for the valve actuators in Site 7 tripped earlier this year indicating a problem in the control system. After the pasture grass was cut in several of the parcels, staff began investigating the problem, located one failed control board in Parcel 5, and determined that this was not the only problem location. Staff determined that the additional problem(s) was located somewhere in Parcels 1, 2 or 3 and isolated these parcels so irrigation can begin when pasture grass harvesting is complete. Staff will continue the investigation when the pasture grass is harvested in these parcels.

4.0 Irrigation Pump Station:

The Irrigation Storage Ponds level dropped 0.4 feet or lost approximately 10 MG due to evaporation.

NOVATO SANITARY DISTRICT
Wastewater Operations - Reclamation Facilities Report
May 2017

Staff turned the Wildlife Pond Feed Pump on at the beginning of the month to recirculate water in the Wildlife Pond as recommended in the Reclamation Operations & Maintenance Manual.

5.0 Sludge Handling & Disposal:

There were no sludge handling activities this month.

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

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year to Date	Annualized Monthly Average
Irrigation Pump Station														
Plant flow to ponds (MG)		0	0	0	0	0							-	0.00
Irrigation (MG)		0	0	0.0	0	0							-	0.00
Irrigation Pump 1 Hours													-	0.00
Irrigation Pump 2 Hours													-	0.00
Irrigation Pump 3 Hours													-	0.00
Washdown Water Pump Hours													-	0.00
Wildlife Feed Pump Hours		0	0	0	0	734							734.0	61.17
Water Circulated through Wildlife Pond (MG)		0	0	0	0	46	0	0	0	0	0	0	46.2	3.85
Strainer No. 1 Hours													-	0.00
Strainer No. 2 Hours													-	0.00
Pond 1 Gauge @ Beginning of Month	8.1	9.5	9.4	9	9									
Pond 1 Gauge @ End of Month	9.5	9.4	9	9	8.6									
Pond 1 Gallons Stored @ End of Month(MG)	74	73	70	70	65									
Pond 2 Gauge @ Beginning of Month	8.1	9.5	9.4	9	9									
Pond 2 Gauge @ End of Month	9.5	9.4	9	9	8.6									
Pond 2 Gallons Stored @ End of Month(MG)	95	94	90	90	85									
Total Irrigation Water Stored	169	167	160	160	150	0	0	0	0	0	0	0		
Drainage Pump Station No. 3														
Drainage Pump No. 1 Hours	427.9	315.2	312.9	0	0.1									
Drainage Pump No. 2 Hours	69.3	123.5	0	0	9.8									
Drainage Pump No. 3 Hours	226.5	0	70.8	192.7	0									
Total Gallons Stormwater Pumped (MG)	217.11	131.61	115.11	57.81	2.97	0	0	0	0	0	0	0	524.61	43.72
Drainage Pump Station No. 7														
Drainage Pump No. 1 Hours	50.6	230.1	117.8	0	0									
Drainage Pump No. 2 Hours	380.8	532.8	0	0	17.7									
Drainage Pump No. 3 Hours	345.9	0	0	143.3	0.1									
Total Gallons Stormwater Pumped (MG)	349.79	343	53	64.49	8.01	0	0	0	0	0	0	0	818.60	68.22

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Capital Projects: Collection System Improvements, Account No. 72706.	MEETING DATE: June 12, 2017 AGENDA ITEM NO.: 9.a.
RECOMMENDED ACTION: <i>Collection System Improvements, Account No. 72706:</i> East Hamilton Pump Station Force-main ARV Improvements - Grant Final Acceptance of the Project, and authorize staff to file the Notice of Completion.	
SUMMARY AND DISCUSSION: <p>Using the informal bid provisions of the Uniform Public Construction Cost Accounting Act (UPCCAA), as adopted by the Board of Directors, District staff requested bids for installing an Air Relief Valve (ARV) Structure at the crest of Hamilton Parkway and Sunny Cove Drive. The ARV Structure would replace a manhole at the high point of the force-main and was the site of several sewer overflows in the past. On September 6, 2016, the project bid and was awarded to WR Forde & Associates for a low bid of \$123,123.00, within the General Manager-Chief Engineer's signing authority per District Policy No. 3135.</p> <p>At this time, the Contractor has completed the work and the project is ready for final acceptance. The final cost of the project is \$123,123. It is recommended that final acceptance be granted, and staff be authorized to file the Notice of Completion. There were no change orders on this project.</p>	
STRATEGIC PLAN INFORMATION: This item addresses Goal 1 (Operational Excellence) and Goal 2 (Build and Maintain Safe, Reliable, and Efficient Facilities) of the latest Strategic Plan Update.	
BUDGET INFORMATION: The FY16-17 budget for Account No. 72706 includes a budget amount of \$1,200,000, of which \$463,350 has been expended to date, and approximately \$575,000 has been committed to other projects and related expenditures.	
DEPT. MGR.: srk	GENERAL MANAGER: SSK

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Grand Jury Report: “The Budget Squeeze – How Will Marin Fund Its Public Employee Pensions?”	MEETING DATE: June 12, 2017 AGENDA ITEM NO.: 10.a.
RECOMMENDED ACTION: Receive 2016-17 Marin County Civil Grand Jury report titled “The Budget Squeeze – How Will Marin Fund Its Public Employee Pensions?” dated June 5, 2017, and authorize staff and District Counsel to prepare a draft response for Board consideration.	
SUMMARY AND DISCUSSION: <p>The 2016-17 Marin County Civil Grand Jury has issued a third report titled “The Budget Squeeze – How Will Marin Fund Its Public Employee Pensions”, dated June 5, 2017. A copy of the report is attached (Attachment 1).</p> <p>Of note in this report, the Grand Jury states on Page 18 of 61, that: “Sanitary districts as a group appeared to be in the best financial condition based on both balance sheet and income statement data.”</p> <p>Further, the Grand Jury singles out the District (page 19 of 61), noting that: “The Novato Sanitary District stood out as being in particularly good financial condition in that it spends less than 2% of its revenues on pension contributions and has a NPL that is 18% of its cash position.”</p> <p>The Grand Jury is requesting that the District respond to Recommendations R3, R4, and R8 of the report, and do so consistent with the attached Response Form (Attachment 2).</p> <p>It is recommended that the Board authorize Staff and District Counsel to review the report and prepare a draft response for the Board’s consideration at a future Board meeting. The Grand Jury typically requires a response within 90 days from the report’s release date, and has indicated that the District’s response is due by September 5, 2017 (see Attachment 2).</p>	
ATTACHMENTS: 1. 2016-17 Marin County Civil Grand Jury report titled “The Budget Squeeze – How Will Marin Fund Its Public Employee Pensions?” dated June 5, 2017. 2. Grand Jury Response Form: “The Budget Squeeze – How Will Marin Fund Its Public Employee Pensions?” Response Form.	
STRATEGIC PLAN INFORMATION: This item addresses Goal 1 (Operational Excellence), and Goal 3 (Alignment and Communications), of the latest Strategic Plan Update.	
DEPT. MGR.: ssk	GENERAL MANAGER: SSK

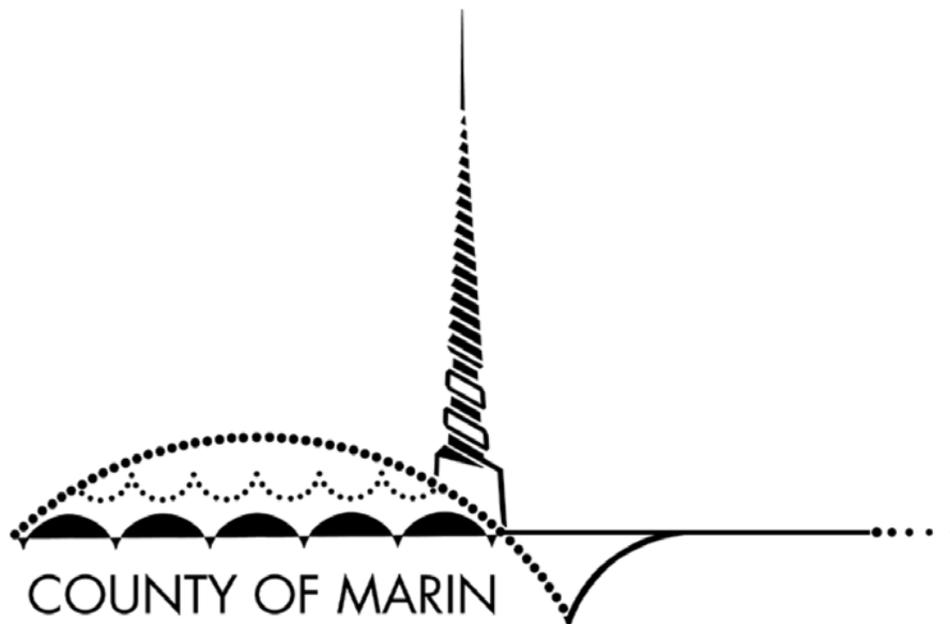
2016-2017 MARIN COUNTY CIVIL GRAND JURY

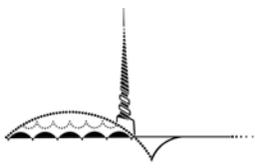
The Budget Squeeze

How Will Marin Fund Its Public Employee Pensions?

Report Date: May 25, 2017

Public Release Date: June 5, 2017





The Budget Squeeze

How Will Marin Fund Its Public Employee Pensions?

SUMMARY

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

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

This report will explore several aspects of this issue:

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

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

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

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

BACKGROUND

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

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

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

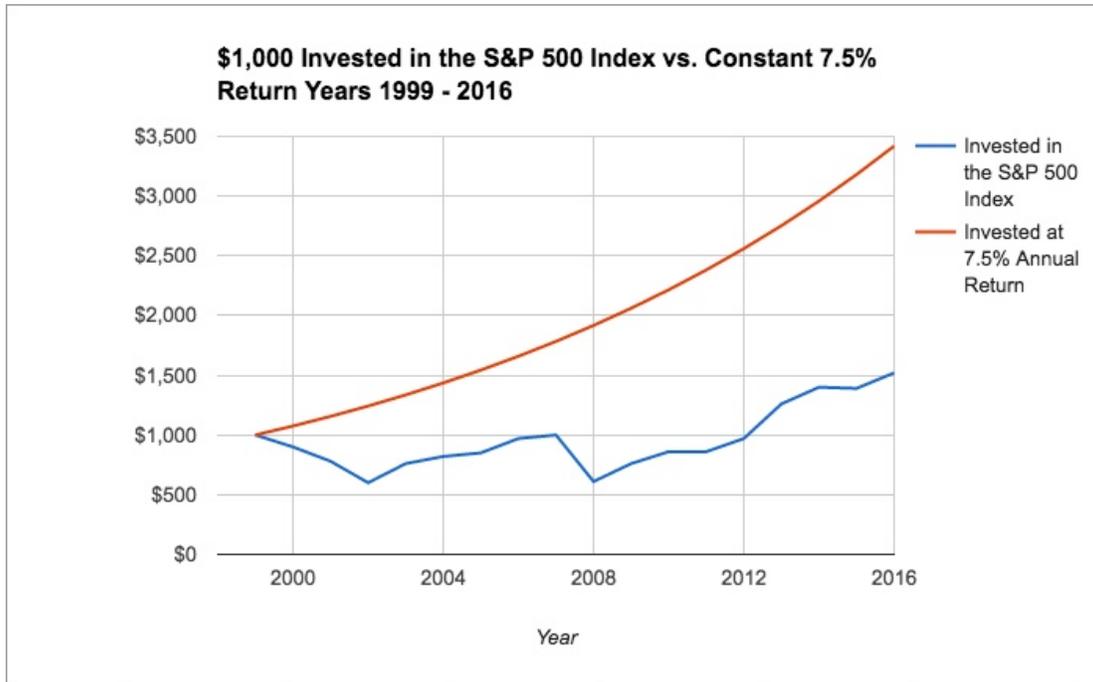
The roots of the current crisis in California stretch back to the late 1990's, when the California Public Employees Retirement System (CalPERS) held assets well in excess of its future pension obligations. The legislature approved and Governor Davis signed SB 400, which provided a retroactive increase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

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

¹ "California Public Employee Retirement Law (PERL) January 1, 2016." *CalPERS*.

² Dolan, Jack. "The Pension Gap." *LATimes.com*. 18 Sept. 2016.

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



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

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

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

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

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

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

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

METHODOLOGY

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

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

Financial Data and Standards

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

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

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

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

The Grand Jury reviewed current law related to pensions.

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

⁵ "[GASB 68](#)." *Governmental Accounting Standards Board*.

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

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

Financial Data Consistency

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

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

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

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

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

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

DISCUSSION

It's Even Worse than You Thought

The Governmental Accounting Standards Board (GASB) establishes accounting rules that public agencies must follow when presenting their financial results. The recent implementation of GASB Statement 68 requires public agencies to report NPL as a liability on the balance sheet in their audited financial statements beginning with the fiscal year ended June 30, 2015.⁶ Prior to this accounting rule change, agencies only reported required yearly contributions to pension plans on the income statement, but NPL was not reflected on the balance sheet. The new method of reporting has provided greater transparency into the future impact of pension promises on current agency financials.

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

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

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

⁶ "[GASB 68](#)," *Governmental Accounting Standards Board*

⁷ See Appendix C

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

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

Until recently, the three pension administrators (CalPERS, CalSTRS and MCERA) that manage the assets on behalf of all of Marin's current employees and retirees used discount rates between 7.50% and 7.60%. Prolonged weak performance in financial markets has resulted in the long-term historical returns of pension funds falling below the discount rate. For example, CalPERS 20-year returns dropped to 7.00% following a few years of very poor investment performance, falling under the 7.50% discount rate.¹⁰ In response, CalPERS announced in December 2016 that it would cut its discount rate to 7.00% over the course of the next three years.¹¹ CalSTRS will cut its rate first to 7.25% and then to 7.00% by 2018.¹² In early 2015, MCERA cut its discount rate from 7.50% to 7.25%. As noted before, a lower discount rate results in a higher NPL. A higher NPL leads to increasing yearly contributions. So you see, it's worse than you thought. But keep reading, because it may be even worse than that.

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

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

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

⁹ ["GASB 68."](#) *Government Accounting Standards Board*

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

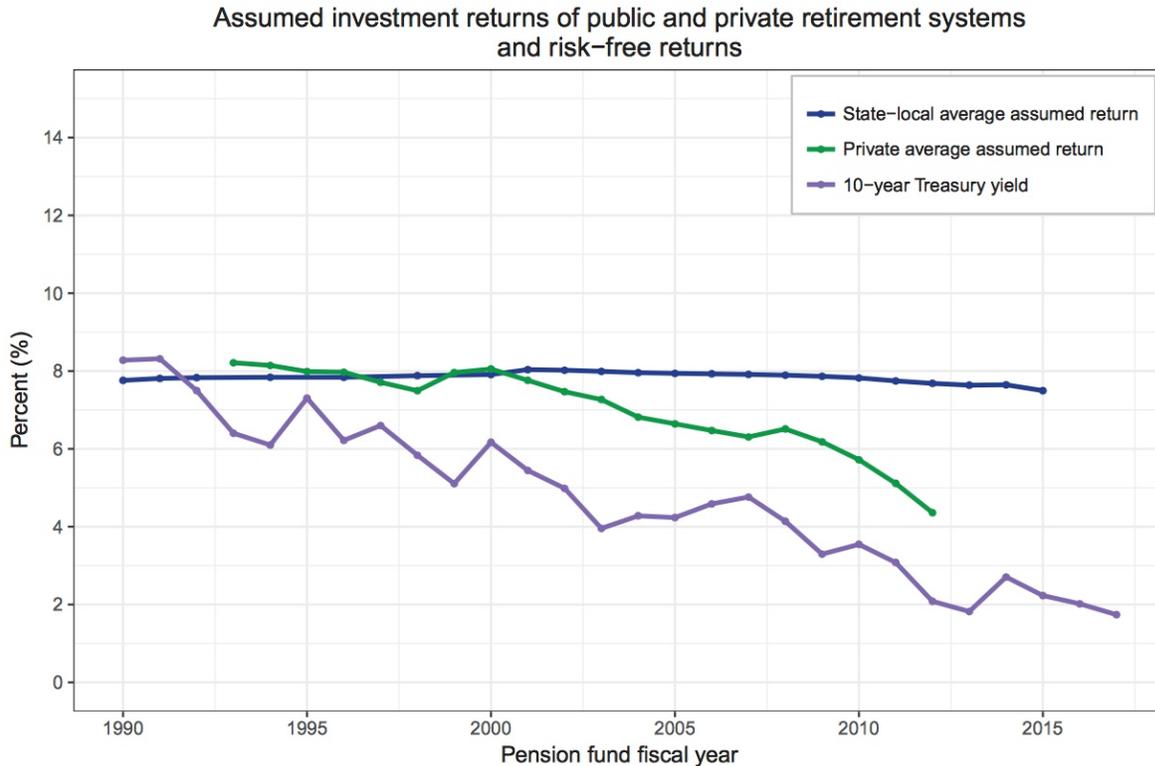
¹¹ Pacheco, Brad and Davis, Wayne and White, Megan. ["CalPERS to Lower Discount Rate to Seven Percent Over the Next Three Years."](#) *CalPERS.ca.gov*. 21 Dec. 2016.

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

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

¹⁴ ["Treasury Yields."](#) *Bloomberg.com*

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



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

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

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

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

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

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

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

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

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

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

¹⁷ ["Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions"](#) *Financial Accounting Standards Board*, paragraph 44.

¹⁸ See Appendix F

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

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

The Thing That Ate My Budget

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

School Districts

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

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

■ < 5% ■ 5% - 10% ■ 10% - 15% ■ > 15%

Pension contributions as a percentage of revenue for Marin’s school districts have increased from 4.3% in FY 2012 to 5.0% in FY 2016. Increases will continue over the next five years, but at a much higher rate. CalSTRS contribution rates are governed by law and, under AB 1469²⁴, contribution rates are scheduled to increase from 10.73% of certificated payroll in FY 2016 to 19.10% in FY 2021 (and remain at that level for the next 25 years), an increase of 78%.²⁵ For classified employees, the CalPERS contribution rates will be increasing from 11.847% of payroll in FY 2016 to 21.50% in FY 2022, an increase of over 81%.²⁶ This implies that school districts will be spending 9% of their revenues on pension contributions within the next five years.

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

²⁵ “CalSTRS Fact Sheet, CalSTRS 2014 Funding Plan.” CalSTRS. July 8, 2014.

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

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

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

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

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

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

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

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

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

Municipalities & the County

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

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

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

■ < 5% ■ 5% - 10% ■ 10% - 15% ■ > 15%

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

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

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

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

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

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

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

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

Special Districts

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

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

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

■ < 5% ■ 5% - 10% ■ 10% - 15% ■ > 15%

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

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

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

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

■ < 5% ■ 5% - 10% ■ 10% - 15% ■ > 15%

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

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

The Exit Doors Are Locked

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

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

The hybrid proposal consisted of three components:

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

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

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

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

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

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

reduce benefits to Loyalton retirees.³³ More recently, in March of 2017, CalPERS voted again to cut benefits for retirees of the East San Gabriel Valley Human Services Agency when it began missing required payments in 2015.³⁴

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

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

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

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

It is argued by some³⁸ that everyone would benefit from a more secure retirement; rather than taking DB plans away from public employees, they should be made available to all workers.

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

³⁴ Dang, Sheila ["CalPERS Cuts Pension Benefits for East San Gabriel Valley Human Services."](#) *Institutionalinvestor.com* 16 March, 2017.

³⁵ ["Pensions: 1980 vs. Today."](#) *New York Times*, 3 Sep. 2009

³⁶ ["National Compensation Survey."](#) *Bureau of Labor Statistics*, March 2016

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONCLUSION

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

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

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

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

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

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

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

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

⁴¹ *Marin Association of Public Employees v. Marin County Employees Retirement Association*

⁴² “[Independent Citizens’s Advisory Committee on Pension Matters](#).” *County of Sonoma*.

⁴³ “Report of Independent Citizens Advisory Committee on Pension Matters.” *County of Sonoma*. June 2016.

⁴⁴ “Three Years of the Fiscal Stress Monitoring System,” New York State Office of the State Controller, September 2015

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

FINDINGS

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

RECOMMENDATIONS

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

REQUEST FOR RESPONSES

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

From the following governing bodies:

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

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

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

The following individuals are invited to respond:

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

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

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

GLOSSARY

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

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

California Bill SB 400: A California statute⁴⁷ passed by the legislature and signed by then Governor Grey Davis in 1999 retroactively raising the pension benefits for public employees.

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

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

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

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

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

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

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

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

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

⁴⁷ [Senate Bill No. 400](#), *California Law*

⁴⁸ "[CalPERS Story](#)." *CalPERS*. Accessed March 2017.

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

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

⁵¹ *Ibid*.

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

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

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

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

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

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

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

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

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

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

⁵² [About the FASB](#), *Financial Accounting Standards Board*.

⁵³ “[Fiduciary Duty](#)” *Businessdictionary.com*.

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

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

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

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

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

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

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

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

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

Unfunded Actuarial Accrued Liability (UAAL): The excess of the Actuarial Accrued Liability (AAL) over the actuarial value of assets.⁵⁷

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

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

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

Appendix A: Public Sector Agencies

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

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

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

Appendix A: Public Sector Agencies (cont'd)

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

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

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

Appendix B: Methodology Detail

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

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

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

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

Specific financial data was retrieved from these sections as follows:

Basic Financial Statements

Total Revenue

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

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

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

Total Expenses

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

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

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

Total Assets

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

Cash Position

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

Net Position

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

Net Pension Liability

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

Net Pension Liability Sensitivity, +1%

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

Net Pension Liability Sensitivity, -1%

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

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

Pension contribution

The total contribution for pensions is included in the Notes section of the audit reports. The Grand Jury chose to use pension contributions, rather than pension expense (a new GASB 68 requirement) for comparison purposes with older financial reports.

Total pension contributions for municipalities were stated in at least three separate sections of the CAFR: as a contribution in the Notes section on pensions, in the table labeled "Contributions

subsequent to measurement date” and in the supplementary notes section. In most cases, the pension contribution was identical throughout the report. In some cases there were small differences among the values, and in one case (Town of Fairfax) there were material differences. In all of these cases the Grand Jury chose to use the “Contributions subsequent to measurement date” number and did not attempt to reconcile the differences.

The County of Marin changed its pension contribution reporting methodology in 2015 due to GASB 68. Prior to FY 2015, the County reported its pension contributions with a one-year lag. (For example, the FY 2014 report showed contributions for FY 2013). The result was that FY 2014 pension contributions were not included in either the FY 2014 or FY 2015 CAFR. Accordingly, the Grand Jury obtained FY 2014 pension contributions directly from the County Department of Finance. To address the one-year lag in reporting, the Grand Jury chose to use the contributions made in FY 2013 as provided by the Department of Finance rather than the number reported in the audit reports for FY 2012 & FY 2013.

An explanation of discount rates and present value calculations is presented as Appendix C, Discount Rate Primer.

Termination Statistics

Risk Free Liability of Termination

CalPERS provides to its participating agencies on an annual basis the one-time contribution required for the entity to terminate the pension plan. Under those circumstances, which are rare, CalPERS is no longer able to rely upon annual contributions by the entity to fund retirees and current employees.

CalPERS has determined under these circumstances that the discount rate for a termination must be “risk-free.” That is, CalPERS is not willing to assume the risk normally associated with investment of an entity’s assets in a balanced portfolio. Accordingly, CalPERS will price the termination discount rate using a combination of the 10-year and 30-year US Treasury obligations.

Neither CalSTRS nor MCERA provide a similar calculation.

Derived Statistics

The Grand Jury created several statistics from the basic financial data to assist in the evaluation of pension liabilities.

Pension Contributions as a Percentage of Revenue

Net Pension Liability as a Percentage of Cash

Net Pension Liability as a Percentage of Assets

Fiscal Year 2015 to Fiscal Year 2016 % Change in Net Pension Liabilities

Appendix C: Discount Rate Primer

Calculating Present Value of an Annuity⁵⁸

The calculation of the value of pension benefits offered to employees can be viewed simply as the present value of an annuity: how much should be paid for an investment at present to produce an expected payment stream in the future. The concept of present value is based on the idea that money has time value. For example, if an investor were offered \$1 today or \$1 in the future, the investor would choose the dollar today because it can be invested to earn interest and produce more than \$1 in the future. When determining how much should be paid today for an investment that is expected to produce income in the future, an adjustment, or discounting, must be applied to income received in the future to reflect the time value of money.

The calculation of present value (PV) for one time period is:

$$PV = FV \frac{1}{(1+i)^n}$$

Where:

FV = Future value

i = interest rate

n = number of years

Example: How much should an investor put into a savings account today, with a 5% expected return, in order to receive \$100 in a year?

$$PV = 100 \frac{1}{(1+.05)^1}$$
$$PV = 95.24$$

Answer: \$95.24

Expanding on this principle, the calculation of an annuity, which spans multiple years, follows:

$$PVA = R \frac{1}{(1+i)^1} + R \frac{1}{(1+i)^2} + R \frac{1}{(1+i)^3} \dots + R \frac{1}{(1+i)^n}$$

⁵⁸ Brueggeman, William B. and Fisher, Jeffrey D. (2005) Real Estate Finance and Investments. New York, NY McGraw Hill.

Alternatively:

$$PVA = R \sum_{t=1}^n \frac{1}{(1+i)^t}$$

Where:

PVA = Present value of an annuity

R = payment

i = interest rate

n = number of years

Example: How much would an investor need to set aside today in order to receive \$100 a year for five years if the interest rate was 5%?

$$PVA = 100 \frac{1}{(1+.05)^1} + 100 \frac{1}{(1+.05)^2} + 100 \frac{1}{(1+.05)^3} + 100 \frac{1}{(1+.05)^4} + 100 \frac{1}{(1+.05)^5}$$

Answer: \$432.95

Example: If the interest rate was 10%?

Answer: \$379.08

This simple example illustrates how a higher discount rate results in a much lower required initial investment to meet a particular future need.

Appendix D: GASB Primer

The Governmental Accounting Standards Board (GASB), founded in 1984, is an independent, nonprofit, non-governmental regulatory body charged with setting accounting and financial reporting standards for state and local governments. Prior to its founding, accounting standards for all types of enterprises were set by the Financial Accounting Standards Board (FASB).

In November 1994, GASB issued Statement 27, which established standards for accounting and financial reporting of pension benefits. Some of the key parts of GASB 27 were:

- The employer's expense for pensions was equal to the annual required contribution (ARC) as determined by the actuary in accordance with certain parameters, including the frequency of actuarial valuations and the methods and assumptions used.
- If the employer's actual contributions were different than the ARC, the accumulated difference plus interest was reported as the Net Pension Obligation in the employer's financial statements.
- Actuarial trend information was reported as Required Supplementary Information (RSI) to the financial statements, including note disclosures to the RSI.⁵⁹

In June 2012, GASB 68 extensively amended GASB 27:

- Net Pension Liability on the Balance Sheet – Government employers that sponsor DB plans will now recognize a net pension liability [on their] balance sheet.
- New Discount Rate – The discount rate can continue to be the expected long-term rate of return on plan investments where current assets plus future contributions are projected to cover all future benefit payments. However, plans where current assets plus future contributions are projected not to cover all future benefit payments must use a municipal bond rate to discount the noncovered payments.
- More Variable Pension Expense – Pension expense will now be based on the net pension liability change between reporting dates, with some sources of the change recognized immediately in expense and others amortized over years. Service cost, interest on net pension liability, and expected investment earnings — as well as liability for any plan benefit change related to past service since the last reporting period — must also be expensed immediately.

⁵⁹ Findlay, Gary. "GASB's Pension Accounting Standards: Déjà vu all over again.", *Pensions & Investments*, October 22, 2012

- Changes in actuarial assumptions and experience gains and losses must be amortized over a closed period equal to the average remaining service of active and inactive plan members (who have no future service) — a much shorter than typical period. Investment gains and losses must be recognized in pension expense over closed 5-year periods.
- Cost-sharing Employers (those in plans where assets are pooled and can be used to pay benefits of any employer in the pool) Report a Proportionate Liability – These employers will now report a net pension liability and pension expense equal to their proportionate share of the cost-sharing plan.
- More Extensive Disclosures and Required Supplementary Information – More extensive note disclosures are required, including types of benefits and covered employees, how plan contributions are determined, and assumptions/methods used to calculate the pension liability.⁶⁰

GASB 68 was effective for fiscal years beginning after June 15, 2014, which means that FY 2014-2015 was the first year for which it was reflected in the financial statements of the agencies that are the subject of this report.

⁶⁰ “GASB Approves New Pension Accounting Standards.”, *Bartel Associates, LLC*, August 5, 2012

Appendix E: Public Agency Balance Sheet Data

FY 2016

Municipalities	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL% of Assets	NPL % of Cash
City of Belvedere	\$10,054,000	\$3,595,630	\$5,678,000	\$3,080,855	\$5,057,618	\$1,451,306	30.6%	85.7%
City of Larkspur*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City of Mill Valley	\$61,952,000	\$17,919,732	\$4,017,000	\$25,010,100	\$42,044,314	\$10,993,085	40.4%	139.6%
City of Novato	\$375,695,895	\$59,936,536	\$291,122,782	\$32,111,535	\$54,651,732	\$13,464,873	8.5%	53.6%
City of San Rafael	\$300,378,000	\$66,009,979	\$141,542,000	\$142,323,127	\$263,741,368	\$42,614,784	47.4%	215.6%
City of Sausalito	\$93,777,974	\$28,955,501	\$27,987,699	\$19,635,621	\$31,512,817	\$9,872,158	20.9%	67.8%
County of Marin	\$1,992,947,827	\$408,896,116	\$1,390,055,902	\$203,688,484	\$377,458,682	\$60,988,969	10.2%	49.8%
Town of Corte Madera	\$78,944,247	\$15,323,517	\$47,275,642	\$14,263,877	\$22,204,244	\$7,732,353	18.1%	93.1%
Town of Fairfax*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Town of Ross	\$19,557,803	\$10,528,331	\$13,434,401	\$3,548,143	\$5,793,448	\$1,701,623	18.1%	33.7%
Town of San Anselmo	\$29,217,215	\$6,606,250	\$10,925,168	\$5,299,442	\$8,601,144	\$2,573,504	18.1%	80.2%
Town of Tiburon	\$63,662,493	\$21,441,460	\$52,944,160	\$5,412,997	\$10,066,334	\$2,805,016	8.5%	25.2%
Totals	\$3,026,187,454	\$639,213,052	\$1,984,982,754	\$454,374,181	\$821,131,701	\$154,197,671	15.0%	71.1%

School Districts	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL% of Assets	NPL % of Cash
Bolinas-Stinson Union School District	\$4,810,121	\$2,828,769	\$1,406,313	\$3,039,017	\$4,710,035	\$1,649,952	63.2%	107.4%
Dixie Elementary School District	\$32,522,470	\$18,194,342	-\$11,279,305	\$18,296,623	\$28,111,026	\$10,138,805	56.3%	100.6%
Kentfield School District	\$36,650,017	\$16,899,110	-\$6,602,777	\$13,427,307	\$20,538,517	\$7,516,633	36.6%	79.5%
Larkspur-Corte Madera School District	\$63,370,037	\$6,262,719	-\$20,314,913	\$15,695,360	\$24,040,435	\$8,759,042	24.8%	250.6%
Marin Community College District	\$297,031,000	\$17,857,000	-\$5,569,000	\$45,723,000	\$74,506,000	\$24,466,000	15.4%	256.1%
Marin County Office of Education	\$71,319,233	\$44,767,583	\$39,274,235	\$21,263,747	\$33,325,302	\$11,236,462	29.8%	47.5%
Mill Valley School District	\$90,032,772	\$21,001,383	-\$22,426,359	\$33,102,435	\$50,864,259	\$18,356,989	36.8%	157.6%
Novato Unified School District	\$144,877,763	\$29,605,956	-\$7,019,803	\$60,585,951	\$93,087,454	\$33,570,412	41.8%	204.6%
Reed Union School District	\$52,162,124	\$10,224,426	-\$650,150	\$17,787,987	\$27,309,547	\$9,873,631	34.1%	174.0%
Ross School District	\$35,969,694	\$4,473,827	\$7,390,298	\$5,578,419	\$8,558,914	\$3,101,035	15.5%	124.7%
Ross Valley School District	\$64,424,216	\$18,159,492	-\$13,237,323	\$20,577,136	\$31,530,697	\$11,472,647	31.9%	113.3%
San Rafael City Schools - Elementary	\$123,144,010	\$50,000,124	-\$15,195,483	\$33,037,132	\$50,443,688	\$28,569,426	26.8%	66.1%
San Rafael City Schools - High School	\$109,218,754	\$54,037,304	-\$17,227,292	\$28,004,648	\$43,124,257	\$15,436,855	25.6%	51.8%
Sausalito Marin City School District	\$27,255,480	\$4,092,629	\$2,360,366	\$3,502,310	\$5,426,137	\$1,903,098	12.8%	85.6%
Shoreline Unified School District	\$22,411,328	\$7,043,760	-\$2,374,726	\$10,009,533	\$15,448,543	\$5,488,410	44.7%	142.1%
Tamalpais Union High School District	\$203,339,657	\$42,522,717	\$7,712,183	\$57,699,928	\$88,683,304	\$31,946,196	28.4%	135.7%
Totals	\$1,378,538,676	\$347,971,141	-\$63,753,736	\$387,330,533	\$599,708,115	\$223,485,593	28.1%	111.3%

Appendix E: Public Agency Balance Sheet Data (cont'd)

Special Districts Safety	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL % of Assets	NPL % of Cash
Central Marin Police Authority*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Kentfield Fire Protection District	\$9,789,704	\$3,507,855	\$2,947,286	\$4,310,797	\$7,233,383	\$1,913,867	44.0%	122.9%
Novato Fire Protection District	\$35,403,303	\$15,930,859	\$10,305,465	\$17,430,800	\$32,301,320	\$5,219,178	49.2%	109.4%
Ross Valley Fire Department	\$3,008,924	\$1,338,192	-\$6,955,625	\$7,800,931	\$13,770,507	\$2,905,473	259.3%	582.9%
Southern Marin Fire Protection District	\$13,349,870	\$9,102,154	\$7,896,367	\$6,033,143	\$11,180,122	\$1,806,460	45.2%	66.3%
Tiburon Fire Protection District	\$11,652,619	\$5,564,687	\$5,444,495	\$5,232,050	\$10,007,964	\$1,314,991	44.9%	94.0%
Total	\$73,204,420	\$35,443,747	\$19,637,988	\$40,807,721	\$74,493,296	\$13,159,969	55.7%	115.1%

Special Districts Utility	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL % of Assets	NPL % of Cash
Central Marin Sanitation Agency	\$106,391,299	\$14,974,538	\$45,625,458	\$6,643,602	\$11,141,784	\$2,929,830	6.2%	14.6%
Las Gallinas Valley Sanitary District	\$81,480,447	\$20,316,117	\$63,883,215	\$2,098,373	\$3,571,571	\$882,077	2.6%	10.3%
Marin Municipal Water District	\$460,030,200	\$16,947,252	\$243,058,604	\$69,753,895	\$96,972,537	\$47,010,300	15.2%	411.6%
Marin/Sonoma Mosquito & Vector Control District	\$19,472,738	\$11,634,371	\$8,780,059	\$4,135,340	\$7,663,272	\$1,238,215	21.2%	35.5%
Marinwood Community Services District	\$6,784,666	\$2,387,836	-\$470,389	\$3,322,116	\$5,238,798	\$1,624,470	49.0%	139.1%
North Marin Water District	\$136,897,391	\$5,411,426	\$92,672,784	\$8,619,837	\$14,579,649	\$3,833,847	6.3%	159.3%
Novato Sanitary District	\$201,851,460	\$19,742,079	\$108,547,505	\$3,528,249	\$6,180,933	\$1,338,148	1.7%	17.9%
Richardson Bay Sanitary District	\$17,826,465	\$1,595,379	\$16,376,465	\$1,101,797	\$1,847,790	\$485,893	6.2%	69.1%
Ross Valley Sanitary District	\$122,064,345	\$18,937,993	\$66,824,699	\$4,506,476	\$7,557,675	\$1,987,357	3.7%	23.8%
Sanitary District # 5 Tiburon-Belvedere	\$30,527,780	\$5,434,555	\$20,083,181	\$1,786,666	\$2,996,362	\$787,920	5.9%	32.9%
Sausalito Marin City Sanitary District	\$46,001,842	\$11,215,025	\$39,986,927	\$1,863,054	\$3,124,472	\$821,607	4.0%	16.6%
Tamalpais Community Services District	\$8,062,948	\$1,575,641	\$1,239,870	\$1,756,793	\$3,255,545	\$526,054	21.8%	111.5%
Total	\$1,237,391,581	\$130,172,212	\$706,608,378	\$109,116,198	\$164,130,388	\$63,465,718	8.8%	83.8%

Appendix E: Public Agency Balance Sheet Data (cont'd)

FY 2015

Municipalities	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL % of Assets	NPL% of Cash
City of Belvedere	\$9,635,000	\$2,981,537	\$5,341,000	\$2,821,673	\$5,039,427	\$986,027	29.3%	94.6%
City of Larkspur*	\$45,030,851	\$14,151,668	\$24,277,367	\$9,046,789	\$15,797,243	\$3,467,207	20.1%	63.9%
City of Mill Valley	\$61,653,195	\$20,419,625	\$2,336,678	\$21,174,403	\$37,076,950	\$8,022,272	34.3%	103.7%
City of Novato	\$372,235,251	\$60,646,987	\$284,150,160	\$29,915,448	\$51,486,548	\$11,986,247	8.0%	49.3%
City of San Rafael	\$290,551,982	\$65,829,733	\$151,480,204	\$74,253,787	\$159,506,132	\$3,692,492	25.6%	112.8%
City of Sausalito	\$65,193,649	\$11,696,520	\$17,106,631	\$17,741,671	\$29,127,780	\$8,335,668	27.2%	151.7%
County of Marin	\$1,947,970,000	\$367,440,909	\$1,342,737,000	\$142,013,491	\$304,297,935	\$7,062,046	7.3%	38.6%
Town of Corte Madera	\$74,019,098	\$9,073,608	\$42,936,160	\$12,146,336	\$19,631,470	\$5,958,264	16.4%	133.9%
Town of Fairfax*	\$11,962,960	\$2,463,991	-\$1,376,349	\$6,078,042	\$9,422,128	\$3,314,672	50.8%	246.7%
Town of Ross	\$18,236,166	\$10,234,934	\$11,490,464	\$3,465,264	\$5,999,505	\$1,374,389	19.0%	33.9%
Town of San Anselmo	\$28,956,896	\$5,822,276	\$11,059,337	\$4,002,434	\$7,131,100	\$1,405,939	13.8%	68.7%
Town of Tiburon	\$62,234,833	\$21,280,864	\$52,632,219	\$5,232,395	\$9,162,200	\$1,982,334	8.4%	24.6%
Totals	\$2,987,679,881	\$592,042,652	\$1,944,170,871	\$327,891,733	\$653,678,418	\$57,587,557	11.0%	55.4%

School Districts	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL % of Assets	NPL% of Cash
Bolinas-Stinson Union School District	\$4,866,633	\$2,865,817	\$1,587,636	\$2,499,021	\$4,063,986	\$1,192,965	51.4%	87.2%
Dixie Elementary School District	\$32,345,802	\$20,512,452	-\$12,361,898	\$14,791,102	\$23,752,949	\$7,405,888	45.7%	72.1%
Kentfield School District	\$36,671,347	\$16,481,560	-\$7,350,022	\$11,241,124	\$17,845,987	\$5,731,639	30.7%	68.2%
Larkspur-Corte Madera School District	\$67,710,441	\$20,180,460	-\$18,662,067	\$13,339,460	\$21,229,928	\$6,757,236	19.7%	66.1%
Marin Community College District	\$296,646,697	\$16,563,890	-\$1,453,534	\$35,165,000	\$57,576,000	\$16,323,000	11.9%	212.3%
Marin County Office of Education	\$65,200,872	\$40,080,879	\$35,148,165	\$18,141,000	\$29,793,000	\$8,340,000	27.8%	45.3%
Mill Valley School District	\$88,076,729	\$17,389,526	-\$25,517,249	\$26,623,202	\$42,487,967	\$13,316,095	30.2%	153.1%
Novato Unified School District	\$147,677,796	\$30,810,042	-\$9,238,177	\$51,786,928	\$82,735,169	\$25,967,877	35.1%	168.1%
Reed Union School District	\$52,705,559	\$9,360,996	-\$1,378,282	\$13,830,041	\$22,131,664	\$6,904,029	26.2%	147.7%
Ross School District	\$36,049,201	\$3,875,832	\$7,486,041	\$4,733,569	\$7,568,886	\$2,368,118	13.1%	122.1%
Ross Valley School District	\$58,186,120	\$12,864,248	-\$12,811,202	\$16,841,437	\$26,841,518	\$8,499,130	28.9%	130.9%
San Rafael City Schools - Elementary	\$90,671,410	\$18,526,824	-\$21,324,673	\$26,576,187	\$42,069,163	\$13,668,565	29.3%	143.4%
San Rafael City Schools - High School	\$57,092,257	\$17,649,236	-\$32,610,889	\$21,868,291	\$35,163,300	\$10,775,267	38.3%	123.9%
Sausalito Marin City School District	\$27,343,812	\$3,879,729	\$2,795,062	\$2,990,897	\$4,824,034	\$1,461,280	10.9%	77.1%
Shoreline Unified School District	\$22,894,320	\$6,451,291	-\$2,544,996	\$8,800,020	\$14,190,098	\$4,302,465	38.4%	136.4%
Tamalpais Union High School District	\$207,432,180	\$44,567,689	\$3,702,851	\$46,266,492	\$74,079,210	\$23,062,248	22.3%	103.8%
Totals	\$1,291,571,176	\$282,060,471	-\$94,533,234	\$315,493,771	\$506,352,859	\$156,075,802	24.4%	111.9%

Appendix E: Public Agency Balance Sheet Data (cont'd)

Special Districts Safety	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL % of Assets	NPL % of Cash
Central Marin Police Authority*	\$16,470,963	\$178,725	-\$1,124,490	\$11,532,085	\$18,375,103	\$5,889,395	70.0%	6452.4%
Kentfield Fire Protection District	\$9,630,272	\$3,261,202	\$1,651,848	\$5,202,429	\$8,026,436	\$2,875,079	54.0%	159.5%
Novato Fire Protection District	\$37,252,657	\$17,461,022	\$3,778,037	\$15,014,710	\$32,172,613	\$746,651	40.3%	86.0%
Ross Valley Fire Department	\$2,499,767	\$912,212	-\$8,316,114	\$7,679,794	\$13,318,349	\$3,033,390	307.2%	841.9%
Southern Marin Fire Protection District	\$12,413,494	\$7,865,476	\$5,848,381	\$3,845,243	\$8,239,354	\$191,216	31.0%	48.9%
Tiburon Fire Protection District	\$11,338,453	\$5,938,906	\$4,874,704	\$6,315,892	\$10,889,109	\$2,546,208	55.7%	106.3%
Total	\$89,605,606	\$35,617,543	\$6,712,366	\$49,590,153	\$91,020,964	\$15,281,939	55.3%	139.2%

Special Districts Utility	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL % of Assets	NPL % of Cash
Central Marin Sanitation Agency	\$109,050,874	\$15,998,126	\$45,345,155	\$6,024,473	\$10,784,954	\$2,073,726	5.5%	37.7%
Las Gallinas Valley Sanitary District	\$77,052,295	\$19,742,483	\$58,063,598	\$1,693,868	\$3,065,929	\$555,188	2.2%	8.6%
Marin Municipal Water District	\$462,338,812	\$19,959,569	\$243,685,640	\$62,139,077	\$87,637,727	\$40,725,228	13.4%	311.3%
Marin/Sonoma Mosquito & Vector Control District	\$18,321,390	\$10,672,765	\$7,632,034	\$3,378,396	\$7,239,023	\$168,001	18.4%	31.7%
Marinwood Community Services District	\$6,030,417	\$1,858,999	-\$294,365	\$3,142,286	\$4,975,627	\$1,628,944	52.1%	169.0%
North Marin Water District	\$134,483,309	\$4,943,414	\$88,155,270	\$6,701,264	\$12,079,630	\$2,237,730	5.0%	135.6%
Novato Sanitary District	\$203,141,502	\$18,102,303	\$105,599,405	\$3,335,896	\$5,943,534	\$1,171,804	1.6%	18.4%
Richardson Bay Sanitary District	\$17,887,393	\$1,303,363	\$16,613,138	\$901,425	\$1,793,212	\$161,327	5.0%	69.2%
Ross Valley Sanitary District	\$119,157,291	\$14,295,359	\$62,983,772	\$3,708,693	\$6,068,264	\$1,750,473	3.1%	25.9%
Sanitary District # 5 Tiburon-Belvedere	\$30,993,246	\$3,622,532	\$18,117,614	\$2,757,064	\$3,943,406	\$1,772,512	8.9%	76.1%
Sausalito Marin City Sanitary District	\$39,718,939	\$9,218,762	\$32,797,172	\$1,759,386	\$3,134,682	\$618,021	4.4%	19.1%
Tamalpais Community Services District	\$8,676,425	\$1,662,061	\$1,698,672	\$1,028,347	\$2,203,480	\$51,138	11.9%	61.9%
Total	\$1,226,851,893	\$121,379,736	\$680,397,105	\$96,570,175	\$148,869,468	\$52,914,092	7.9%	79.6%

Appendix E: Public Agency Balance Sheet Data (cont'd)

2016 Totals

Agencies	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL % of Assets	NPL % of Cash
Municipalities	\$3,026,187,454	\$639,213,052	\$1,984,982,754	\$454,374,181	\$821,131,701	\$154,197,671	15.0%	71.1%
School Districts	\$1,378,538,676	\$347,971,141	-\$63,753,736	\$387,330,533	\$599,708,115	\$223,485,593	28.1%	111.3%
Special Districts Safety	\$73,204,420	\$35,443,747	\$19,637,988	\$40,807,721	\$74,493,296	\$13,159,969	55.7%	115.1%
Special Districts Utility	\$1,237,391,581	\$130,172,212	\$706,608,378	\$109,116,198	\$164,130,388	\$63,465,718	8.8%	83.8%
Total	\$5,715,322,131	\$1,152,800,152	\$2,647,475,384	\$991,628,633	\$1,659,463,500	\$454,308,951	17.4%	86.0%

2015 Totals

Agencies	Assets	Cash	Net Position	NPL	NPL -1%	NPL +1%	NPL % of Assets	NPL % of Cash
Municipalities	\$2,987,679,881	\$592,042,652	\$1,944,170,871	\$327,891,733	\$653,678,418	\$57,587,557	11.0%	55.4%
School Districts	\$1,291,571,176	\$282,060,471	-\$94,533,234	\$315,493,771	\$506,352,859	\$156,075,802	24.4%	111.9%
Special Districts Safety	\$89,605,606	\$35,617,543	\$6,712,366	\$49,590,153	\$91,020,964	\$15,281,939	55.3%	139.2%
Special Districts Safety	\$1,226,851,893	\$121,379,736	\$680,397,105	\$96,570,175	\$148,869,468	\$52,914,092	7.9%	79.6%
Total	\$5,595,708,556	\$1,031,100,402	\$2,536,747,108	\$789,545,832	\$1,399,921,709	\$281,859,390	14.1%	76.6%

Appendix: F: Public Agency Income Statement Data

FY 2016

Municipalities	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
City of Belvedere	\$7,855,000	\$7,404,000	\$327,816	4.2%
City of Larkspur*	N/A	N/A	N/A	N/A
City of Mill Valley	\$39,916,000	\$38,133,000	\$2,551,885	6.4%
City of Novato	\$47,954,000	\$42,687,000	\$2,604,320	5.4%
City of San Rafael	\$100,490,000	\$110,893,000	\$19,339,577	19.2%
City of Sausalito	\$26,588,325	\$24,491,036	\$1,763,040	6.6%
County of Marin	\$611,801,000	\$554,877,000	\$48,302,323	7.9%
Town of Corte Madera	\$23,593,928	\$20,264,214	\$1,810,099	7.7%
Town of Fairfax*	N/A	N/A	N/A	N/A
Town of Ross	\$9,264,385	\$7,320,448	\$1,339,398	14.5%
Town of San Anselmo	\$19,216,454	\$19,350,623	\$466,182	2.4%
Town of Tiburon	\$11,341,758	\$11,029,817	\$753,153	6.6%
Totals	\$898,020,850	\$836,450,138	\$79,257,793	8.8%

School Districts	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Bolinas-Stinson Union School District	\$4,070,898	\$4,252,221	\$254,367	6.2%
Dixie Elementary School District	\$25,361,193	\$24,220,753	\$1,463,819	5.8%
Kentfield School District	\$19,712,081	\$18,964,836	\$1,065,278	5.4%
Larkspur-Corte Madera School District	\$21,966,152	\$23,618,998	\$1,214,607	5.5%
Marin Community College District	\$67,403,849	\$82,922,415	\$3,922,649	5.8%
Marin County Office of Education	\$56,776,827	\$55,642,573	\$1,851,569	3.3%
Mill Valley School District	\$50,815,837	\$47,724,947	\$2,592,161	5.1%
Novato Unified School District	\$94,185,666	\$91,973,207	\$4,150,779	4.4%
Reed Union School District	\$25,711,228	\$24,983,096	\$1,333,084	5.2%
Ross School District	\$8,748,369	\$8,844,112	\$440,091	5.0%
Ross Valley School District	\$29,323,920	\$29,952,113	\$1,621,067	5.5%
San Rafael City Schools - Elementary	\$62,306,271	\$59,610,089	\$2,888,024	4.6%
San Rafael City Schools - High School	\$37,919,147	\$39,926,631	\$2,009,294	5.3%
Sausalito Marin City School District	\$7,421,237	\$7,798,127	\$253,588	3.4%
Shoreline Unified School District	\$14,823,677	\$14,594,704	\$723,686	4.9%
Tamalpais Union High School District	\$92,371,238	\$88,169,381	\$5,256,408	5.7%
Totals	\$618,917,590	\$623,198,203	\$31,040,471	5.0%

Appendix: F: Public Agency Income Statement Data (cont'd)

Special Districts Safety	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Police Authority*	N/A	N/A	N/A	N/A
Kentfield Fire Protection District	\$5,014,333	\$4,243,041	\$951,986	19.0%
Novato Fire Protection District	\$27,838,320	\$21,367,857	\$4,848,895	17.4%
Ross Valley Fire Department	\$9,598,396	\$8,237,907	\$1,119,907	11.7%
Southern Marin Fire Protection District	\$14,911,632	\$12,863,646	\$2,072,079	13.9%
Tiburon Fire Protection District	\$7,184,792	\$7,604,639	\$1,471,646	20.5%
Total	\$64,547,473	\$54,317,090	\$10,464,513	16.2%

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Sanitation Agency	\$16,952,527	\$16,834,929	\$936,613	5.5%
Las Gallinas Valley Sanitary District	\$12,976,695	\$7,881,853	\$295,427	2.3%
Marin Municipal Water District	\$62,502,430	\$68,704,175	\$5,725,637	9.2%
Marin/Sonoma Mosquito & Vector Control District	\$8,638,747	\$8,584,599	\$968,417	11.2%
Marinwood Community Services District	\$5,837,007	\$6,013,031	\$321,909	5.5%
North Marin Water District	\$17,912,719	\$17,534,252	\$828,792	4.6%
Novato Sanitary District	\$19,299,289	\$16,587,829	\$280,935	1.5%
Richardson Bay Sanitary District	\$2,993,714	\$3,239,823	\$77,297	2.6%
Ross Valley Sanitary District	\$23,623,985	\$19,998,903	\$543,759	2.3%
Sanitary District # 5 Tiburon-Belvedere	\$6,264,746	\$4,558,920	\$1,781,586	28.4%
Sausalito Marin City Sanitary District	\$8,391,876	\$5,167,530	\$276,804	3.3%
Tamalpais Community Services District	\$5,245,439	\$5,655,202	\$308,274	5.9%
Total	\$190,639,174	\$180,761,046	\$12,345,450	6.5%

Appendix: F: Public Agency Income Statement Data (cont'd)

FY 2015

Municipalities	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
City of Belvedere	\$7,475,000	\$7,191,000	\$280,813	3.8%
City of Larkspur*	\$21,009,094	\$16,693,255	\$802,226	3.8%
City of Mill Valley	\$37,844,000	\$36,158,000	\$2,077,981	5.5%
City of Novato	\$46,154,000	\$41,545,000	\$2,421,183	5.2%
City of San Rafael	\$94,752,000	\$80,572,000	\$17,802,358	18.8%
City of Sausalito	\$20,603,504	\$17,970,673	\$2,007,707	9.7%
County of Marin	\$602,627,000	\$538,354,000	\$41,871,696	6.9%
Town of Corte Madera	\$21,324,184	\$16,988,011	\$1,667,545	7.8%
Town of Fairfax*	\$9,212,366	\$8,630,597	\$1,276,895	13.9%
Town of Ross	\$10,081,926	\$6,667,416	\$217,566	2.2%
Town of San Anselmo	\$18,707,969	\$15,807,161	\$359,492	1.9%
Town of Tiburon	\$12,271,586	\$9,589,263	\$463,611	3.8%
Totals	\$902,062,629	\$796,166,376	\$71,249,073	7.9%

School Districts	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Bolinas-Stinson Union School District	\$4,133,985	\$3,839,557	\$212,334	5.1%
Dixie Elementary School District	\$21,577,176	\$23,137,648	\$1,223,806	5.7%
Kentfield School District	\$17,024,884	\$16,763,254	\$879,311	5.2%
Larkspur-Corte Madera School District	\$19,285,300	\$22,676,756	\$1,016,124	5.3%
Marin Community College District	\$65,743,077	\$76,103,061	\$3,955,070	6.0%
Marin County Office of Education	\$53,863,696	\$53,522,613	\$1,571,597	2.9%
Mill Valley School District	\$46,142,878	\$44,916,603	\$2,194,414	4.8%
Novato Unified School District	\$84,447,074	\$86,629,909	\$3,710,767	4.4%
Reed Union School District	\$23,536,480	\$22,614,955	\$1,130,735	4.8%
Ross School District	\$7,831,472	\$8,062,949	\$367,499	4.7%
Ross Valley School District	\$26,202,736	\$26,800,628	\$1,343,461	5.1%
San Rafael City Schools - Elementary	\$53,530,867	\$52,374,844	\$2,370,708	4.4%
San Rafael City Schools - High School	\$34,638,111	\$35,691,740	\$1,672,501	4.8%
Sausalito Marin City School District	\$6,650,074	\$7,478,427	\$243,111	3.7%
Shoreline Unified School District	\$13,717,171	\$15,547,928	\$684,755	5.0%
Tamalpais Union High School District	\$84,711,887	\$82,324,797	\$3,866,993	4.6%
Totals	\$563,036,868	\$578,485,669	\$26,443,186	4.7%

Appendix: F: Public Agency Income Statement Data (cont'd)

Special Districts Safety	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Police Authority*	\$11,087,891	\$12,682,790	\$1,486,735	13.4%
Kentfield Fire Protection District	\$4,949,898	\$4,477,793	\$828,090	16.7%
Novato Fire Protection District	\$25,295,007	\$21,313,411	\$4,604,649	18.2%
Ross Valley Fire Department	\$8,900,504	\$9,225,977	\$973,697	10.9%
Southern Marin Fire Protection District	\$14,038,197	\$14,067,722	\$759,752	5.4%
Tiburon Fire Protection District	\$6,966,748	\$7,294,411	\$2,159,000	31.0%
Total	\$71,238,245	\$69,062,104	\$10,811,923	15.2%

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Sanitation Agency	\$17,873,113	\$16,220,247	\$2,319,236	13.0%
Las Gallinas Valley Sanitary District	\$11,621,316	\$7,930,633	\$266,914	2.3%
Marin Municipal Water District	\$61,455,537	\$69,478,882	\$4,633,745	7.5%
Marin/Sonoma Mosquito & Vector Control District	\$8,396,908	\$9,652,593	\$856,583	10.2%
Marinwood Community Services District	\$5,224,022	\$4,919,009	\$269,828	5.2%
North Marin Water District	\$18,506,716	\$17,456,194	\$669,066	3.6%
Novato Sanitary District	\$18,571,214	\$15,799,078	\$173,410	0.9%
Richardson Bay Sanitary District	\$2,874,017	\$2,976,836	\$69,002	2.4%
Ross Valley Sanitary District	\$22,228,230	\$20,570,289	\$443,292	2.0%
Sanitary District # 5 Tiburon-Belvedere	\$6,316,447	\$4,500,449	\$1,600,837	25.3%
Sausalito Marin City Sanitary District	\$7,640,843	\$5,596,332	\$302,863	4.0%
Tamalpais Community Services District	\$5,161,781	\$5,086,144	\$306,954	5.9%
Total	\$185,870,144	\$180,186,686	\$11,911,730	6.4%

Appendix: F: Public Agency Income Statement Data (cont'd)

FY 2014

Municipalities	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
City of Belvedere	\$7,151,000	\$7,771,000	\$280,312	3.9%
City of Larkspur*	\$23,430,272	\$16,496,021	\$1,174,703	5.0%
City of Mill Valley	\$35,104,000	\$36,651,000	\$1,832,914	5.2%
City of Novato	\$45,725,000	\$42,849,000	\$4,167,992	9.1%
City of San Rafael	\$93,536,000	\$90,637,000	\$17,576,796	18.8%
City of Sausalito	\$19,374,007	\$18,302,083	\$1,339,935	6.9%
County of Marin	\$578,298,000	\$566,596,000	\$46,803,624	8.1%
Town of Corte Madera	\$18,827,611	\$16,188,853	\$1,591,599	8.5%
Town of Fairfax	\$9,854,550	\$8,703,418	\$964,694	9.8%
Town of Ross	\$7,521,177	\$5,161,437	\$292,890	3.9%
Town of San Anselmo	\$17,157,724	\$15,292,443	\$426,878	2.5%
Town of Tiburon	\$11,283,722	\$9,040,229	\$460,630	4.1%
Totals	\$867,263,063	\$833,688,484	\$76,912,967	8.9%

School Districts	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Bolinas-Stinson Union School District	\$3,682,417	\$3,611,583	\$195,036	5.3%
Dixie Elementary School District	\$20,650,150	\$21,303,737	\$1,075,058	5.2%
Kentfield School District	\$15,874,438	\$15,651,915	\$782,734	4.9%
Larkspur-Corte Madera School District	\$18,407,176	\$18,693,706	\$919,073	5.0%
Marin Community College District	\$58,598,119	\$69,675,296	\$2,747,044	4.7%
Marin County Office of Education	\$54,109,107	\$53,845,241	\$1,488,826	2.8%
Mill Valley School District	\$43,586,940	\$40,709,942	\$1,931,950	4.4%
Novato Unified School District	\$76,012,499	\$80,693,043	\$3,710,767	4.9%
Reed Union School District	\$21,716,462	\$22,510,117	\$1,022,230	4.7%
Ross School District	\$7,437,995	\$7,755,357	\$342,318	4.6%
Ross Valley School District	\$25,052,122	\$25,063,637	\$1,202,960	4.8%
San Rafael City Schools - Elementary	\$48,715,280	\$48,643,315	\$2,003,613	4.1%
San Rafael City Schools - High School	\$33,065,771	\$32,764,963	\$1,458,967	4.4%
Sausalito Marin City School District	\$6,831,391	\$7,212,560	\$223,849	3.3%
Shoreline Unified School District	\$13,215,928	\$14,468,849	\$660,935	5.0%
Tamalpais Union High School District	\$80,916,231	\$78,209,897	\$3,931,527	4.9%
Totals	\$527,872,026	\$540,813,158	\$23,696,887	4.5%

Appendix: F: Public Agency Income Statement Data (cont'd)

Special Districts Safety	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Police Authority*	\$10,971,094	\$12,540,840	\$2,202,617	20.1%
Kentfield Fire Protection District	\$4,346,334	\$4,410,646	\$640,419	14.7%
Novato Fire Protection District	\$24,921,522	\$27,094,328	\$4,365,000	17.5%
Ross Valley Fire Department	\$8,319,924	\$8,100,563	\$757,240	9.1%
Southern Marin Fire Protection District	\$13,177,067	\$12,739,358	\$1,661,560	12.6%
Tiburon Fire Protection District	\$6,338,309	\$5,793,305	\$901,000	14.2%
Total	\$68,074,250	\$70,679,040	\$10,527,836	15.5%

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Sanitation Agency	\$16,421,864	\$18,386,011	\$2,724,054	16.6%
Las Gallinas Valley Sanitary District	\$11,490,884	\$8,624,424	\$262,743	2.3%
Marin Municipal Water District	\$70,673,150	\$70,431,104	\$4,576,450	6.5%
Marin/Sonoma Mosquito & Vector Control District	\$7,861,221	\$8,860,632	\$865,130	11.0%
Marinwood Community Services District	\$5,096,846	\$5,133,110	\$408,037	8.0%
North Marin Water District	\$20,817,357	\$20,329,069	\$819,854	3.9%
Novato Sanitary District	\$17,963,721	\$19,865,633	\$258,904	1.4%
Richardson Bay Sanitary District	\$2,824,511	\$3,009,245	\$88,999	3.2%
Ross Valley Sanitary District	\$20,868,467	\$18,309,740	\$796,725	3.8%
Sanitary District # 5 Tiburon-Belvedere	\$5,963,722	\$4,748,503	\$172,890	2.9%
Sausalito Marin City Sanitary District	\$7,486,444	\$5,131,337	\$258,040	3.4%
Tamalpais Community Services District	\$5,149,167	\$5,396,435	\$328,757	6.4%
Total	\$192,617,354	\$188,225,243	\$11,560,583	6.0%

Appendix: F: Public Agency Income Statement Data (cont'd)

FY 2013

Municipalities	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
City of Belvedere	\$6,898,000	\$7,778,000	\$360,315	5.2%
City of Larkspur*	\$18,603,639	\$15,991,539	\$1,117,173	6.0%
City of Mill Valley	\$32,911,000	\$35,373,000	\$1,690,435	5.1%
City of Novato	\$42,845,000	\$40,203,000	\$3,600,767	8.4%
City of San Rafael	\$97,329,000	\$84,881,000	\$15,522,832	15.9%
City of Sausalito	\$17,435,854	\$19,290,681	\$1,885,718	10.8%
County of Marin	\$539,291,000	\$578,123,000	\$82,141,000	15.2%
Town of Corte Madera	\$16,917,648	\$15,662,631	\$1,420,037	8.4%
Town of Fairfax*	\$8,185,597	\$8,393,424	\$861,992	10.5%
Town of Ross	\$5,954,371	\$6,908,283	\$426,227	7.2%
Town of San Anselmo	\$16,613,802	\$15,335,139	\$706,204	4.3%
Town of Tiburon	\$10,080,056	\$8,564,576	\$473,302	4.7%
Totals	\$813,064,967	\$836,504,273	\$110,206,002	13.6%

School Districts	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Bolinas-Stinson Union School District	\$4,166,654	\$3,431,372	\$181,797	4.4%
Dixie Elementary School District	\$19,038,568	\$20,037,236	\$1,025,538	5.4%
Kentfield School District	\$15,347,703	\$14,949,309	\$751,520	4.9%
Larkspur-Corte Madera School District	\$16,692,448	\$17,232,998	\$760,498	4.6%
Marin Community College District	\$73,695,039	\$78,071,240	\$2,867,705	3.9%
Marin County Office of Education	\$53,965,926	\$55,824,402	\$1,537,897	2.8%
Mill Valley School District	\$37,909,411	\$36,847,491	\$1,708,730	4.5%
Novato Unified School District	\$74,691,071	\$78,375,760	\$3,564,105	4.8%
Reed Union School District	\$20,866,279	\$20,722,970	\$954,501	4.6%
Ross School District	\$7,208,553	\$7,757,976	\$328,289	4.6%
Ross Valley School District	\$23,544,533	\$23,706,265	\$1,126,078	4.8%
San Rafael City Schools - Elementary	\$45,813,222	\$45,904,573	\$1,891,069	4.1%
San Rafael City Schools - High School	\$29,829,654	\$30,110,447	\$1,349,835	4.5%
Sausalito Marin City School District	\$7,348,906	\$7,412,975	\$222,638	3.0%
Shoreline Unified School District	\$15,141,029	\$13,384,148	\$582,511	3.8%
Tamalpais Union High School District	\$75,744,653	\$73,616,062	\$3,790,319	5.0%
Totals	\$521,003,649	\$527,385,224	\$22,643,030	4.3%

Appendix: F: Public Agency Income Statement Data (cont'd)

Special Districts Safety	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Police Authority*	\$8,760,972	\$9,741,410	\$1,546,456	17.7%
Kentfield Fire Protection District	\$4,266,495	\$4,027,584	\$719,000	16.9%
Novato Fire Protection District	\$23,981,238	\$22,959,399	\$4,347,000	18.1%
Ross Valley Fire Department	\$8,283,616	\$8,324,612	\$1,352,592	16.3%
Southern Marin Fire Protection District	\$13,009,009	\$12,479,816	\$1,798,760	13.8%
Tiburon Fire Protection District	\$5,935,355	\$5,505,107	\$843,000	14.2%
Total	\$64,236,685	\$63,037,928	\$10,606,808	16.5%

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Sanitation Agency	\$15,760,045	\$16,292,627	\$1,202,050	7.6%
Las Gallinas Valley Sanitary District	\$11,585,053	\$8,366,225	\$411,624	3.6%
Marin Municipal Water District	\$69,738,216	\$63,938,837	\$3,963,600	5.7%
Marin/Sonoma Mosquito & Vector Control District	\$7,957,709	\$8,665,503	\$891,511	11.2%
Marinwood Community Services District	\$4,770,868	\$5,053,618	\$414,833	8.7%
North Marin Water District	\$18,605,081	\$16,568,138	\$1,608,211	8.6%
Novato Sanitary District	\$17,332,035	\$15,759,901	\$316,059	1.8%
Richardson Bay Sanitary District	\$2,646,912	\$2,867,406	\$61,929	2.3%
Ross Valley Sanitary District	\$20,314,968	\$16,831,688	\$778,004	3.8%
Sanitary District # 5 Tiburon-Belvedere	\$5,409,761	\$3,786,385	\$186,990	3.5%
Sausalito Marin City Sanitary District	\$6,804,580	\$5,047,168	\$165,778	2.4%
Tamalpais Community Services District	\$4,782,049	\$4,925,928	\$278,274	5.8%
Total	\$185,707,277	\$168,103,424	\$10,278,863	5.5%

Appendix: F: Public Agency Income Statement Data (cont'd)

FY 2012

Municipalities	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
City of Belvedere	\$6,809,417	\$7,082,918	\$386,682	5.7%
City of Larkspur*	\$17,286,549	\$18,920,650	\$1,216,411	7.0%
City of Mill Valley	\$30,695,904	\$32,412,000	\$1,939,954	6.3%
City of Novato	\$47,129,000	\$44,317,469	\$3,897,198	8.3%
City of San Rafael	\$87,243,000	\$84,304,491	\$14,627,709	16.8%
City of Sausalito	\$19,515,672	\$20,402,997	\$2,407,997	12.3%
County of Marin	\$452,987,000	\$461,104,000	\$47,541,000	10.5%
Town of Corte Madera	\$15,809,424	\$14,025,216	\$1,734,141	11.0%
Town of Fairfax*	\$8,032,233	\$8,190,115	\$783,933	9.8%
Town of Ross	\$5,711,293	\$6,086,653	\$744,696	13.0%
Town of San Anselmo	\$15,240,865	\$15,053,414	\$1,103,350	7.2%
Town of Tiburon	\$8,838,698	\$8,520,072	\$509,588	5.8%
Totals	\$715,299,055	\$720,419,995	\$76,892,659	10.7%

School Districts	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Bolinas-Stinson Union School District	\$3,366,497	\$3,171,763	\$168,417	5.0%
Dixie Elementary School District	\$19,027,021	\$19,498,458	\$1,000,029	5.3%
Kentfield School District	\$14,441,839	\$14,841,354	\$731,248	5.1%
Larkspur-Corte Madera School District	\$16,554,817	\$16,167,730	\$833,718	5.0%
Marin Community College District	\$73,985,992	\$76,108,423	\$2,628,704	3.6%
Marin County Office of Education	\$56,294,422	\$56,662,756	\$1,537,812	2.7%
Mill Valley School District	\$34,740,584	\$35,382,157	\$1,657,232	4.8%
Novato Unified School District	\$72,505,743	\$77,553,300	\$3,453,655	4.8%
Reed Union School District	\$20,662,117	\$19,941,589	\$918,955	4.4%
Ross School District	\$6,834,205	\$7,670,742	\$296,989	4.3%
Ross Valley School District	\$22,059,245	\$21,179,617	\$1,023,687	4.6%
San Rafael City Schools - Elementary	\$43,858,815	\$43,856,979	\$1,774,074	4.0%
San Rafael City Schools - High School	\$29,847,934	\$29,862,827	\$1,311,053	4.4%
Sausalito Marin City School District	\$7,285,990	\$6,899,490	\$197,027	2.7%
Shoreline Unified School District	\$13,436,120	\$12,479,865	\$546,884	4.1%
Tamalpais Union High School District	\$73,882,043	\$71,289,091	\$3,630,314	4.9%
Totals	\$508,783,384	\$512,566,141	\$21,709,798	4.3%

Appendix: F: Public Agency Income Statement Data (cont'd)

Special Districts Safety	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Police Authority*	\$6,845,710	\$7,930,868	\$1,152,082	16.8%
Kentfield Fire Protection District	\$4,040,717	\$3,935,793	\$706,000	17.5%
Novato Fire Protection District	\$23,162,755	\$23,503,892	\$4,420,000	19.1%
Ross Valley Fire Department	\$6,188,574	\$6,222,678	\$3,822,902	61.8%
Southern Marin Fire Protection District	\$9,514,727	\$8,852,899	\$1,321,376	13.9%
Tiburon Fire Protection District	\$5,692,247	\$5,532,857	\$900,000	15.8%
Total	\$55,444,730	\$55,978,987	\$12,322,360	22.2%

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Central Marin Sanitation Agency	\$15,242,715	\$15,762,771	\$1,130,652	7.4%
Las Gallinas Valley Sanitary District	\$11,493,702	\$6,665,852	\$403,005	3.5%
Marin Municipal Water District	\$61,957,837	\$60,474,500	\$3,962,731	6.4%
Marin/Sonoma Mosquito & Vector Control District	\$7,573,456	\$8,219,315	\$1,820,548	24.0%
Marinwood Community Services District	\$4,115,789	\$4,592,674	\$438,549	10.7%
North Marin Water District	\$15,972,477	\$16,405,522	\$1,031,112	6.5%
Novato Sanitary District	\$16,313,384	\$16,052,483	\$215,351	1.3%
Richardson Bay Sanitary District	\$2,672,170	\$2,658,572	\$60,129	2.3%
Ross Valley Sanitary District	\$22,056,782	\$18,228,904	\$702,054	3.2%
Sanitary District # 5 Tiburon-Belvedere	\$4,927,600	\$3,612,300	\$240,305	4.9%
Sausalito Marin City Sanitary District	\$6,350,068	\$4,319,548	\$315,887	5.0%
Tamalpais Community Services District	\$4,938,176	\$4,935,448	\$249,495	5.1%
Total	\$173,614,156	\$161,927,889	\$10,569,818	6.1%

Appendix: F: Public Agency Income Statement Data (cont'd)

Totals 2016

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Municipalities	\$898,020,850	\$836,450,138	\$79,257,793	8.8%
School Districts	\$618,917,590	\$623,198,203	\$31,040,471	5.0%
Special Districts Safety	\$64,547,473	\$54,317,090	\$10,464,513	16.2%
Special Districts Utility	\$190,639,174	\$180,761,046	\$12,345,450	6.5%
Total	\$1,772,125,087	\$1,694,726,477	\$133,108,227	7.5%

Totals 2015

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Municipalities	\$902,062,629	\$796,166,376	\$71,249,073	7.9%
School Districts	\$563,036,868	\$578,485,669	\$26,443,186	4.7%
Special Districts Safety	\$71,238,245	\$69,062,104	\$10,811,923	15.2%
Special Districts Utility	\$185,870,144	\$180,186,686	\$11,911,730	6.4%
Total	\$1,722,207,886	\$1,623,900,835	\$120,415,912	7.0%

Totals 2014

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Municipalities	\$867,263,063	\$833,688,484	\$76,912,967	8.9%
School Districts	\$527,872,026	\$540,813,158	\$23,696,887	4.5%
Special Districts Safety	\$68,074,250	\$70,679,040	\$10,527,836	15.5%
Special Districts Utility	\$192,617,354	\$188,225,243	\$11,560,583	6.0%
Total	\$1,655,826,693	\$1,633,405,925	\$122,698,273	7.4%

Appendix: F: Public Agency Income Statement Data (cont'd)

Totals 2013

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Municipalities	\$813,064,967	\$836,504,273	\$110,206,002	13.6%
School Districts	\$521,003,649	\$527,385,224	\$22,643,030	4.3%
Special Districts Safety	\$64,236,685	\$63,037,928	\$10,606,808	16.5%
Special Districts Utility	\$185,707,277	\$168,103,424	\$10,278,863	5.5%
Total	\$1,584,012,578	\$1,595,030,849	\$153,734,703	9.7%

Totals 2012

Special Districts Utility	Revenue	Expenses	Pension Contribution	Pension Contribution as % of Revenue
Municipalities	\$715,299,055	\$720,419,995	\$76,892,659	10.7%
School Districts	\$508,783,384	\$512,566,141	\$21,709,798	4.3%
Special Districts Safety	\$55,444,730	\$55,978,987	\$12,322,360	22.2%
Special Districts Utility	\$173,614,156	\$161,927,889	\$10,569,818	6.1%
Total	\$1,453,141,325	\$1,450,893,012	\$121,494,635	8.4%

Appendix G: CalPERS Termination Fees

The table below lists the estimated termination payments at assumed rates of 2.00% and 3.25% for participating agencies, excepting school districts, per the annual CalPERS Actuarial Report for 6/30/2015.

AGENCY	NPL as Reported in FY 2015 Financials	Assumed Discount Rate 2.00%	Assumed Discount Rate 3.25%
Central Marin Police Authority*	\$6,024,473	\$71,565,039	\$51,696,369
Central Marin Sanitation Agency	\$3,324,578	\$45,302,181	\$33,168,333
City of Belvedere	\$2,821,673	\$22,330,041	\$16,034,899
City of Larkspur	\$9,046,789	\$64,068,837	\$46,794,380
City of Mill Valley	\$21,174,403	\$164,006,306	\$119,143,571
City of Novato	\$29,915,448	\$210,899,167	\$154,434,070
City of Sausalito	\$17,741,671	\$111,095,700	\$80,854,968
College of Marin - CalPERS	\$14,503,000	\$4,413,804	\$3,117,900
Kentfield Fire Protection District	\$5,202,429	\$25,682,839	\$18,599,480
Las Gallinas Valley Sanitary District	\$1,693,868	\$12,363,061	\$9,004,250
Marin Municipal Water District	\$62,139,077	\$291,279,084	\$222,708,365
Marinwood Community Services District	\$3,142,286	\$19,402,506	\$13,677,782
North Marin Water District	\$6,701,264	\$46,278,897	\$34,041,789
Novato Sanitary District	\$3,335,896	\$23,194,067	\$17,250,223
Richardson Bay Sanitary District	\$901,425	\$6,964,774	\$5,134,984
Ross Valley Fire Department	\$7,679,794	\$56,572,810	\$40,834,714
Ross Valley Sanitary District	\$3,708,693	\$21,982,458	\$16,055,544
Sanitary District # 5	\$2,757,064	\$11,272,815	\$8,312,243
Sausalito Marin City Sanitation District	\$1,759,386	\$12,874,490	\$9,642,427
Tiburon Fire Protection District	\$6,315,892	\$42,833,280	\$30,695,410
Town of Corte Madera	\$12,146,336	\$77,386,425	\$56,430,103
Town of Fairfax	\$6,078,042	\$40,460,118	\$29,676,098
Town of Ross	\$3,465,264	\$24,932,090	\$17,959,639
Town of San Anselmo	\$4,002,434	\$59,135,515	\$44,288,748
Town of Tiburon	\$5,232,395	\$38,702,774	\$28,540,001
TOTAL	\$240,813,580	\$1,504,999,078	\$1,108,096,290

Appendix J: Private Pension Discount Rates

The table below lists the discount rates used by the 10 largest US corporate pension funds by total assets under management. Information was obtained from the 2015 Annual Reports and 10K filings of the listed corporations.

Corporation	Pension Fund Assets (\$Mils.)	Pension Discount Rate	OPEB Discount Rate
Boeing	\$101,931	4.20%	3.80%
IBM	\$96,382	4.00%	3.70%
AT&T	\$83,414	4.60%	4.50%
General Motors	\$82,427	3.73%	3.83%
General Electric	\$70,566	4.38%	NA
Lockheed Martin	\$63,370	4.38%	4.25%
Ford	\$55,344	4.27%	4.22%
Bank of America	\$51,000	4.51%	4.32%
UPS	\$46,443	4.40%	4.18%
Northrop Grumman	\$43,387	4.53%	4.47%
Average		4.30%	4.14%

AGENCY RESPONSE TO GRAND JURY REPORT

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

Report Date: **June 5, 2017**

Response Date: **September 5, 2017**

Agency Name: _____ Agenda Date: _____

Response by: _____ Title: _____

FINDINGS

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

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: North Bay Water Reuse Authority: Memorandum of Understanding	MEETING DATE: June 12, 2017 AGENDA ITEM NO.: 11.a.
RECOMMENDED ACTION: Approve the North Bay Water Reuse Authority Fourth Revised Memorandum of Understanding (MOU) and authorize the Board President to sign the MOU.	
SUMMARY AND DISCUSSION: <p>The third amended NBWRA MOU was adopted on March 25, 2013, with a five-year term. The NBWRA MOU Work Group of Chuck Weir (Weir Technical Services), Mike Savage (Brown and Caldwell), Jake Spaulding (Sonoma County Water Agency or SCWA) and Kevin Booker (SCWA) has prepared the fourth Draft Amended NBWRA MOU. A copy of this draft MOU is attached again herein. The redline/strikeout of the proposed revisions are shown in this attached draft MOU redline version.</p> <p>A summary of the recommended MOU revisions is presented below:</p> <ul style="list-style-type: none"> • Edits to Recitals <ul style="list-style-type: none"> ○ Better describe types of projects ○ Updates specific to Phase 1 ○ Added items specific to Phase 2 • Updated and Added Definitions <ul style="list-style-type: none"> ○ Changes to update Phase 1 status ○ Added items specific to Phase 2 • Updated and Added Specific Sections <ul style="list-style-type: none"> ○ Changes to update Phase 1 status ○ Added items Specific to Phase 2 • Modifications to Exhibits <ul style="list-style-type: none"> ○ Exhibit A, Revised to Include City of American Canyon ○ Exhibit B, Updated Cost Sharing for Phase 1 Member Agencies ○ Exhibit C, Updated Federal Funding Received by Phase 1 Member Agencies ○ Exhibit D, Added Cost Sharing for Phase 2 Member Agencies ○ Exhibit E, Added Federal Funding for Phase 2 Member Agencies • Miscellaneous Edits <ul style="list-style-type: none"> ○ Minor Edits ○ Renumbering Sections and References <p>District Counsel and staff have reviewed the MOU, and recommend that the Board approve the Fourth Revised MOU, and authorize the Board President to sign it on behalf of the District.</p>	
ATTACHMENTS: 1. Draft 4 th Amended NBWRA Memorandum of Understanding (redline version).	
STRATEGIC PLAN INFORMATION: This item addresses Goal 1 (Operational Excellence) and Goal 2 (Reliable and Efficient Facilities) of the latest Strategic Plan Update.	
DEPT. MGR.: eb, ssk	GENERAL MANAGER: SSK

NORTH BAY WATER REUSE AUTHORITY

~~THIRD~~FOURTH AMENDED

MEMORANDUM OF UNDERSTANDING

Supersedes

Memorandum of Understanding	March 15, 2005
First Amended Memorandum of Understanding	September 24, 2008
Second Amended Memorandum of Understanding	November 3, 2010
<u>Third Amended Memorandum of Understanding</u>	<u>March 25, 2013</u>

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MEMORANDUM OF UNDERSTANDING
ESTABLISHING THE
NORTH BAY WATER REUSE AUTHORITY

This Memorandum of Understanding (“MOU”) establishes the North Bay Water Reuse Authority (“NBWRA”) for the purposes described herein. This MOU is made and entered into by and between the parties that are signatories to this MOU. The MOU was first approved March 15, 2005. The first amendment to the MOU was approved September 24, 2008. The second amendment to the MOU was approved November 3, 2010. The third amendment to the MOU was approved March 25, 2013. This is the ~~third~~fourth amendment of the MOU that originally established the NBWRA. This ~~third~~fourth amendment to the MOU supersedes all previous versions of the MOU.

Recitals

WHEREAS, each of the parties to this MOU is a local government entity functioning within the North Bay Region, as depicted in **Exhibit A** attached hereto and incorporated by reference; and

WHEREAS, the parties desire to enter into an MOU to explore the feasibility of coordinating interagency efforts to expand the beneficial use of recycled water in the North Bay Region thereby promoting the conservation of limited surface water and groundwater resources; and

WHEREAS, the parties do not intend to create a separate public agency pursuant to Government Code §6500 et seq. through this MOU and no provision of this MOU should be so construed; and

WHEREAS, the parties hereto may later explore the feasibility of changing their organizational structure by establishing a Joint Powers Authority in a separate agreement that would advance the purpose and goals of the NBWRA, if construction projects are to be undertaken jointly or if such changes are necessary in order to receive federal or state funds; and

WHEREAS, the parties hereto recognize the value of using common resources effectively; and

WHEREAS, the parties hereto desire to be proactive on regulatory issues affecting the North Bay Region that transcend the traditional political boundaries of the parties; and

WHEREAS, the parties hereto desire to inform communities and the public in the North Bay Region about the importance of water conservation and the benefits of water reuse and water use efficiency(C1); and

WHEREAS, the parties hereto wish to coordinate their consideration and review of local, state and federal policies and programs related to the expansion of existing recycled water programs and the development of new recycled water, storage and environmental enhancement(C2) programs in the North Bay Region; and

WHEREAS, the parties hereto find that promoting the stewardship of water resources in the North Bay Region is in the public interest and for the common benefit of all within the North Bay Region; and

WHEREAS, the parties recognize that there are current and future regulatory requirements which apply to water resources in the North Bay Region affecting one or more of said parties, and that these multiple regulatory requirements may be better addressed on a regional basis, and in a collaborative manner, and the parties wish to investigate more effective ways to share information and coordinate efforts to comply with said regulatory requirements; and

WHEREAS, the parties intend that participation in this MOU be entirely voluntary; and

WHEREAS, it is understood that the primary purpose of this MOU is to provide a governance structure, led by a Board of Directors consisting of members of the governing boards from the Member Agencies, for the successful completion of recycled water projects in the North Bay Region; and.

WHEREAS, the parties previously applied for federal funds to assist them with implementing their projects; and

WHEREAS, the parties did receive funding, which is part of a program authorized for construction in PL 111-11 that was signed into law in March 2009. The program can receive appropriations through the United States Bureau of Reclamation's Title XVI program which can include funds from the American Recovery and Reinvestment Act of 2009 and the U.S.

Department of Interior, Bureau of Reclamation's Title XVI Program, including the WaterSMART Grant Program; and.

WHEREAS, Phase 1 includes receipt of the full \$25,000,000 federal authorization, and

WHEREAS, the parties ~~completed a~~ ~~are currently conducting~~ Scoping Studies for the addition of potential additional projects that are now part of known as Phase 2; and. ~~The magnitude of Phase 2 projects has not yet been determined, but would be determined by a~~

~~Feasibility Study should the parties choose to conduct one. The results of a Feasibility Study may lead to additional modifications of this MOU [C3].~~

~~WHEREAS, the parties are in the process of completing a Feasibility Study for Phase 2 and the projects for Phase 2 have an estimated value of \$75,600,000, which have the potential to receive \$18,900,000 in federal funding; and~~

~~WHEREAS, the projects that are part of Phase 1 and Phase 2 receive federal funding from the United States Bureau of Reclamation Title XVI Program and are eligible to receive funding from other federal and state programs; and~~

~~WHEREAS, the parties may desire to add other water management programs in addition to water recycling, storage, and environmental enhancement in the future, which may require additional modifications to this MOU; and [C4]~~

WHEREAS, the parties understand that reallocation of costs described herein, can be made with the approval of the parties as provided herein.

NOW, THEREFORE, the parties hereto do hereby enter into this Memorandum of Understanding, as follows:

Memorandum of Understanding

1. Definitions. As used in this MOU, the following words and phrases shall have the meanings set forth below unless the context clearly indicates otherwise.

- (a) “MOU” shall mean this ~~third~~fourth amended Memorandum of Understanding.
- (b) “NBWRA” shall mean the unincorporated, cooperative group of public agencies organized through this MOU and otherwise referred to as the North Bay Water Reuse Authority.

- (c) “Board of Directors” shall mean the governing body composed of members of the governing boards of the Member Agencies established pursuant to this MOU.
- (d) “Technical Advisory Committee” shall mean the administrative body established at the discretion of the Board of Directors pursuant to this MOU.
- (e) “Member Agency” or “Member Agencies” shall mean the local and/or regional public agencies regulated under the Clean Water Act, 33 U.S.C. § 1251 et seq., the federal Safe Drinking Water Act, 42 U.S.C. § 300f et seq., and/or the state Safe Drinking Water Act, Health & Safety Code § 116275 et seq., that operate within or have jurisdiction over any area within the North Bay Region, and that are signatories to this MOU. Member Agencies are entitled to one voting member on the Board of Directors and Technical Advisory Committee as defined herein.
- (f) “North Bay Region” shall mean the four counties identified in the North San Pablo Bay watershed as defined ~~in PL 111-11, Section 9110, Title XVI; 43 U.S.C. 390h-34~~ in federal legislation: Marin, Napa, Solano, and Sonoma. Said area is depicted on the map attached hereto and incorporated herein as **Exhibit A. Federal and state legislation may provide for additional counties to be considered part of the North Bay Region[cs].**
- (g) “Associate Member” shall mean a local and/or regional public agency as described in Section 1(e) or other organizations interested in the Purpose and Objectives of NBWRA. Associate Members may not sponsor current projects in Phase 1 or Phase 2 but may partner with Member Agencies. Associate Members are entitled to appoint one non-voting representative to the Board of Directors and to the Technical Advisory Committee. The Board of Directors may assess annual dues of \$5,000 for membership in the NBWRA for

Associate Members. Dues shall be used to offset Joint Use Costs for the Member

Agencies [C6].

(h) “Administrative Agency” shall mean that Member Agency authorized pursuant to Section 12 to enter into contracts and perform other administrative functions on behalf of the NBWRA.

(i) “Phase 1 EIR/EIS” shall mean the Environmental Impact Report/Environmental Impact Statement, prepared by Environmental Science Associates, that was certified and or approved by the Member Agencies during December 2009 and January 2010 and which serves as the basis of the Phase 1 projects to be partially funded by USBR through the Title XVI Program.

~~(j)~~ Phase 2 EIR/EIS [C7] shall mean the shall mean the Environmental Impact Report/Environmental Impact Statement, which will be prepared by Brown and Caldwell, and will be certified and or approved by the Member Agencies by the end of 2018, and which shall serve as the basis of the Phase 2 projects to be partially funded by USBR through the Title XVI Program.

~~(k)~~ “USBRE” shall mean the United States Bureau of Reclamation.

~~(l)~~ “Phase 1” shall mean the projects described as Phase 1 of Alternative 1 of the Phase 1 EIR/EIS. It is understood that minor modifications to said projects may occur as actual design and construction occurs and that the individual agencies are responsible for possible modifications to the requirements of the Phase 1 EIR/EIS. Phase 1 participating Member Agencies include: Las Gallinas Valley Sanitary District, Novato Sanitary

District, North Marin Water District, Sonoma Valley County Sanitation District, Sonoma County Water Agency, Napa Sanitation District, and Napa County.

(+) (m) “Phase^[C8] 2” shall mean the ~~remaining~~ projects defined in the in the Phase 2 EIR/EIS ~~Alternative 1 that are not included in Phase 1. Phase 2 shall also mean those potential projects described in the Final Report—Phase 2 Project Definition Scoping Study Report, prepared by CDM Smith.~~ It is understood that those projects may change through the completion of the Phase 2 EIR/EIS, a Final Phase 2 Scoping Study and will not be finalized until a full Feasibility Study is completed. Phase 2 participating Member Agencies include: ~~Las Gallinas Valley Sanitary District,~~ Novato Sanitary District, Sonoma Valley County Sanitation District, Sonoma County Water Agency, Napa Sanitation District, Marin Municipal Water District, ~~and~~ City of Petaluma, and City of American Canyon.

(+) (n) “Construction Project” shall mean a project described in either the Phase 1 EIR/EIS or the Phase 2 EIR/EIS ~~should one be completed.~~

(+) (o) “Phase 1 Costs^[C9]” shall mean those costs associated with engineering, ~~and~~ environmental analysis, portions of program development, federal advocacy, as well as other costs deemed necessary and approved by the Board, that are associated with the construction of projects described in “Phase 1”, above.

(+) (p) “Phase 2 Costs^[C10]” shall mean those costs associated with efforts to conduct ~~S~~scoping ~~S~~studies, ~~W~~workshops, ~~F~~feasibility ~~S~~studies, engineering, environmental analysis, specific administrative costs, portions of program development, federal advocacy, as well as other costs deemed necessary and approved by the Board, that are

~~associated with the design and construction of or obtaining federal funding for support of said studies for~~ projects as described in “Phase 2”, above.

(p)(q) “Joint Use Costs[C11]” shall mean those costs that are not easily differentiated between Phase 1 and Phase 2 since they benefit the entire program and not just a particular set of projects. These costs may include but not be limited to program management and program development costs; ~~costs of efforts to obtain federal funding; federal authorization and appropriations; state funding and legislation;~~ program technical support; outreach and community support; and administrative agency management and oversight in support of the program. Joint Use Costs are shared equally by all Phase 1 and Phase 2 Member Agencies.

2. **Purpose.** The purpose of NBWRA is to provide recycled water for agricultural, urban, and environmental uses thereby reducing reliance on local and imported surface water and groundwater supplies and reducing the amount of treated effluent released to San Pablo Bay and its tributaries.
3. **Objectives.** NBWRA projects will promote the expanded beneficial use of recycled water in the North Bay Region to:
 - (a) Offset urban and agricultural demands on surface water and groundwater supplies;
 - (b) Enhance local and regional ecosystems;
 - (c) Improve local and regional water supply reliability;
 - (d) Maintain and protect public health and safety;
 - (e) Promote sustainable practices;
 - (f) Give top priority to local needs for recycled water, and

(g) Implement recycled water facilities in an economically viable manner.

4. **Establishment of the NBWRA.** There is hereby established the North Bay Water Reuse Authority ("NBWRA"). The geographic boundaries of the NBWRA shall be the North Bay Region. (See **Exhibit A**). The NBWRA is an unincorporated association. By entering into this MOU, the parties do not intend to form a Joint Powers Authority pursuant to Government Code §6500 et seq.
5. **NBWRA Membership.** Any local and/or regional public agency regulated under the Clean Water Act, 33 U.S.C. § 1251 et seq., the federal Safe Drinking Water Act, 42 U.S.C. § 300f et seq., and/or the state Safe Drinking Water Act, Health & Safety Code § 116275 et seq., that operates within or has jurisdiction over any area within the North Bay Region may be a Member Agency or Associate Member of the NBWRA. Each Member Agency must be a signatory to this MOU.
6. **Governance.** NBWRA governance structure shall consist of a Board of Directors. The composition and responsibilities of the Board of Directors is detailed in Section 7.
7. **Board of Directors**
 - (a) Membership. The Board of Directors of the NBWRA shall consist of one voting representative from each Member Agency and may include one non-voting representative from each Associate Member. Such representative shall be a member of the governing board of the Member Agency or Associate Member. The Member Agency or Associate Member shall designate one representative and alternate(s) each of whom shall be members of the governing board of the Member Agency or Associate Member. In the event that a Member Agency's governing body representative and alternate(s) are

unavailable for a particular meeting, the Member Agency's representative on the Technical Advisory Committee may serve as an alternate.

- (b) Voting and Authorization Requirements. Each Member Agency representative on the Board of Directors shall have one vote. Except as set forth in subsections (i) and (iii) below and as otherwise specified herein, the affirmative vote of a majority of the voting members of the Board of Directors is required and is sufficient to approve any item.
- (i) An affirmative vote representing two-thirds of all Member Agencies shall be required to adopt or modify the budget. The budget may not be increased by more than fifteen percent (15%) annually, without the unanimous approval of the members of the Board of Directors representing all Member Agencies.
- (ii) Votes to approve the budget may not be unreasonably withheld.
- (iii) Approval by the governing bodies of two-thirds of all Member Agencies shall be required to modify this MOU.
- (c) Quorum. Representatives or alternates from a majority of the Member Agencies shall constitute a quorum for purposes of transacting business, except that less than a quorum may vote to adjourn a meeting or to set a date for the next meeting.
- (d) Open Meetings. The Board of Directors will comply with the Ralph M. Brown Act in conducting its meetings.
- (e) Adding Associate Members. Representatives of Associate Members may be added to the Board of Directors without modifying this MOU by a majority vote of the Board of Directors.

8. Technical Advisory Committee

(a) Purpose. The Board of Directors may create a Technical Advisory Committee as needed for the month-to-month management of budget, schedule, and scopes of work for the NBWRA. Typical duties of a Technical Advisory Committee include recommending contracting for a program manager; working through technical details of work scopes and products; authorizing the administrative agency to enter into, modify, or accept work under any contract that is consistent with the budget approved by the Board of Directors, and reviewing and recommending courses of action to the Board of Directors for their consideration. The Board of Directors may create or dissolve the Technical Advisory Committee at any time for any purpose, and may adopt a set of rules governing the Technical Advisory Committee as it determines necessary to achieve the purpose and objectives stated herein. ~~The Technical Advisory Committee may create subcommittees for specific purposes, including, but not limited to, budget and financial issues, and modification of the MOU~~^[C12].

(b) Membership. The Technical Advisory Committee shall consist of one representative, not from the governing body, from each Member Agency. Such representative shall be the general manager or a designated staff member of the Member Agency. In the event that the general manager or staff member is unavailable for a meeting, he or she may designate an alternate. Associate Members may appoint a non-voting representative to the Technical Advisory Committee.

(c) Voting and Authorization Requirements: Each Member Agency representative on the Technical Advisory Committee shall have one vote. An affirmative vote of a majority of

all voting members of the Technical Advisory Committee is required and sufficient to approve any item.

(d) Quorum. Representatives or alternates from a majority of the Member Agencies shall constitute a quorum for purposes of transacting business, except that less than a quorum may vote to adjourn a meeting or to set a date for the next meeting.

9. Terms of Office. Each representative on the Board of Directors shall serve for as long as he or she is a member of the governing board of his or her Member Agency and is designated by the Member Agency to act as its representative. If at any time a vacancy occurs on the Board of Directors, a replacement shall be appointed by the Member Agency to fill the unexpired term of the previous representative within ninety (90) days of the date that such position becomes vacant.

10. Alternates. Alternate representatives to the Board of Directors or its Technical Advisory Committee shall be empowered to cast votes in the absence of the regular representative or, in the event of a conflict of interest preventing the regular representative from voting, to vote because of such a conflict of interest.

11. Officers of the NBWRA. The Board of Directors of the NBWRA shall elect a Chair, a Vice-Chair and such other officers annually on the first meeting of the calendar year. The Chair and Vice-Chair shall be selected from among the Member Agency representatives. The Board of Directors may choose to adopt a policy that requires the rotation of the Chair, by Member Agency, on an annual basis. The duties of the Chair and Vice-Chair are as follows:

(a) Chair. The Chair shall direct the preparation of agendas, call meetings of the Board of Directors to order and conduct other activities as deemed appropriate by the Board of

Directors. Any member of the Board of Directors may place an item on the NBWRA agenda.

- (b) Vice-Chair. The Vice-Chair shall serve as the Chair in the absence of the regularly-elected Chair. In the event both the Chair and Vice-Chair are absent from a meeting which would otherwise constitute a quorum and a temporary Chair was not designated by the Chair at the last regular meeting, any voting Board member may call the meeting to order, and a temporary chair may be elected by majority vote to serve until the Chair or Vice-Chair is present.

12. Administrative Agency. The Member Agencies hereby designate the Sonoma County Water Agency to act as the Administrative Agency for the purpose of carrying out the provisions of this MOU. The authority delegated herein to the Administrative Agency shall be subject to the restrictions upon the manner of exercising power applicable to the Administrative Agency, including but not limited to the purchasing ordinances and purchasing procedures of the Administrative Agency. Within these limits, the Board of Directors may direct the Administrative Agency's actions with respect to this MOU. The Administrative Agency, for the benefit of the NBWRA Members, shall:

- (a) Award, execute in its own name, and administer such contracts on behalf of the NBWRA, as may be authorized as set forth in Sections 7 and 8.
- (b) Through its controller and treasurer, act as the financial officer or functional equivalent and be the depositor and have custody of all money of the NBWRA from whatever source. The Administrative Agency shall draw warrants to pay demands for expenditures authorized by the Board of Directors or by its authorized representative pursuant to any delegation of

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authority authorized by the Board of Directors. The Administrative Agency will strictly account for all NBWRA funds, and will hold the funds in trust in a segregated account.

- (c) Provide budget analyses, warrant lists and other financial documents as required by the Board of Directors. The Administrative Agency's financial activities with regards to the NBWRA shall be subject to an outside audit at any time at the request of the Board of Directors. As a matter of course, the Administrative Agency will provide a separate annual audit of NBWRA funds to the Board of Directors.
- (d) Determine charges to be made against the NBWRA for the Administrative Agency's services. Payment of these charges shall be subject to the approval of the Board of Directors.
- (e) Prepare the reports identified in Section 20 if the Board of Directors has not designated another party or person to complete that task.
- (f) Enter into contracts with values up to \$15,000 without the approval of the Board of Directors or the Technical Advisory Committee, if consistent with the budget approved by the Board of Directors.

The Administrative Agency may resign its position as Administrative Agency upon 120 days written notice to all Member Agencies, and shall, before the effective date of its resignation, transfer all funds held on behalf of the NBWRA to any designated successor Administrative Agency. The Board of Directors may designate a successor Administrative Agency by majority vote. Should no other party be designated to act as Administrative Agency by the effective date of the resignation, the MOU shall terminate and the Administrative Agency shall distribute all property held on behalf of the NBWRA pursuant to Section 23.

13. Staff and Consultants. Subject to the approval and procedural provisions of Sections 7 and 12, the Administrative Agency may employ or contract for any staff or consultants as may be reasonably necessary to carry out the purposes of this MOU. Such persons may include legal counsel, administrative executives and other types of specialists. If an employee from any Member Agency performs staff or consulting work for the NBWRA, the governing body of that Member Agency may determine the charges to be made against the NBWRA for the services of that employee. Payment of these charges by the Administrative Agency on behalf of the NBWRA shall be subject to the approval of the Board of Directors, which approval shall not be unreasonably withheld.

14. Sharing of Costs and Resources for Phase 1 Title XVI Program^{C13}.

~~(a) The Board of Directors may assess annual dues of \$5,000 for membership in the NBWRA for Associate Members. Dues shall be used to offset Joint Use Costs for the Member Agencies.~~

~~(b)~~^(a) The Board of Directors shall assess each Member Agency for costs associated with paying the Administrative Agency, staff or consultants and the funding of approved [Phase 1](#) projects, under agreements approved by the ~~Board of Directors, the~~ Technical Advisory Committee pursuant to Section 8, or the Administrative Agency as provided in Section 12, or as authorized by the budget adopted by the Board of Directors as set forth in Section 7. Further, legal liabilities may arise out of actions of the Member Agencies (including the Administrative Agency) taken pursuant to this MOU. The activities of the NBWRA are part of a regional program that provides benefit to all agencies. Therefore, as described more particularly below, all Member Agencies that participate in Phase 1 construction

projects shall pay a portion of ongoing Phase 1 costs equally and the remaining Phase 1 costs shall be based on approved project costs for Phase 1 of Alternative 1, as described in the certified [Phase 1](#) EIR/EIS or as amended pursuant to Sections 14(~~de~~) and 16. The costs and liabilities will be allocated among each of the [Phase 1](#) Member Agencies as follows:

- (i) one quarter (25%) of costs and liabilities shall be allocated equally among each of the Member Agencies; and
- (ii) three quarters (75%) of costs and liabilities shall be allocated among Member Agencies in proportion to the benefit to each Member Agency of participating in the NBWRA, in the form of federal funding that is described in applications for federal funding that have been submitted to the USBR as of April 15, 2010 or as modified pursuant to Sections 14 (e) and 16 herein. The Sonoma County Water Agency shall pay its pro-rata share of the quarter of costs allocated under subsection (i) above, but shall not pay any costs allocated under subsection (ii), as it does not have any individual projects to be funded.

(~~be~~) The parties hereto agree that the criteria set forth in subsection (b)(ii) produce the allocations listed in **Exhibit B**, attached hereto, and incorporated by reference. The parties agree that **Exhibit B** may be modified pursuant to Sections 14 (e) and 16.

(~~ce~~) Member Agencies were afforded the opportunity to receive reimbursement for previously allocated Phase 1 Costs and liabilities that were not based on benefits received during the period from the end of Fiscal Year 2010-2011 back to Fiscal Year 2005-2006 (the "Reimbursement Period"). Reimbursements were equal to (i) the actual costs paid by a Member Agency during the Reimbursement Period minus (ii) the amount of costs that

were allocated to that Member Agency during the Reimbursement Period if the percentages defined in **Exhibit B** had been in effect. The ~~final~~first determination of costs and reimbursements subject to this subsection (d) was approved by a majority of the Board of Directors on May 21, 2012. ~~No further or subsequent reimbursement for Phase 1 Costs as described in this section shall be contemplated.~~ The second determination of costs and reimbursements subject to this subsection (d) was approved by a majority of the Board of Directors on May 27, 2017. It is anticipated that a final determination of costs and reimbursements subject to this subsection (d) will be considered at full completion of Phase 1 and after USBR has made all payments for Phase 1 projects.

(de) Two or more Member Agencies can agree to reallocate project costs for Phase 1 among themselves, as long as the combined total for those agencies before and after reallocation are the same as the combined total for those agencies in the project schedule, subject to the approval of the Board of Directors. Such approval shall not be unreasonably withheld.

(ef)(1) In the case of non-contractual liabilities arising out of the activities of the parties under this MOU, the Member Agencies specifically repudiate the division of liability outlined in Government Code sections 895.2 *et seq.* and instead agree to share liability based on the relative fault of the parties.

(2) Notwithstanding the foregoing paragraph, each Member Agency agrees that it is solely responsible for, and agrees to indemnify and defend the other Member Agencies from and against, any claims, liabilities, or losses relating to or arising out of the design, construction, inspection, operation, or maintenance of its separate project. Each Member

Agency agrees that nothing in this MOU shall create, impose, or give rise to any liability, obligation, or duty of the Member Agency to the other Member Agencies or to any third party with respect to the manner in which the Member Agency designs, constructs, inspects, operates, or maintains its separate project.

(fg) A separate agreement between the Administrative Agency and the Member Agencies has been developed based on the requirements of the American Recovery and Reinvestment Act and Title XVI. ~~A similar agreement may be established for Phase 2.~~

(gh) ~~For those agencies choosing to participate in Phase 2 as defined herein, they shall share equally in all Phase 2 Costs as defined herein. Should member agencies choose to construct projects as part of Phase 2, there will be an opportunity to receive reimbursement for previously allocated costs and liabilities that were not based on benefits received. Said reimbursement shall be calculated in a manner similar to that described in Paragraph (d), above. Expenses for Phase 2 Scoping Studies shall not be eligible for reimbursement.~~

(i) All Phase 1 Member Agencies shall pay an equal share of Joint Use Costs as defined herein.

(ii) If a Member Agency that chooses to opt out of Phase 2/other non-Phase 1 tasks then later decides to participate, it will be subject to a buy-in fee approved by the Board of Directors. Said fee may include applicable costs plus interest from the inception of Phase 2/other non-Phase 1 tasks until such time that they decide to participate. Costs shall be based on the approved annual budget. Interest shall be based on the annual change in the

Consumer Price Index - All Urban Consumers for San Francisco-Oakland-San Jose as determined by the Bureau of Labor Statistics, United States Department of Labor.

15. Distribution of Phase 1 Funds Received^[C14].

- (a) Distribution of funds received from USBR for Phase 1 projects shall be based on the Phase 1 project schedule as described in applications for federal funding submitted to USBR as of ~~April 15, 2010~~December 10, 2015 or as modified pursuant to Sections 14 (de) and ~~16~~18, herein. Those percentages are based on the \$25,000,000 federal funding authorization for projects totaling \$100,000,000 and are detailed in **Exhibit C**, attached hereto, and incorporated by reference. The parties agree that **Exhibit C** may be modified pursuant to Sections 14 (de) and 16. Once a Member Agency has received federal funds for a Phase 1 project, that Member Agency is required to remain a participant in the NBWRA and a signatory to this MOU throughout the term of this MOU as described in Section 22. Should State funding become available to the NBWRA, its distribution shall also be as described in this Section. It is acknowledged that the Member Agencies may receive State funding from programs on an individual basis, and (i) this Section shall not apply to such individual State funding and (ii) the allocations set forth in this Section shall not be affected by the receipt of any State funding.
- (b) Should NBWRA be designated to receive federal funds for Phase 2/other non-Phase 1 tasks, this MOU will be modified accordingly.

16. Sharing of Costs and Resources for Phase 2^[C15].

- (a) The Board of Directors shall assess each Member Agency for costs associated with paying the Administrative Agency, staff or consultants and the funding of

approved Phase 2 projects, under agreements approved by the Board of Directors, the Technical Advisory Committee pursuant to Section 8, or the Administrative Agency as provided in Section 12, or as authorized by the budget adopted by the Board of Directors as set forth in Section 7. Further, legal liabilities may arise out of actions of the Member Agencies (including the Administrative Agency) taken pursuant to this MOU. The activities of the NBWRA are part of a regional program that provides benefit to all agencies. Therefore, as described more particularly below, all Member Agencies that participate in Phase 2 construction projects shall pay ongoing Phase 2 costs as described herein, or as amended pursuant to Sections 16(c) and 18. The costs and liabilities will be allocated among each of the Phase 2 Member Agencies as follows:

- (i) Feasibility Study Engineering Costs are allocated based on each agency's percentage of Phase 2 projects studied at the feasibility level, which is calculated by dividing the number of ~~their~~ each agency's Phase2 projects studied at the feasibility level by ~~out of the total~~ number of Phase 2 projects studied at ~~studied at the feasibility level~~;
and
- (ii) Environmental (EIR/EIS) and Financial Capability Analysis costs are allocated based on each agency's percentage of the total project costs in the Final Phase 2 EIR/EIS ~~for Phase 2~~; which is calculated by dividing the total costs of each agency's projects included in the Final

Phase 2 EIR/EIS by the total cost of all projects included in the Final

Phase 2 EIR/EIS; and

(iii) Phase 2 Program Administrative Costs are shared equally by all participating Phase 2 Member Agencies. These costs include Feasibility Study meetings, public involvement, grant administration; Program Administration from the Administrative Agency. Joint Use costs are shared equally by all Phase 1 and Phase 2 Member Agencies.

(b) The parties hereto agree that the criteria set forth in subsection (a)(i), (a)(ii), and (a)(iii) produce the allocations listed in **Exhibit D**, attached hereto, and incorporated by reference. The parties agree that **Exhibit D** may be modified pursuant to Sections 16 (c) and 18.

(c) Two or more Member Agencies can agree to reallocate project costs for Phase 2 among themselves, as long as the combined total for those agencies before and after reallocation are the same as the combined total for those agencies in the project schedule, subject to the approval of the Board of Directors. Such approval shall not be unreasonably withheld. If this occurs, Phase 2 Member Agencies agree to reallocate shared costs as described herein, based on the benefits received.

(d) (1) In the case of non-contractual liabilities arising out of the Phase 2 activities of the parties under this MOU, the Member Agencies specifically repudiate the division of liability outlined in Government Code sections 895.2 *et seq.* and instead agree to share liability based on the relative fault of the parties.

(2) Notwithstanding the foregoing paragraph, each Phase 2 Member Agency agrees that it is solely responsible for, and agrees to indemnify and defend the other Member Agencies from and against, any claims, liabilities, or losses relating to or arising out of the design, construction, inspection, operation, or maintenance of its separate project. Each Phase 2 Member Agency agrees that nothing in this MOU shall create, impose, or give rise to any liability, obligation, or duty of the Member Agency to the other Member Agencies or to any third party with respect to the manner in which the Member Agency designs, constructs, inspects, operates, or maintains its separate project.

(e) For those agencies choosing to participate in Phase 2 as defined herein, they shall share in all Phase 2 Costs as defined herein.

(i) If a Member Agency that chooses to opt out of Phase 2 tasks then later decides to participate, it will be subject to a buy-in fee approved by the Board of Directors. Said fee may include applicable costs plus interest from the inception of Phase 2 tasks until such time that they decide to participate. Costs shall be based on the approved annual budget. Interest shall be based on the annual change in the Consumer Price Index - All Urban Consumers for San Francisco-Oakland-San Jose as determined by the Bureau of Labor Statistics, United States Department of Labor.

17. Distribution of Phase 2 Funds Received^[C16].

(a) Distribution of funds received from USBR for Phase 2 projects shall be based on the Phase 2 project schedule as described in applications for federal funding submitted to USBR or as modified pursuant to Sections 16 (c) and 18, herein. Those percentages are based on the \$18,900,000 federal funding authorization for projects totaling \$75,600,000 and are

detailed in **Exhibit E**, attached hereto, and incorporated by reference. The parties agree that **Exhibit E** may be modified pursuant to Sections 16 (c) and 18. Once a Member Agency has received federal funds for a project, that Member Agency is required to remain a participant in the NBWRA and a signatory to this MOU throughout the term of this MOU as described in Section 24. Should State funding become available to the NBWRA, its distribution shall also be as described in this Section. It is acknowledged that the Member Agencies may receive State funding from programs on an individual basis, and (i) this Section shall not apply to such individual State funding and (ii) the allocations set forth in this Section shall not be affected by the receipt of any State funding.

(b) Cost allocations as described in **Exhibits D** and **E** may be revised upon the addition of additional Member Agencies, subject to the approval of a majority of the existing Member Agencies at that time. By virtue of becoming a signatory agency to this MOU pursuant to this Section ~~18~~17, a new Member Agency is subject to all provisions of this MOU, including Section ~~19~~18 below.

168. Initiation of Membership^[C17]. If an eligible agency as defined in Section 5 requests to join the NBWRA as a new Member Agency, the Board of Directors shall establish a membership initiation fee to such agency as a condition of joining the NBWRA. For the purposes of this revision of the MOU, the new Member Agencies shall include Marin Municipal Water District, ~~and~~ City of Petaluma, and City of American Canyon. The purpose of the initiation fee is to allow the Phase 1 Member Agencies to recover a portion of their investment costs in obtaining federal authorization for construction projects. The initiation fee

for each new member agency shall be equal to 0.6% of the new Member Agency project costs as determined upon completion of the Phase 2 Scoping Study. The initiation fee shall be paid in a ~~two step process. Step one shall be a payment of \$25,000 by June 30, 2013. Step two shall be a payment of the remaining initiation fee by June 30, 2014.~~manner approved by the Board of Directors The collected initiation fees shall be distributed to the Phase 1 participating agencies according to the percentages specified in **Exhibit B**.

~~Cost allocations as described in Exhibits B and C may be revised upon the addition of additional Member Agencies, subject to the approval of a majority of the existing Member Agencies at that time.~~ By virtue of becoming a signatory agency to this MOU pursuant to this Section ~~168~~, a new Member Agency is subject to all provisions of this MOU, including Section ~~179~~ below.

197. Termination of Membership. Member Agencies that participate in Phase 1 and have received federal monies for Phase 1 construction projects may not terminate their membership in the NBWRA before the completion of all Phase 1 construction projects or before the termination of this MOU as defined herein, whichever comes first. Member Agencies that participate in Phase 2 and have received federal monies for Phase 2 construction projects may not terminate their membership in the NBWRA before the completion of all Phase 2 construction projects or before the termination of this MOU as defined herein, whichever comes first. Phase 2 participants may voluntarily withdraw from the NBWRA prior to the receipt of federal monies for Phase 2 construction projects.

- (a) Notwithstanding the above a Member Agency may petition the Board in writing for withdrawal from the NBWRA and may withdraw with the approval of two-thirds of the members of the Board of Directors representing Member Agencies.
- (b) Effect of Termination. All rights of a Member Agency under this MOU shall cease on the termination of such Member Agency's membership. Termination shall not relieve the Member Agency from any obligation for charges, costs or liabilities incurred or arising from acts or omissions before the date of termination. The terminating Member Agency's responsibility for such charges, costs or liabilities shall be determined in a manner consistent with the allocations set forth in Section 14. Likewise, termination shall not preclude the Member Agency from any benefits that fully accrue before the date of termination. However, a resigned or terminated agency has no right to receive a portion of surplus funds at the termination of the NBWRA.

20. Procedures. The Board of Directors may adopt bylaws, rules of conduct for meetings and operating procedures for the NBWRA. To facilitate such efforts, the NBWRA may adopt the administrative procedures and policies of a Member Agency.

21. Meetings. The Board of Directors and the Technical Advisory Committee shall provide for meetings, as necessary.

22. Reports to Member Agencies. Each year the NBWRA shall submit a written report to the governing body of each of the Member Agencies. This report shall describe the financial activities of the NBWRA during the preceding year.

23. Offices. For the purposes of forming the NBWRA and for initial operation, the principal office of the NBWRA shall be located at the Administrative Agency. The Board of Directors may change

said principal office from one location to another after providing thirty (30) days notice of such a change. The Chair shall notify each Member Agency in writing of the change.

24. Term. This MOU shall terminate five years from its effective date, unless extended by some or all of the parties. This MOU shall also be terminated if the Administrative Agency has resigned pursuant to Section 12 and no other Member Agency has been designated to act as the Administrative Agency prior to the effective date of the resignation.

25. Disposition of Property and Surplus Funds. At the termination of this MOU, any and all property, funds, assets, and interests therein held by the Administrative Agency on behalf of the NBWRA shall become the property of and be distributed to the then-Member Agencies. Money collected from Member Agencies and held in reserve by the Administrative Agency for payment of the costs of programs shall be allocated among Member Agencies in proportion to each Member Agency's contributions to such reserves. All other property, funds, assets, and interests shall be distributed by the Administrative Agency to Member Agencies in proportion to each Member Agency's contributions to the NBWRA for dues and allocated costs. However, liabilities of the NBWRA in excess of those assets held by the Administrative Agency on behalf of the NBWRA at the time of termination shall be assessed against the Member Agencies and said Member Agencies shall be responsible for such liabilities. The allocation of responsibility for the payment of such liabilities shall be determined in a manner consistent with the provisions of Section 14.

26. Minutes. A secretary or clerk shall be appointed by the Board of Directors. The secretary or clerk shall cause to be kept minutes of all meetings of the Board of Directors and the

Technical Advisory Committee, and shall cause a copy of the minutes to be forwarded to each Member Agency.

27. Effective Date. This revision to the MOU shall become effective when two-thirds of the Member Agencies listed in Exhibit B have authorized its execution.

28. Counterparts. This revision to the MOU may be executed in counterpart and each of these executed counterparts shall have the same force and effect as an original instrument and as if all of the parties to the aggregate counterparts had signed the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as set forth below.

Sonoma County Water Agency

Napa Sanitation District

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Sonoma Valley County Sanitation District

Novato Sanitary District

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

|

Date: _____

Date: _____

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as set forth below.

Las Gallinas Valley Sanitary District

North Marin Water District

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

County of Napa

By: _____

Print Name: _____

Title: _____

Date: _____

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as set forth below.

Marin Municipal Water District

City of Petaluma

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

City^[C18] of American Canyon

By: _____

Print Name: _____

Title: _____

Date: _____

Exhibit A_[C19]



Exhibit B_[C20]

Percentages for Ongoing Phase 1 NBWRA Costs

Agency	25% Split Equally	Federal Authorization, Phase 1	Percentage of Remaining 75%	Total of Percentages
Las Gallinas Valley Sanitary District	3.57%	\$1,222,473 <u>2,225,876</u>	3.67 <u>6.68</u> %	7.24 <u>10.25</u> %
Novato Sanitary District	3.57%	\$1,679,893 <u>898,888</u>	5.04 <u>7.0</u> %	8.61 <u>9.27</u> %
North Marin Water District	3.57%	\$4,689,504 <u>5,933,499</u>	14.07 <u>17.80</u> %	17.64 <u>21.37</u> %
Sonoma Valley County Sanitation District	3.57%	\$7,967,134 <u>4,583,250</u>	23.90 <u>13.75</u> %	27.47 <u>17.32</u> %
Sonoma County Water Agency	3.57%	\$0.00	0.00%	3.57%
Napa Sanitation District	3.57%	\$9,440,996 <u>10,358,487</u>	28.32 <u>31.08</u> %	31.89 <u>34.65</u> %
Napa County	3.57%	\$0.00	0.00%	3.57%
Marin Municipal Water District	0.00%	\$0.00	0.00%	0.00%
City of Petaluma	0.00%	\$0.00	0.00%	0.00%
TOTALS	25.00%	\$25,000,000	75.00%	100.00%

Notes:

- Percentages may be revised pursuant to the provisions of this MOU ~~based on adding additional signatory members, or~~ revisions to the projects in Phase 1, ~~or continuation beyond Phase 1,~~ subject to the approval of the parties.
- The above schedule only includes costs and percentages related to Phase 1. ~~Should member agencies choose to implement Phase 2 projects this schedule will be modified or a new schedule will be developed to detail cost sharing for Phase 2.~~

Exhibit C_[C21]

Percentages for Distribution of Phase 1 Federal Funds Received

Agency	Federal Authorization, Phase 1	Percentage
Las Gallinas Valley Sanitary District	\$ <u>1,222,473</u> <u>2,225,876</u>	<u>4.898.90</u> %
Novato Sanitary District	\$ <u>1,689,893</u> <u>898,888</u>	<u>6.727.60</u> %
North Marin Water District	\$ <u>4,689,504</u> <u>5,933,499</u>	<u>18.7623.73</u> %
Sonoma Valley County Sanitation District	\$ <u>7,967,134</u> <u>4,583,250</u>	<u>31.8718.33</u> %
Sonoma County Water Agency	\$0.00	0.00%
Napa Sanitation District	\$ <u>9,440,996</u> <u>10,358,487</u>	<u>37.7641.43</u> %
Napa County	\$0.00	0.00%
Marin Municipal Water District	\$0.00	0.00%
City of Petaluma	\$0.00	0.00%
TOTALS	\$25,000,000	100.00%

Notes:

1. Percentages may be revised pursuant to the provisions of this MOU based on ~~adding additional signatory members,~~ revisions to the projects in Phase 1, ~~or continuation beyond Phase 1,~~ subject to the approval of the parties.
2. The above schedule only includes costs and percentages related to Phase 1. ~~Should member agencies choose to implement Phase 2 projects this schedule will be modified or a new schedule will be developed to detail cost sharing for Phase 2.~~

Exhibit D_[C22]

Percentages for Ongoing Phase 2 NBWRA Costs

<u>Agency</u>	<u>% Phase 2 Support (yrs 1-2 / yr 3)</u>	<u>% Phase 2 Feasibility Study (yrs 1-2 / yr 3)</u>	<u>% Phase 2 Administrative Costs (yrs 1-2 / yr 3)</u>	<u>% of Total Cost</u>
<u>Novato Sanitary District</u>	<u>20.00 / 14.29</u>	<u>20.69 / 13.04</u>	<u>12.50 / 10.00</u>	<u>15.13</u>
<u>Sonoma Valley County Sanitation District</u>	<u>20.00 / 14.29</u>	<u>13.80 / 8.95</u>	<u>12.50 / 10.00</u>	<u>13.62</u>
<u>Sonoma County Water Agency</u>	<u>20.00 / 14.29</u>	<u>12.08 / 10.61</u>	<u>12.50 / 10.00</u>	<u>11.27</u>
<u>Napa Sanitation District</u>	<u>20.00 / 14.29</u>	<u>25.85 / 14.33</u>	<u>12.50 / 10.00</u>	<u>19.48</u>
<u>Marin Municipal Water District</u>	<u>0.00 / 14.29</u>	<u>1.72 / 10.15</u>	<u>0.00 / 10.00</u>	<u>5.22</u>
<u>City of Petaluma</u>	<u>20/00 / 14.29</u>	<u>20.69 / 29.00</u>	<u>12.50 / 10.00</u>	<u>20.18</u>
<u>City of American Canyon</u>	<u>0.00 / 14.29</u>	<u>5.16 / 13.92</u>	<u>0.00 / 10.00</u>	<u>7.60</u>

Notes:

1. Percentages may be revised pursuant to the provisions of this MOU based on adding additional signatory members, revisions to the projects in Phase 2, or continuation beyond Phase 2, subject to the approval of the parties.
2. The above schedule only includes costs and percentages related to Phase 2.
3. Totals for % Phase 2 Administrative Costs and % Total Cost are less than 100% since joint use costs are shared by Phase 1 Member Agencies.

Exhibit E_[C23]

**Percentages for Distribution of Phase 2 Federal Funds
Received**

<u>Agency</u>	<u>Federal Authorization, Phase 2</u>	<u>Percentage</u>
<u>Novato Sanitary District</u>	<u>\$6,300,000</u>	<u>8.33</u>
<u>Sonoma Valley County Sanitation District</u>	<u>\$3,600,000</u>	<u>4.76</u>
<u>Sonoma County Water Agency</u>	<u>\$7,600,000</u>	<u>10.05</u>
<u>Napa Sanitation District</u>	<u>\$5,100,000</u>	<u>6.75</u>
<u>Marin Municipal Water District</u>	<u>\$7,800,000</u>	<u>10.32</u>
<u>City of Petaluma</u>	<u>\$33,200,000</u>	<u>43.92</u>
<u>City of American Canyon</u>	<u>\$12,000,000</u>	<u>15.87</u>
<u>TOTALS</u>	<u>\$75,600,000</u>	<u>100.00%</u>

Notes:

1. Percentages may be revised pursuant to the provisions of this MOU based on adding additional signatory members, revisions to the projects in Phase 2, or continuation beyond Phase 2, subject to the approval of the parties.
2. The above schedule only includes costs and percentages related to Phase 2.

NOVATO SANITARY DISTRICT

BOARD AGENDA ITEM SUMMARY

TITLE: Board of Directors: Secretary/Treasurer, Secretary Pro-tem, and check signers, Fiscal Year (FY) 2017-18.	MEETING DATE: June 12, 2017 AGENDA ITEM NO.: 12.a.
RECOMMENDED ACTION: Elect/appoint officers, and designate and authorize check signers, FY17-18.	
SUMMARY AND DISCUSSION: <p><u>Election of Officers:</u> The District Board traditionally elects members to serve as President and President Pro-Tem in June. Typically, these officers serve two consecutive terms, with ratification for the second term. Information on Board Officers for prior years is provided in Attachment 1 - List of Board Officers and Authorized Check Signers.</p> <p>Traditionally, the Board elects a President and President Pro-tem for two, one-year terms. The Board elected Jerry Peters as president for FY16-17 and Carole Dillon-Knutson as President Pro-tem. If the Board follows its traditional practice, it would retain the same President and President Pro-tem into FY17-18.</p> <p><u>Secretary/Treasurer and Secretary Pro-tem:</u> The Board appoints the Secretary-Treasurer and the Secretary Pro-tem annually. Currently, the General Manager-Chief Engineer serves as the Secretary-Treasurer, and the Administrative Secretary that normally attends Board meetings serves as the Secretary Pro-tem. It is recommended that the Board re-appoint Sandeep Karkal as Secretary-Treasurer and Julie Hoover as Secretary Pro-tem for FY17-18.</p> <p><u>Check Signers:</u> Information on authorized check signers for prior years is also in Attachment 1. The authorized signers are typically the Board President, President Pro-tem, another Board member, and the General Manager. It is recommended that this practice be maintained.</p>	
ATTACHMENTS: 1. List of Board Officers and Check Signers FY08-09 to FY16-17.	
STRATEGIC PLAN INFORMATION: This item addresses Goal 5 (Effective Governance and Administration) of the latest Strategic Plan Update.	
DEPT. MGR.: ssk	GENERAL MANAGER: SSK

**NOVATO SANITARY DISTRICT
LIST OF BOARD OFFICERS
AND CHECK SIGNERS**

FY2008-09 TO FY2016-17

- 1. OFFICERS, 2016-17:**
President: Jerry Peters
President Pro-Tem: Carole Dillon-Knutson
Secretary/Treasurer: Sandeep Karkal
Secretary Pro-Tem: Julie Swoboda
Check Signers: Jean Mariani, Jerry Peters,
Carol Dillon-Knutson, Sandeep Karkal
- 2. OFFICERS, 2015-16:**
President: Jean Mariani
President Pro-Tem: Jerry Peters
Secretary/Treasurer: Sandeep Karkal
Secretary Pro-Tem: Julie Swoboda
Check Signers: Jean Mariani, Brant Miller, Jerry Peters
Sandeep Karkal
- 3. OFFICERS, 2014-15:**
President: Jean Mariani
President Pro-Tem: Jerry Peters
Secretary/Treasurer: Sandeep Karkal
Secretary Pro-Tem: Julie Swoboda
Check Signers: Jean Mariani, Brant Miller, Jerry Peters
Sandeep Karkal
- 4. OFFICERS, 2013-14:**
President: Michael Di Giorgio
President Pro-Tem: Jean Mariani
Secretary/Treasurer: Sandeep Karkal – effective April 1, 2014
Secretary Pro-Tem: Julie Swoboda
Check Signers: Michael Di Giorgio, Jean Mariani,
Brant Miller, Beverly B. James,
Sandeep Karkal
- 5. OFFICERS, 2012-13:**
President: Michael Di Giorgio
President Pro-Tem: Jean Mariani
Secretary/Treasurer: Beverly B. James
Secretary Pro-Tem: Julie Swoboda
Check Signers: Michael Di Giorgio, Jean Mariani,
Dennis Welsh, Beverly B. James,
Sandeep Karkal
- 6. OFFICERS, 2011-12:**
President: William C. Long
President Pro-Tem: Michael Di Giorgio
Secretary/Treasurer: Beverly B. James
Secretary Pro-Tem: Julie Borda
Check Signers: Michael Di Giorgio, William C. Long,
Dennis Welsh, Beverly B. James,
June Penn Brown

7. OFFICERS, 2010-11:

President: William C. Long
President Pro-Tem: James D. Fritz/ Michael Di Giorgio
Secretary/Treasurer: Beverly B. James
Secretary Pro-Tem: Julie Borda
Check Signers: Michael Di Giorgio, William C. Long,
James D. Fritz, Beverly B. James,
June Penn Brown

8. OFFICERS, 2009-10:

President: Michael Di Giorgio
President Pro-Tem: William C. Long
Secretary/Treasurer: Beverly B. James
Secretary Pro-Tem: June Penn Brown
Check Signers: Michael Di Giorgio, William C. Long,
James D. Fritz, Beverly B. James,
June Penn Brown

9. OFFICERS, 2008-09:

President: Michael Di Giorgio
President Pro-Tem: William C. Long
Secretary/Treasurer: Beverly B. James
Secretary Pro-Tem: June Penn Brown
Check Signers: Michael Di Giorgio, William C. Long,
James D. Fritz, Beverly B. James,
June Penn Brown

From: Kristina Surfus <KSurfus@nacwa.mmsend.com> on behalf of Kristina Surfus <KSurfus@nacwa.org>
Sent: Thursday, May 25, 2017 9:17 AM
To: Sandeep Karkal
Subject: President's FY18 Budget Proposal for Clean Water

Dear Sandeep:

On Tuesday, the Trump Administration released its full Fiscal Year 2018 (FY18) Budget Proposal. The FY18 Proposal aligns closely with preliminary FY18 Budget outline released in March and calls for significant cuts to a large number of discretionary non-defense agencies and programs. NACWA is working to analyze the full proposal and will include additional information in next week's Current. But, I wanted to share with you NACWA's initial thoughts on the proposal and its impacts on the municipal clean water community.

The largest proposed cuts are to the U.S. Environmental Protection Agency (EPA), which would see a 31% cut in funding and 20% cut in staffing. But despite these cuts, the Clean Water and Drinking Water State Revolving Funds (SRFs) received sustained funding in FY18 (including a \$4M increase to the CWSRF relative to FY17). To put that in context, the SRFs capitalization grants constitute a full 40% of the EPA's Proposed Budget. The WIFIA program would receive another \$20M.

The continued support for the SRFs and WIFIA in a tight budget bodes well that the Administration is seeing the value these programs provide. This success demonstrates that advocacy works – your message is being heard. A special thanks to all our Members who have worked to engage political leaders and share the successes and continued challenges you face. This advocacy will clearly continue to be crucial moving forward.

Another rare increase within the President's budget is proposed for the Office of Information & Regulatory Affairs (OIRA). This relatively small office would receive a 10% funding boost, to \$11M in FY18. OIRA serves as the EPA's regulatory gatekeeper, reviewing major federal actions. OIRA staff would likely play a major role in advancing regulatory improvement ideas that NACWA has already [shared](#) with the Administration.

Beyond those increases, most programs saw large proposed cuts or outright elimination, including many that impact clean water agencies. These include:

- EPA's Geographic Programs, such as the Great Lakes Restoration Initiative, Puget Sound, and Chesapeake Bay Program, are zeroed out (from \$473M in FY17)
- EPA's CWA §319 Nonpoint Grants are zeroed out (from \$165M in FY17)
- EPA's Critical Infrastructure Protection Program is zeroed out (providing cybersecurity assistance for utilities - loss of \$11M from FY17)
- EPA's CWA §106 Grants to States are reduced 30% (loss of \$80M from FY17)
- EPA's Research Budget is reduced 50% (loss of \$235M from FY17)
- EPA Enforcement Budget is reduced 20% (loss of \$129M from FY17)

Outside of EPA, other programs that impact the clean water sector also saw major proposed changes including:

- USDA's Rural Water & Wastewater Program is zeroed out (loss of \$498M from FY17)
- USDA's Regional Conservation Partnership Program, proposed for elimination after FY18.

Each of these programs are important to NACWA members. The proposed cuts, particularly to USDA's Rural Wastewater program, would increase demand on the SRFs which is proposed for level—not proportionately increased—funding. Other cuts would only exasperate the challenge that POTWs face over largely unfunded Clean Water Act mandates. The cuts would also increase strain on state programs and reduce opportunities for strategic watershed collaboration. EPA's staffing reductions may also have the unintended effect of creating programmatic delays and creating new uncertainties for the regulated community as institutional knowledge is lost.

The FY18 Budget does provide more – very limited – detail regarding the Infrastructure Investment Initiative that is a priority for the Trump Administration. The Initiative would be jumpstarted with \$5B in additional spending in FY18, toward a goal of a total of \$210B in additional infrastructure spending over the next decade. The Infrastructure Initiative summary does not clarify which types of infrastructure or what specific programs these additional dollars would funnel through, but WIFIA was included along with several other programs as examples of good programs leveraging private investment. The summary reiterates a focus on leveraging non-federal dollars, encouraging 'self-help' by States and localities, and targeting federal investments toward high-value national projects.

It is encouraging that water funding (WIFIA) was noted, and also encouraging that the SRFs and WIFIA were maintained in the budget – which suggests the Administration sees their value and may look to them as mechanisms for advancing additional infrastructure investment. NACWA and many other associations were hopeful that additional details would be provided, and in their absence, we will continue aggressively advocating for clean water as a significant portion of any infrastructure proposal.

Similarly, NACWA will be working with other partners in the water sector to oppose the harmful funding reductions proposed for FY18. Our attention for FY18 now shifts to Congress, which has the ultimate responsibility to craft and bring forward a final spending package for the President's approval. Typically, the President's Budget is considered a guidance document for Congressional negotiations, but already we are seeing strong pushback from Congressional Republicans – not to mention Democrats – for many of the President's proposed funding cuts. Other variables including potential tax reform and health care repeal will also factor into negotiations in unpredictable ways. In theory, Congress will stay on schedule and have the FY18 budget and appropriations process completed by Sept.30th, but it already seems likely that deadline will not be met and that we'll see another continuing resolution emerge in September.

NACWA will be busy over the coming months ensuring Congress understands and supports the federal role in helping fund and finance clean water. We encourage you to weigh in with your Members of Congress on the proposed budget and make clear what funding issues are of most importance to your utility and local community. Stay tuned over the summer and please do not hesitate to contact me anytime to discuss.

Best,
Kristina

Kristina Surfus
Director, Legislative Affairs
National Association of Clean Water Agencies
ksurfus@nacwa.org
D: 202-833-4655

National Association of Clean Water Agencies
1816 Jefferson Place, NW, Washington, DC 20036, (202) 833-2672
www.nacwa.org

http://www.marinscope.com/novato_advance/obituaries/in-loving-memory-j-dietrich-stroeh/article_68c75d64-4c88-11e7-ab96-a363aac5cc9f.html

In Loving Memory: J. Dietrich Stroeh

October 22, 1936 - May 31, 2017

19 hrs ago



J. Dietrich Stroeh

J. Dietrich Stroeh, age 80, passed away peacefully in his sleep on May 31, 2017. He was born on October 22, 1936, in Pasadena, California, and moved to Novato when he was 4 years old. He was a first generation American, son of immigrants, Tyyne Laaperi from Finland, and Otto Stroeh from Germany.

Dietrich went to the old Grant Elementary School, then on to Marion, where his three daughters attended later. He then graduated from San Rafael HS, College of Marin, and earned an engineering degree from the University of Nevada, Reno. Post university, he was in the US Air Force Reserves based at Hamilton Field.

An engineer by trade, Dietrich was also a beloved civic leader. From 1974 to 1980 he was the General Manager of the Marin Municipal Water District. He was instrumental in solving Northern California's water crisis by putting a pipeline across the Richmond/San Rafael Bridge. A book entitled, "The Man Who Made it Rain", described his experience with California's drought of 1976 and the leadership he provided during that time. Dietrich co-founded, with his dear friend John Stuber, Stuber-Stroeh Engineering Group, later merging with CSW. He ran this business from 1980 until this last Spring with the help of their third partner, Al Cornwell.



Dietrich touched many people's lives through his work in the North Bay community. As a community builder and leader, he had a strong and influential voice, while also being a man of action. He was involved in numerous organizations most notably, the Golden Gate Bridge Board (President), the Fire Protection Board, the Novato Chamber of Commerce,

the Conservation Corps North Bay, the North Coast Railroad Authority, the Novato Community Garden, the California Earthquake Authority, and the Downtown Novato Theater.

He was an avid reader, gardener, woodworker, and world traveler. His other passions included antique cars, the SF 49ers, The Minions, Judge Judy, classic films, and the oreo cookies in the trunk of his car that his wife forbade him to eat. He was as comfortable in a three piece suit as he was in his flannel shirt and holey jeans.

Registered as a Republican, but a true progressive at heart, Dietrich always found a way to pull all sides together, to create something of substance for the common good. He did this through humor, common sense, and perseverance. He never gave up.

Dietrich Stroeh was beautifully imperfect. A real man.

He was preceded in death by his parents, Tyne and Otto Stroeh, his sisters, Martha Wells and Karen Galway, and his second wife, Margaret Bormann Stroeh. He is survived by his wife, Dawna Gallagher-Stroeh, his three daughters, Christina, (Brody) Stroeh, Jody (Mark) Hunter, Erica (Frankie) Antonio, his step-children, David and Dona Brown, and his first wife, Marcia McGillis. He is also survived by his six grandchildren, Tanner, Alex, Ben, Jaxon, Nate, and Landon, step-granddaughter Megan Brown, and his five nieces and nephews. He will be greatly missed by his four cats, Max, Champagne, Boo, Cassie.

In lieu of flowers, donations may be made to the Novato Theater at 936B Seventh st. #132, Novato CA 94945. It was his dream to see this project completed. A celebration of Dietrich's life will be held on Tuesday, June 27th, 2017 from 4-7 p.m., at Pioneer Park in Novato.