



Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

NOTICE OF REGULAR MEETING AND AGENDA

Marin Local Agency Formation Commission
Thursday, August 9, 2018

Marin Clean Energy | Charles McGlashan Room
1125 Tamalpais Avenue, San Rafael, California

7:00 P.M. – CALL TO ORDER BY CHAIR

ROLL CALL BY COMMISSION CLERK

AGENDA REVIEW

The Chair or designee will consider any requests to remove or rearrange items by members.

PUBLIC OPEN TIME

This portion of the meeting is reserved for persons desiring to address the Commission on any matter not on the current agenda. All statements that require a response will be referred to staff for reply in writing or will be placed on the Commission's agenda for consideration at a later meeting. Speakers are limited to three minutes.

CONSENT CALENDAR ITEMS

All items calendared as consent are considered ministerial or non-substantive and subject to a single motion approval. The Chair or designee will also consider requests from the Commission to pull an item for discussion.

1. Approval of Meeting Minutes | June 14, 2018 Regular Meeting
2. Commission Ratification of Payments from June 1, 2018 to July 31, 2018
3. Accept Annual Audit Report for Fiscal Year 2016-2017
4. Ratify Response to Civil Grand Jury Report – “Consolidation of Sanitation Districts”
5. Receive and File Planwest Partners, Inc. Professional Services Agreement
6. Ratify Fund Transfer from County of Marin to Wells Fargo

BUSINESS ITEMS

Business Items involve administrative, budgetary, legislative or personnel matters and may or may not be subjected to public hearings.

7. Proclamation for Retiring Commissioner Carla Condon (discussion and possible action)
8. Request for Time Extension to Complete Approval Terms / 276 Mesa Road to Bolinas Community Public Utility District (File #1337) (discussion and possible action)
9. Civil Grand Jury Report and Ways to Consolidate Special Districts (discussion and possible action)
10. Evaluation on Other-Employment Benefits Liabilities (discussion and possible action)

11. Appoint Voting Delegates to the CALAFCo Conference (discussion and possible action)
12. Banking options for Marin LAFCo (discussion and possible action)
13. Computer Server Options for Marin LAFCo (discussion and possible action)

EXECUTIVE OFFICER REPORT (discussion and possible action)

- A. Budget Update for FY 2017-2018 and Year End Projections
- B. Progress Report on 2017-2018 Work Plan
- C. Current and Pending Proposals
- D. Commission Workshop

COMMISSIONER ANNOUNCEMENTS AND REQUESTS

CLOSED SESSION

The Commission will adjourn to closed session regarding the following items:

PUBLIC EMPLOYMENT (Gov. Code 54957)

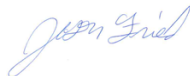
Title: Executive Officer

RETURN TO OPEN SESSION

The Chair or designee will report as needed on any actions taken in closed session.

ADJOURNMENT TO NEXT MEETING

Thursday, September 12, 2018



Attest: Jason Fried
Interim Executive Officer

Any writings or documents pertaining to an open session item provided to a majority of the Commission less than 72 hours prior to a regular meeting, shall be made available for public inspection at Marin LAFCo Administrative Office, 1401 Los Gamos Drive, Suite 220, San Rafael, CA 94903, during normal business hours.

Pursuant to GC Section 84308, if you wish to participate in the above proceedings, you or your agent are prohibited from making a campaign contribution of \$250 or more to any Commissioner. This prohibition begins on the date you begin to actively support or oppose an application before LAFCo and continues until 3 months after a final decision is rendered by LAFCo. If you or your agent have made a contribution of \$250 or more to any Commissioner during the 12 months preceding the decision, in the proceeding that Commissioner must disqualify himself or herself from the decision. However, disqualification is not required if the Commissioner returns that campaign contribution within 30 days of learning both about the contribution and the fact that you are a participant in the proceedings. Separately,

any person with a disability under the Americans with Disabilities Act (ADA) may receive a copy of the agenda or a copy of all the documents constituting the agenda packet for a meeting upon request. Any person with a disability covered under the ADA may also request a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in a public meeting. Please contact the LAFCo office at least three (3) working days prior to the meeting for any requested arraignments or accommodations.

Marin LAFCo

Administrative Office
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Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

AGENDA REPORT

August 9, 2018

Item No. 1 (Consent)

TO: Local Agency Formation Commissioners

FROM: Jason Fried, Interim Executive Officer

SUBJECT: **Approval of Meeting Minutes | June 14, 2018 Regular Meeting**

Staff has prepared meeting minutes for the last meetings of the Commission. This includes the regular meeting held on June 14th. The minutes are being presented for formal approval with any desired corrections or clarifications.

Background

The Ralph M. Brown Act was enacted by the State Legislature in 1953 and establishes standards and processes therein for the public to attend and participate in meetings of local government bodies as well as those local legislative bodies created by State law; the latter category applying to LAFCOs. The “Brown Act” requires – and among other items – public agencies to maintain minutes for all meetings.

Discussion

The action minutes for the June 14th meeting accurately reflect the Commission’s actions as recorded by staff. A video recording of the June 14th meeting is also available online for viewing at <http://marinlafco.org/AgendaCenter>

Staff Recommendation for Action

- 1) Staff recommendation – Approve the draft minutes prepared for the June 14th meeting with any desired corrections or clarifications.
- 2) Alternative option - Continue consideration of the item to the next regular meeting and provide direction to staff, as needed.

Procedures for Consideration

This item has been placed on the agenda as part of the consent calendar. Accordingly, a successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation as provided unless otherwise specified by the Commission.

Attachment:

- 1) Draft Minutes for June 14, 2018

Administrative Office

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San Rafael, California 94903
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Damon Connolly, Regular
County of Marin

Dennis J. Rodoni, Regular
County of Marin

Judy Arnold, Alternate
County of Marin

Sashi McEntee, Chair
City of Mill Valley

Sloan Bailey, Regular
Town of Corte Madera

Matthew Brown, Alternate
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Craig K. Murray, Vice Chair
Las Gallinas Valley Sanitary

Jack Baker, Regular
North Marin Water District

Lew Kiou, Alternate
Almonte Sanitary District

Jeffrey Blanchfield, Regular
Public Member

Chris Skelton, Alternate
Public Member



Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

DRAFT

MINUTES

REGULAR MEETING

Thursday, June 14, 2018

Marin Clean Energy | Charles McGlashan Room

1125 Tamalpais Avenue, San Rafael, California

CALL TO ORDER BY CHAIR

Chair Blanchfield called the meeting to order at 7:05 p.m.

ROLL CALL BY CLERK

Regulars Present: Jeff Blanchfield, Chair; Sloan Bailey, Sashi McEntee
Craig K. Murray, Damon Connolly (arriving at 7:12 p.m.)
Dennis Rodoni, Jack Baker

Alternates Present: Matt Brown, and Lew Kious

Counsel Present: Mala Subramanian

Staff Present: Jason Fried, Interim Executive Officer
Veda Florez, Interim Commission Clerk

AGENDA REVIEW

Chair Blanchfield asked if there were any requests for changes to the agenda. No requests were made.

OPEN TIME

NO COMMENTS FROM THE PUBLIC

CONSENT CALENDAR ITEMS

All items calendared as consent are considered ministerial or non-substantive and subject to a single motion approval. The Chair or designee will also consider requests from the Commission to pull an item for discussion.

1. **Approval of Meeting Minutes | April 12, 2018 Regular Meeting and May 30, 2018 Special Meeting**

Staff has prepared meeting minutes for the last meeting of the Commission. The minutes are being presented for formal approval with any desired corrections or clarifications.

2. **Commission Ratification | Reconciled Payments from April 1 to May 31, 2018 (discussion and possible action)**

The Commission will consider ratifying payments made by the Executive Officer during the months from April to May. The payments cover all reconciled payroll and non-payroll expenses during the period and total \$62,064. The payments are being presented for formal ratification per adopted policies.

3. **Approval of Resolution for SDRMA Governing Body Liability (discussion and possible action)**

SDRMA is requesting the Commission to pass a resolution to continue its liability insurance through them.

APPROVED; M/S made by Commissioner Baker and Murray to approve the Consent Calendar and recommendations therein;

Ayes: Commissioner Blanchfield, Bailey, McEntee, Murray, Rodoni, Baker

Nays: none; Abstention: none; Absent: Commissioner Connolly

PUBLIC HEARING ITEMS

Public hearing items require expanded public notification per provisions in State Law or directives of the Commission or Executive Officer.

4. Commission Ratification | Adoption of Operating Budget for 2018-2019 (discussion and possible action)

The Commission will consider adopting a final budget for 2018-2019. The final budget expenses total \$601,875 and represents an increase of \$45,094 or 8.1% with change entirely attributed to funding projected payroll costs and marked by enhancing legal services. Budget revenues total \$591,875 with the remaining shortfall – (\$10,000) – to be covered by reserves.

APPROVED; M/S made by Commissioner Baker and Murray to adopt the final budget for 2018-19 without modifications.

Ayes: Commissioner Blanchfield, Bailey, McEntee, Murray, Rodoni, Baker; Nays: none; Abstention: none; Absent: Commissioner Connolly

ADJOURNED TO CLOSED SESSION (7:15 P.M.)

The Commission will adjourn to closed session regarding the following items:

PUBLIC EMPLOYMENT (Gov. Code 54957)

Title: Executive Officer

PUBLIC EMPLOYEE APPOINTMENT (Gov. Code 54957)

Title: Executive Officer

CONFERENCE WITH LABOR NEGOTIATORS (Gov. Code 54957.6)

Agency Designated Representatives: Chair Jeff Blanchfield

Unrepresented Employee: Executive Officer

RETURNED TO OPEN SESSION (7:50 P.M.)

REPORT FROM CLOSED SESSION

Commission decided to close the recruitment process for Marin LAFCo Executive Officer.

BUSINESS ITEMS

Business Items involve administrative, budgetary, legislative or personnel matters and may or may not be subjected to public hearings.

5. Authorization to Execute New Contract with Planwest Partners, Inc. - Interim Executive Officer (discussion and possible action)

The Commission could authorize the Chair to enter into a new agreement with Planwest Partners to provide for additional time for Interim Executive Officer services in the event an Executive Officer has not been appointed. If so, we would recommend using a model template provided by our firm. The current Agreement is brief and does not contain typical provisions in a professional services agreement.

APPROVED; M/S made by Commissioner McEntee and Baker to extend the Interim Executive Officer agreement until December 31, 2018, following the general framework of the agreement. Described as Alternative One in the Agenda packet.

Ayes: Commissioner Blanchfield, Bailey, Connolly, McEntee, Murray, Rodoni, Baker; Nays: none; Abstention: none; Absent: none

6. CALAFCo - Conference, Board Elections, and Award Nominations (discussion and possible action)

The California Association of Local Agency Formation Commissions holds its annual conference in October. During the conference CALAFCo holds board elections, and achievement awards are given out.

APPROVED; M/S made by Commissioner McEntee and Baker to nominate Commissioner Murray to run for the Special District open seat, in the Coastal Region, for the CALAFCo Board of Directors.

Ayes: Commissioner Blanchfield, Bailey, Connolly, McEntee, Murray, Rodoni, Baker; Nays: none; Abstention: none; Absent: none

APPROVED; M/S made by Commissioner Murray and Blanchfield nominated Keene Simmonds former Executive Officer of Marin LAFCo, for the "Outstanding LAFCo Professional."

Ayes: Commissioner Blanchfield, Bailey, Connolly, McEntee, Murray, Rodoni, Baker; Nays: none; Abstention: none; Absent: none

7. Election of Chair and Vice Chair (discussion and possible action)

The Commission will consider the election of a Chair and Vice Chair. The terms are each one-year and will commence immediately.

APPROVED; M/S made by Commissioner Connolly and Bailey to nominate Commissioner McEntee as Commission Chair.

Ayes: Commissioner Blanchfield, Bailey, Connolly, McEntee, Murray, Rodoni, Baker; Nays: none; Abstention: none; Absent: none

Newly elected Chair, Commissioner McEntee continued with the meeting.

APPROVED; M/S made by Commissioner Baker and Rodoni nominated Commissioner Murray as Commission Vice Chair.

Ayes: Commissioner Blanchfield, Bailey, Connolly, McEntee, Murray, Rodoni, Baker; Nays: none; Abstention: none; Absent: none

8. Review and Approval Contract Extension with MarinMac Tech (discussion and possible action)

The Commission will review the current contract extension for IT support being provided for FY 18/19.

Interim Executive Director (I.E.O.) recommended all contracts expire at the end of the fiscal year to avoid any mid-year budget updates. He further recommended to maintain the current contract with MarinMac Tech, with the closure date to reflect the end of the fiscal year.

I.E.O. recommended the need for a server upgrade due compatibility issues with the current software system siting that it may cause security. He will return to the Commission in August with recommendations.

The Commission requested information on a cloud-based system, best practices to maximize security, pricing options, as well as, the cost of doing nothing.

APPROVED; Commissioner Murray and Baker moved to accept the contract from MarinMac Tech.

Ayes: Commissioner Blanchfield, Bailey, Connolly, McEntee, Murray, Rodoni, Baker; Nays: none; Abstention: none; Absent: none

EXECUTIVE OFFICER REPORT

A. Budget Update for 2017-2018 and Year End Projections

The Commission will review a report comparing budgeted and actual transactions for 2017-2018 through May 31, 2018 and its projection Marin LAFCo is on pace to finish with an operating net of \$191,924 or 36.0%. This projection marks a significant improvement over the budgeted operating net of (\$10,000.) and is largely tied to anticipated savings in payroll costs for reasons detailed. The report is being presented to the Commission to accept and file and to provide direction as needed.

The I.E.O. reported the budget is fiscally sufficient, and would like to begin paying bills beyond this fiscal year.

Commissioner Rodoni noted the Commission voted to maintain a reserve balance of \$180,000. I.E.O. will confirm the action and amount.

B. Progress Report on 2017-2018 Work Plan

The Commission will receive a progress report on accomplishing specific projects established as part of the adopted work plan for 2017-2018. This includes nine projects completed to date while highlighting the dozen-plus activities substantively underway. The report notes ongoing reductions in staffing levels and related matters have slowed agency efficiencies in addressing certain projects, and most notably as it relates to scheduled municipal services reviews. The report is being presented to the Commission to formally receive and file as well as provide direction to staff as needed.

C. Current and Pending Proposals

The Commission will receive a report identifying active proposals on file with Marin LAFCo as required under statute. The report also identifies pending local agency proposals to help telegraph future workload. The report is being presented to the Commission for information only.

File 1337 – Applicant is working on getting a costal permit from Marin County Community Development Agency, and will likely run out of their one year time previously approved by the Commission. I.E.O. likely to come back to the August meeting for review.

File 1336 – Working with Annexation of four properties into Ross Valley Sanitary District and Sanitary District 2. LAFCo has treated this as one application however upon review by the I.E.O. it was noticed

that the State Board of Equalization considers this two separate applications, therefore a need for two checks of \$350 from each application is required.

File 1322 –Annexation of 700 and 726 Sequoia Road. The applicants filing of completion have been sent to County, completion estimated in 2-3-weeks.

File 1338 – We met with the applications, who commented that the City of Novato staff indicated to them they are O.K. with the annexation. We have reached out to the City of Novato staff and have not heard back. We will plan a meeting with Marin LAFCo office, City of Novato staff, and the applicant of 610 Calle De La Mesa, regarding de-annexation.

Commissioner Murray requested a follow-up property map.

D. Commission Workshop

On September 14th the Commission is scheduled to have a workshop to plan for the upcoming year. Mr. Bill Chait will be facilitating this workshop. This is a chance for the Commission to discuss what they would like to get out of the workshop and instruct staff to work with Mr. Chait to prepare for the workshop. No staff memo was prepared for this item.

I.E.O. received direction from Commissioners to continue to compile a list to include:

- Does the Commission need Counsel at every regular meeting
- Style of staff reports, and MSR's
- Work Program, how do we proceed with MSR and what happens afterwards and/or need for action; Expectations and how Aggressive we are with MSR's
- Clarifying our policy around island annexation
- Subcommittee policy: Sphere of Influence
- The need to develop Goals & Objectives as a directive for the Commission
- Work plan and how that effect study schedule
- Strategy & structure in priorities
- Responsiveness to mutual water companies (statewide precedence or recommendation)
- Mutual water companies not being responsive (recommendations)
- Clarification of the budget increase, providing the scope of change.
- Discussion on new legislation: example legislation on 50-gallons of water per day

Other Housekeeping items:

- **In July, a response is due to the Civil Grand Jury report. I.E.O. will work with Chairman McEntee to response**
- **Hard copies of the end of the year financial report for 2017 are available. We will send electronic copies next week.**
- **Corte Madera Town Council is planning a recognition ceremony for retiring Councilmember Carla Condon. Marin LAFCo has been asked to present Ms. Condon with a Certificate of Recognition or Resolution. Commissioner Rodoni volunteered to make the presentation.**

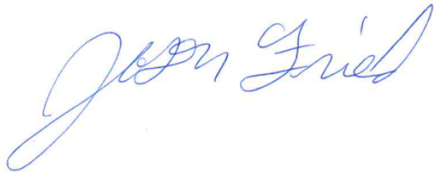
COMMISSIONER ANNOUNCEMENTS AND REQUESTS

Commissioner Blanchfield noted that the August meeting will be his last

ADJOURNMENT TO NEXT MEETING

APPROVED; M/S made by Commissioner Murray and Blanchfield approve the Consent Calendar and recommendations therein; Ayes: Commissioner Blanchfield, Bailey, Connolly, McEntee, Murray, Rodoni, Baker; Nays: none; Abstention: none; Absent: none

Commissioner Murray adjourned the meeting at 8:40 p.m.



Attest: Jason Fried

 Interim Executive Officer

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all the documents constituting the agenda packet for a meeting upon request. Any person with a disability covered under the ADA may also request a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in a public meeting. Please contact the LAFCO office at least three (3) working days prior to the meeting for any requested arraignments or accommodations.

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Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

AGENDA REPORT

August 9, 2018

Item No. 2 (Consent)

TO: Local Agency Formation Commission

FROM: Jason Fried, Interim Executive Officer

SUBJECT: Commission Ratification of Payments from June 1, 2018 to July 31, 2018

The Commission will consider ratifying payments made by the Interim Executive Officer during the months from June 1, 2018 to July 31, 2018. The payments cover all payroll and non-payroll expenses during the period and total \$98,725.48. The payments are being presented for formal ratification per adopted policies.

Background

Marin LAFCo's (LAFCo) adopted a Policy Handbook delegating the Executive Officer to make purchases and related procurements necessary in overseeing the day-to-day business of the agency. The Policy Handbook also directs all payments made by the Executive Officer to be reconciled at the end of each month by LAFCo's contracted bookkeeper. Further, all payments are to be reported to the Commission at the next available Commission meeting for formal ratification.

This item is for the Commission to consider ratification of all payments made by the Interim Executive Officer between June 1, 2018 and July 31, 2018 totaling \$98,725.48. The payments are detailed in attachment.

Staff Recommendation for Action

- 1) Staff Recommendation - Ratify the payments made by the Interim Executive Officer between June 1st – July 31st as shown in Attachment One.
- 2) Alternative Option - Continue consideration of the item to the next regular meeting and provide direction to staff as needed.

Procedures for Consideration

This item has been placed on the agenda as part of the consent calendar. Accordingly, a successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

Attachment:

- 1) Payments from June 1st to July 31st

Administrative Office

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North Marin Water District

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Almonte Sanitary District

Jeffrey Blanchfield, Regular
Public Member

Chris Skelton, Alternate
Public Member

Marin Local Agency Formation Commission Expenses by Vendor Detail June through July 2018

Type	Date	Num	Memo	Account	Clr	Split	Amount	Balance
ALHAMBRA & SIERRA SPRINGS								
Check	06/11/2018	1428	Services Thro...	5220110 · Office Su...		1110000 · Well...	21.95	21.95
Check	07/18/2018	1469	Services Thro...	5220110 · Office Su...		1110000 · Well...	70.45	92.40
Total ALHAMBRA & SIERRA SPRINGS							92.40	92.40
Alyssa Schiffmann								
Check	06/13/2018	1431	5210120	5210110 · Professio...		1110000 · Well...	650.00	650.00
Total Alyssa Schiffmann							650.00	650.00
ARNOLD, JUDY								
General Journal	06/11/2018	void	void#1033	5211533 · Commissi...		4640333 · Appl...	-125.00	-125.00
Total ARNOLD, JUDY							-125.00	-125.00
BAKER, JOHN M								
Check	06/13/2018	1435	Per Diem Po...	5211533 · Commissi...		1110000 · Well...	125.00	125.00
Check	06/19/2018	1459	Meeting June ...	5211533 · Commissi...		1110000 · Well...	125.00	250.00
Total BAKER, JOHN M							250.00	250.00
BEST BEST & KRIEGER LLP								
Check	06/19/2018	1449	Services Ren...	5210131 · Legal Ser...		1110000 · Well...	600.00	600.00
Check	07/18/2018	1054	Invoice # 826...	5210131 · Legal Ser...		1100000 · Well...	4,050.00	4,650.00
Total BEST BEST & KRIEGER LLP							4,650.00	4,650.00
BLANCHFIELD, JEFFRY S								
Check	06/13/2018	1436	Per Diem Sp...	5211533 · Commissi...		1110000 · Well...	125.00	125.00
Check	06/19/2018	1453	Meeting June ...	5211533 · Commissi...		1110000 · Well...	125.00	250.00
Total BLANCHFIELD, JEFFRY S							250.00	250.00
CALIFORNIA ASSOCIATION OF LOCAL AGE								
Check	06/13/2018	1433	Marin LAFCO...	5211330 · Members...		1110000 · Well...	2,805.00	2,805.00
Total CALIFORNIA ASSOCIATION OF LOCAL AGE							2,805.00	2,805.00
CALPERS								
Check	06/26/2018	1052	OPED 17/18	5130525 · CalPERS...		1100000 · Well...	15,615.00	15,615.00
Total CALPERS							15,615.00	15,615.00
Chris Skelton								
Check	06/13/2018	1442	Per Diem Sp...	5211533 · Commissi...		1110000 · Well...	125.00	125.00
Total Chris Skelton							125.00	125.00

Marin Local Agency Formation Commission
Expenses by Vendor Detail
 June through July 2018

Type	Date	Num	Memo	Account	Clr	Split	Amount	Balance
CIVIC PLUS INC								
Check	06/13/2018	1050	Invoice #1731...	5210129 · Graphic ...		1100000 · Well...	11,216.00	11,216.00
Check	06/19/2018	1446	Invoice # 173...	5210129 · Graphic ...		1110000 · Well...	268.55	11,484.55
Total CIVIC PLUS INC							11,484.55	11,484.55
COMCAST								
Check	06/19/2018	1444	Through July1...	5210710 · Communi...		1110000 · Well...	220.69	220.69
Check	07/27/2018	1474	Through July1...	5210710 · Communi...		1110000 · Well...	219.60	440.29
Total COMCAST							440.29	440.29
CONNOLLY, DAMON								
Check	06/13/2018	1441	Per Diem Sp...	5211533 · Commissi...		1110000 · Well...	125.00	125.00
Check	06/19/2018	1457	Meeting June ...	5211533 · Commissi...		1110000 · Well...	125.00	250.00
Total CONNOLLY, DAMON							250.00	250.00
COUNTY OF MARIN								
General Journal	06/11/2018	void	void#1206	5130525 · CalPERS...		4640333 · Appl...	-445.47	-445.47
Total COUNTY OF MARIN							-445.47	-445.47
COUNTY OF MARIN - DOF PAYROLL								
Check	06/19/2018	1445	OPBEB Contr...	5130525 · CalPERS...		1110000 · Well...	461.29	461.29
Check	07/27/2018	1473	OPBEB Contr...	5130525 · CalPERS...		1110000 · Well...	461.29	922.58
Total COUNTY OF MARIN - DOF PAYROLL							922.58	922.58
FP MAILING SOLUTIONS								
Check	06/11/2018	1429	Rental Totals ...	5210710 · Communi...		1110000 · Well...	147.15	147.15
Total FP MAILING SOLUTIONS							147.15	147.15
FRANCHISE TAX BOARD								
General Journal	06/11/2018	void	void#1002	4640333 · Applicatio...		4640333 · Appl...	-300.00	-300.00
General Journal	06/11/2018	void	void#1005	4640333 · Applicatio...		4640333 · Appl...	-300.00	-600.00
General Journal	06/11/2018	void	void#1033	4640333 · Applicatio...		4640333 · Appl...	-50.00	-650.00
Total FRANCHISE TAX BOARD							-650.00	-650.00
GRAF VAN & STORAGE INC								
Check	07/06/2018	1465	Invoice #0817...	5211215 · Rent - St...		1110000 · Well...	35.19	35.19
Total GRAF VAN & STORAGE INC							35.19	35.19
Indoff Incorporated								
Check	07/18/2018	1471	Invoice # 312...	5220110 · Office Su...		1110000 · Well...	91.92	91.92
Total Indoff Incorporated							91.92	91.92

Marin Local Agency Formation Commission
Expenses by Vendor Detail
 June through July 2018

Type	Date	Num	Memo	Account	Clr	Split	Amount	Balance
KIOUS, LEWIS								
Check	06/13/2018	1438	Per Diem Sp...	5211533 · Commisi...		1110000 · Well...	125.00	125.00
Check	06/19/2018	1461	Meeting June ...	5211533 · Commisi...		1110000 · Well...	125.00	250.00
Total KIOUS, LEWIS							250.00	250.00
MARIN GENERAL SVCS AUTHORITY								
Check	06/13/2018	1049	Mapping Servi...	5211330 · Members...		1100000 · Well...	10,000.00	10,000.00
Total MARIN GENERAL SVCS AUTHORITY							10,000.00	10,000.00
MARIN IJ PROCESSING CENTER								
Check	06/11/2018	1430	June 2017 No...	5211520 · Publicatio...		1110000 · Well...	61.20	61.20
Total MARIN IJ PROCESSING CENTER							61.20	61.20
MARIN MAC TECH								
Check	06/19/2018	1448	Monthly Prem...	5210710 · Communi...		1110000 · Well...	595.00	595.00
Check	06/19/2018	1450	Monthly Prem...	5210710 · Communi...		1110000 · Well...	60.00	655.00
Check	07/18/2018	1468	Monthly Prem...	5210710 · Communi...		1110000 · Well...	595.00	1,250.00
Total MARIN MAC TECH							1,250.00	1,250.00
Marin Trophies and Treasures								
Check	07/18/2018	1470	Invoice 2086	5220110 · Office Su...		1110000 · Well...	16.51	16.51
Total Marin Trophies and Treasures							16.51	16.51
Matt Brown								
Check	06/13/2018	1443	Per Diem Sp...	5211533 · Commisi...		1110000 · Well...	125.00	125.00
Check	06/19/2018	1456	Meeting June ...	5211533 · Commisi...		1110000 · Well...	125.00	250.00
Total Matt Brown							250.00	250.00
McENTEE, SASHI								
Check	06/13/2018	1440	Per Diem Po...	5211533 · Commisi...		1110000 · Well...	125.00	125.00
Check	06/19/2018	1454	Meeting June ...	5211533 · Commisi...		1110000 · Well...	125.00	250.00
Total McENTEE, SASHI							250.00	250.00
MURRAY, CRAIG K								
Check	06/13/2018	1437	Per Diem Sp...	5211533 · Commisi...	X	1110000 · Well...	0.00	0.00
Check	06/19/2018	1460	Meeting June ...	5211533 · Commisi...		1110000 · Well...	125.00	125.00
Total MURRAY, CRAIG K							125.00	125.00

Marin Local Agency Formation Commission
Expenses by Vendor Detail
 June through July 2018

Type	Date	Num	Memo	Account	Clr	Split	Amount	Balance
Nelson HR								
Check	06/13/2018	1432	Invoice 6/7/18	5210110 · Professio...		1110000 · Well...	804.00	804.00
Check	06/19/2018	1447	Invoice 62341...	5210110 · Professio...		1110000 · Well...	1,045.20	1,849.20
Check	06/19/2018	1452	Invoice 62350...	5210110 · Professio...		1110000 · Well...	1,113.04	2,962.24
Check	06/29/2018	1462	Invoice 62360...	5210110 · Professio...		1110000 · Well...	1,005.00	3,967.24
Check	07/06/2018	1463	Invoice 62370...	5210110 · Professio...		1110000 · Well...	502.50	4,469.74
Check	07/18/2018	1466	Invoice#6237...	5210110 · Professio...		1110000 · Well...	994.95	5,464.69
Check	07/18/2018	1467	Invoice#6238...	5210110 · Professio...		1110000 · Well...	924.60	6,389.29
Check	07/27/2018	1472	Invoice#6239...	5210110 · Professio...		1110000 · Well...	1,005.00	7,394.29
Total Nelson HR							7,394.29	7,394.29
PAYROLL								
Check	06/01/2018	?		5110110 · Sal - Reg...		1110110 · Equi...	3,077.12	3,077.12
Check	06/01/2018	?		5110210 · Salaries -...		1110110 · Equi...	275.90	3,353.02
Check	06/01/2018	?		5110323 · Sick Leave		1110110 · Equi...	0.00	3,353.02
Check	06/01/2018	?		5110328 · Personal ...		1110110 · Equi...	769.28	4,122.30
Check	06/01/2018	?		5110324 · Vacation ...		1110110 · Equi...	0.00	4,122.30
Check	06/01/2018	?		5110313 · Holiday Pay		1110110 · Equi...	0.00	4,122.30
Check	06/01/2018	?		5130521 · Co Ret C...		1110110 · Equi...	326.56	4,448.86
Check	06/01/2018	?		5130110 · Ben-Med-...		1110110 · Equi...	0.84	4,449.70
Check	06/01/2018	?		5130120 · County of...		1110110 · Equi...	342.36	4,792.06
Check	06/01/2018	?		5130210 · Dental In...		1110110 · Equi...	23.61	4,815.67
Check	06/01/2018	?		5130310 · Vision Se...		1110110 · Equi...	2.55	4,818.22
Check	06/01/2018	?		5130410 · Benefits -...		1110110 · Equi...	5.08	4,823.30
Check	06/01/2018	?		5140140 · Payroll Tax		1110110 · Equi...	76.88	4,900.18
Check	06/01/2018	?		5130524 · Benefits -...		1110110 · Equi...	72.49	4,972.67
Total PAYROLL							4,972.67	4,972.67
Planwest Partners, Inc.								
Check	06/13/2018	1051	Invoice - 18-2...	5210110 · Professio...		1100000 · Well...	3,413.53	3,413.53
Check	07/09/2018	1053	Invoice - 18-2...	5210110 · Professio...		1100000 · Well...	19,692.11	23,105.64
Total Planwest Partners, Inc.							23,105.64	23,105.64
RICCIARDI, R J								
Check	06/13/2018	1048	Invoice # 106...	5210110 · Professio...		1100000 · Well...	4,950.00	4,950.00
Check	07/06/2018	1464	Invoice # 10703	5210110 · Professio...		1110000 · Well...	360.00	5,310.00
Total RICCIARDI, R J							5,310.00	5,310.00
RODONI, DENNIS JAMES								
Check	06/13/2018	1439	Special Meeti...	5211533 · Commissi...		1110000 · Well...	125.00	125.00
Check	06/19/2018	1458	Meeting June ...	5211533 · Commissi...		1110000 · Well...	125.00	250.00
Total RODONI, DENNIS JAMES							250.00	250.00

8:49 AM

07/31/18

Accrual Basis

Marin Local Agency Formation Commission
Expenses by Vendor Detail
 June through July 2018

Type	Date	Num	Memo	Account	Clr	Split	Amount	Balance
SECURITY MORTGAGE GROUP 2								
Check	06/19/2018	1451	July 2018 Rent	5211270 · Office Le...		1110000 · Well...	2,638.82	2,638.82
Total SECURITY MORTGAGE GROUP 2							2,638.82	2,638.82
Sloan Bailey								
Check	06/19/2018	1455	Meeting June ...	5211533 · Commissi...		1110000 · Well...	125.00	125.00
Total Sloan Bailey							125.00	125.00
SPECIAL DISTRICT RISK MNGMT - ACH								
Check	06/13/2018	1434	Annual Charg...	5140115 · Workers ...		1110000 · Well...	1,830.69	1,830.69
Check	06/13/2018	1047	Annual Charg...	5140115 · Workers ...		1100000 · Well...	4,533.74	6,364.43
Deposit	06/29/2018		Deposit	5140115 · Workers ...		1100000 · Well...	-226.69	6,137.74
Total SPECIAL DISTRICT RISK MNGMT - ACH							6,137.74	6,137.74
TOTAL							98,725.48	98,725.48



Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

AGENDA REPORT

August 9, 2018

Item No. 3 (Consent)

TO: Local Agency Formation Commission

FROM: Jason Fried, Interim Executive Officer

SUBJECT: **Annual Audit Report for Fiscal Year 2016-2017.**

R.J. Ricciardi and Associates have completed our Annual Audit Report. The Commission should review and take action as needed.

Background

Marin LAFCo's (LAFCo) financial accounting system is directly managed by staff with contract bookkeeping support presently provided by Alyssa Schiffmann. Marin LAFCo's current accounting system was implemented in August 2016, and relies on QuickBooks to record the agency's financial transactions.

Prior to August 2016, financial transactions were managed by the County of Marin's Finance Department. This arrangement ended at the recommendation of the County's Finance Department during their transition from "SAP" to "Munis."

At the June 12, 2014 regular meeting, the Commission entered into an agreement with R.J. Ricciardi and Associates (San Rafael) to prepare an independent audit beginning with fiscal year 2012-2013. The agreement includes providing the Commission with an option to contract for additional audits each year thereafter. The Commission has exercised this option to engage and receive audit reports from R.J. Ricciardi and Associates for the fiscal year 2013-2014 through fiscal years 2016-2017.

This item is for the Commission to formally review and file the completed audit report, see attachments, covering the 2016-2017 fiscal year prepared by R.J. Ricciardi and Associates. A summary of key findings and related items underlying the audit report and the accompanying management letter follows:

- The audit report found no material misstatements or weakness in the financial statements.
- The audit report attests' LAFCo's adjusted fund balance decreased overall from \$177,137 to \$140,310. Staff notes that the Marin LAFCo policy is ". . . to maintain an unrestricted reserve account balance of approximately 20% of budgeted expenses . . ." This current \$140,310. amount accomplishes and supports this policy.
- The management letter identifies one new observation on the Wells Fargo Checking account. The "Wells Fargo checking account reconciliation has a \$659 irreconcilable difference as of June 30, 2017." The recommendation from R.J. Ricciardi and Associates is ". . . immaterial to the financial statements but future reconciliations should be monitored for an increase in the amount noted above."

Administrative Office

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County of Marin

Dennis J. Rodoni, Regular
County of Marin

Judy Arnold, Alternate
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Sashi McEntee, Chair
City of Mill Valley

Sloan Bailey, Regular
Town of Corte Madera

Matthew Brown, Alternate
City of San Anselmo

Craig K. Murray, Vice Chair
Las Gallinas Valley Sanitary

Jack Baker, Regular
North Marin Water District

Lew Kiouss, Alternate
Almonte Sanitary District

Jeffrey Blanchfield, Regular
Public Member

Chris Skelton, Alternate
Public Member

- The management letter revisits two recommendations made by in previous audit reports. The first is for Marin LAFCo to develop a written accounting administrative and fraud procedures manual. The second is to do a quarterly payroll tax reconciliation. The management letter states this recommendation has not been implemented.

With respect to the recommendations included in the accompanying management letter staff would suggest:

- After reviewing the audit report on written Accounting, Administrative and Fraud Procedures, staff forwarded the LAFCo Policy Handbook to R.J. Ricciardi and Associates for review calling attention to section 3.15 (Financial Accounting and Internal Controls.) Their comments were, “this will now resolve the observation.” No further action is needed on this item at this time.
- Currently LAFCo does not have a payroll due to staff changes. A process should be put in place - once permanent staff is hired, quarterly payroll tax returns can be added to the general ledger. This issue is due in part to how LAFCo does it budget line items and how the County of Marin presents its information to LAFCo. Staff will work with our bookkeeper and the Budget and Work Plan Committee to address this item.

Staff Recommendation for Action

- 1) Staff recommendation – Accepted and file the audit report for 2016-2017.
- 2) Alternative option – Continue consideration of this item to a future meeting and provide direction to staff with respect to providing additional information as needed.

Procedures for Consideration

This item has been placed on the agenda as part of the consent calendar. Accordingly, a successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation as provided unless otherwise specified by the Commission.

Attachment:

- 1) R.J. Ricciardi – Basic Financial Statements
- 2) R.J. Ricciardi – Board of Commissioners & Management Report

**MARIN LOCAL AGENCY
FORMATION COMMISSION**

SAN RAFAEL, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

Commissioners
Marin Local Agency Formation Commission
San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Marin Local Agency Formation Commission, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Marin Local Agency Formation Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Marin Local Agency Formation Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Marin Local Agency Formation Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Marin Local Agency Formation Commission, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-6) and the required supplementary information (page 22-25), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

R. J. Ricciardi, Inc.

R. J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
May 30, 2018

Marin Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

This section of Marin Local Agency Formation Commission's (LAFCO's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2017. We encourage the reader to consider the information presented here in conjunction with the basic financial statements as a whole.

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to LAFCO's audited financial statements, which are composed of the basic financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*. The Single Governmental Program for Special Purpose Governments reporting model is used, which best represents the activities of LAFCO.

The required financial statements include the Statement of Net Position and Governmental Funds Balance Sheet; and the Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances.

These statements are supported by notes to the basic financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of LAFCO.

The Basic Financial Statements

The Basic Financial Statements comprise the Combined Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of LAFCO's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of LAFCO's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of LAFCO as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of LAFCO's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of LAFCO's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All of LAFCO's activities are grouped into Government Activities, as explained below.

The Fund Financial Statements report LAFCO's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of LAFCO's Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of LAFCO and are presented individually. Major Funds are explained below.

The Government-wide Financial Statements

Government-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of LAFCO as a whole.

The Statement of Net Position and the Statement of Activities present information about the following: *Governmental Activities* – LAFCO's basic services are considered to be governmental activities. These services are supported by specific general revenues from local agencies.

Marin Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of LAFCO's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Major Funds present the major activities of LAFCO for the year, and may change from year-to-year as a result of changes in the pattern of LAFCO's activities.

In LAFCO's case, there is only one Major Governmental Fund.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented for the General Fund.

Analyses of Major Funds

Governmental Funds

General Fund revenue increased this fiscal year compared to the prior year due primarily to increases in intergovernmental charges. Actual revenues were less than budgeted amounts by \$7,189.

General Fund expenditures were \$486,852, an increase of \$25,053 from the prior year primarily due to increase in rent and legal services. Expenditures were \$40,010 less than budgeted.

Governmental Activities

Table 1
Governmental Net Position

	2017 Governmental Activities	2016 Governmental Activities
Current assets	\$ 187,129	\$ 206,482
Total assets	187,129	206,482
Deferred outflows of resources	50,342	59,730
Current liabilities	43,154	69,949
Non-current liabilities	50,625	19,126
Total liabilities	93,779	89,075
Deferred inflows of resources	3,382	-
Net position		
Unrestricted	140,310	177,137
Total net position	\$ 140,310	\$ 177,137

LAFCO's governmental net position amounted to \$140,310 as of June 30, 2017, a decrease of \$36,827 from 2016. This decrease is the Change in Net Position reflected in the Statement of Activities shown in Table 2. LAFCO's net position as of June 30, 2017 comprised the following:

Marin Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2017

- Cash and investments comprised \$187,129 of cash on deposit with the Marin County Treasury.
- Accounts payable totaling \$17,291.
- Accrued expenses totaling \$25,863
- Compensated absences of \$18,174 and net pension liability of \$32,451.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. LAFCO had \$140,310 of unrestricted net position as of June 30, 2017.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized below.

Table 2
Changes in Governmental Net Position

	<u>2017</u>	<u>2016</u>
	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
<u>Expenses</u>		
Services and supplies	\$ 531,500	\$ 128,599
Total expenses	531,500	128,599
 <u>Revenues</u>		
Program revenues:		
Charges for services	25,512	29,658
Total program revenues	25,512	29,658
General revenues:		
Intergovernmental	469,161	387,529
Total general revenues	469,161	387,529
Total revenues	494,673	417,187
 <u>Change in net position</u>	\$ (36,827)	\$ 288,588

As Table 2 above shows, \$25,512 or 5% of LAFCO's fiscal year 2017 governmental revenue, came from program revenues and \$469,161 or 95%, came from general revenues such as contributions from local agencies.

Program revenues were composed of application and related fees of \$25,512.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

Capital Assets

LAFCO has no capital assets.

Debt Administration

LAFCO does not utilize long-term debt to fund operations or growth.

Marin Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Economic Outlook and Major Initiatives

Financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the various agencies served by LAFCO.

The economic condition of LAFCO as it appears on the balance sheet reflects financial stability. LAFCO will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

Contacting LAFCO's Financial Management

The basic financial statements are intended to provide citizens, taxpayers, and creditors with a general overview of LAFCO's finances. Questions about this report should be directed to Marin Local Agency Formation Commission, 1401 Los Gatos Drive, Suite 220, San Rafael, California 94903.

Marin Local Agency Formation Commission
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2017

	General	Adjustments (Note 9)	Statement of Net Position
<u>ASSETS</u>			
Cash and investments	\$ 187,129	\$ -	\$ 187,129
Total assets	\$ 187,129	-	187,129
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Deferred outflow of resources-pension	-	50,342	50,342
<u>LIABILITIES</u>			
Accounts payable	\$ 17,291	-	17,291
Accrued expenses	10,011	15,852	25,863
Long term liabilities:			
Compensated absences due in more than one year	-	18,174	18,174
Net pension liability	-	32,451	32,451
Total liabilities	27,302	66,477	93,779
<u>DEFERRED INFLOW OF RESOURCES</u>			
Deferred inflow of resources-pension	-	3,382	3,382
<u>FUND BALANCES/NET POSITION</u>			
Fund balances:			
Unassigned fund balance	159,827	(19,517)	140,310
Total fund balances	159,827	(19,517)	140,310
Total liabilities and fund balances	\$ 187,129		
Net position:			
Unrestricted		140,310	140,310
Total net position		\$ 140,310	\$ 140,310

The accompanying notes are an integral part of these financial statements.

Marin Local Agency Formation Commission
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the period ended June 30, 2017

	<u>General</u>	<u>Adjustments (Note 10)</u>	<u>Statement of Activities</u>
Expenditures/expenses:			
Services and supplies	\$ 486,852	\$ 44,648	\$ 531,500
Total expenditures/expenses	<u>486,852</u>	<u>44,648</u>	<u>531,500</u>
Program revenues:			
Charges for services	<u>25,512</u>	<u>-</u>	<u>25,512</u>
Net program expense			<u>(505,988)</u>
General revenues:			
Intergovernmental	<u>469,161</u>	<u>-</u>	<u>469,161</u>
Total general revenues and transfers	<u>469,161</u>	<u>-</u>	<u>469,161</u>
Excess (deficiency) of revenues and transfer in over (under) expenditures and transfers out	7,821	(7,821)	-
Changes in net position	<u>-</u>	<u>(36,827)</u>	<u>(36,827)</u>
Fund balance/Net position at beginning of period	<u>152,006</u>	<u>25,131</u>	<u>177,137</u>
Fund balance/Net position at end of period	<u>\$ 159,827</u>	<u>\$ (19,517)</u>	<u>\$ 140,310</u>

The accompanying notes are an integral part of these financial statements.

Marin Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - REPORTING ENTITY

A. Organization of LAFCO

Marin Local Agency Formation Commission (LAFCO) was formed in 1963. LAFCO is responsible for coordinating logical and timely changes in local government boundaries, conducting special studies that review ways to reorganize, simplify, and streamline governmental structure, and preparing a sphere of influence for each city and special district within its county. LAFCO's efforts are directed toward seeing that services are provided efficiently and economically while agricultural and open-space lands are protected. LAFCO also conducts service reviews to evaluate the provision of municipal services within its county.

B. Principles that Determine the Scope of Reporting Entity

LAFCO consists of seven voting members and exercises the powers allowed by state statutes. This follows section 56325 of the Government Code. The basic financial statements of LAFCO consist only of the funds of LAFCO. LAFCO has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by, or dependent on, LAFCO.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

LAFCO's basic financial statements are prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

LAFCO has chosen to present its basic financial statements using the reporting model for special purpose governments engaged in a single government program.

This model allows the fund financial statements and the government-wide statements to be combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements rather than at the bottom of the statements or in an accompanying schedule.

Government-wide Financial Statements

LAFCO's financial statements reflect only its own activities; it has no component units. The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through intergovernmental revenues and charges for services.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of LAFCO's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods and services offered by the program. Revenues that are not classified as program revenues, including all intergovernmental revenues, are presented as general revenues.

Marin Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (concluded)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. General Fund operations are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. LAFCO's resources are accounted for based on the purposes for which they are to be spent and the means by which spending activities are controlled. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of LAFCO or meets the following criteria: Total assets, liabilities, revenues or expenditures (or expenses) of the individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type. The General Fund is always a major fund.

Governmental Funds

General Fund: This is the operating fund of LAFCO. The major revenue source for this fund is intergovernmental revenues. Expenditures are made for intergovernmental revenues projects and administration.

B. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual* basis of accounting. Under this method, revenues are recognized when "measurable and available." LAFCO considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are intergovernmental, certain charges for services and interest revenue. Charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which LAFCO gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed.

LAFCO may fund programs with a combination of charges for services and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. LAFCO's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Marin Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

C. LAFCO Budget

Pursuant to Section 56381, et seq of the Government Code, LAFCO adopts a preliminary budget by May 1 and a final budget by June 15 of each year.

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Budget/actual comparisons in this report use this budgetary basis. These budgeted amounts are as originally adopted or as amended by LAFCO. Individual amendments were not material in relation to the original appropriations that were amended.

D. Property, Plant and Equipment

LAFCO currently has no fixed assets.

E. Compensated Absences

Compensated absences comprise unpaid vacation. Vacation and sick time are accrued as earned.

F. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, LAFCO recognizes deferred outflows and inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by LAFCO that is applicable to a future reporting period.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of LAFCO's Marin County Employees Retirement Association (MCERA) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by MCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 3 - CASH AND INVESTMENTS

LAFCO's cash is maintained with the Marin County Treasury in a non-interest-bearing account. LAFCO's cash on deposit with Marin County Treasury at June 30, 2017 was \$187,129.

Marin Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 - CASH AND INVESTMENTS (concluded)

Credit Risk, Carrying Amount and Market Value of Investments

LAFCO maintains specific cash deposits with Marin County. Marin County is restricted by state code in the types of investments it can make. Furthermore, the Marin County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. Also, Marin County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. In addition, LAFCO has its own investment policy as well.

Marin County's investment policy authorizes Marin County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2017, LAFCO's cash with the Marin County Treasurer was maintained in a non-interest-bearing account.

NOTE 4 - USE OF ESTIMATES

The basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those amounts.

NOTE 5 - CONTINGENCIES

LAFCO may be involved from time to time in various claims and litigation arising in the ordinary course of business. LAFCO management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters should not have a materially adverse effect on LAFCO's financial position or results of operations.

NOTE 6 - FUND EQUITY

The accompanying basic financial statements reflect certain changes that have been made with respect to the reporting of the components of Fund Balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of GASB Statement No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. In the fund financial statements, governmental fund balances are reported in the following classifications:

Nonspendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Commissioners serve as LAFCO's highest level of decision-making authority and have the authority to establish, modify or rescind a fund balance commitment via minutes action.

Marin Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 - FUND EQUITY (concluded)

Assigned fund balance includes amounts intended to be used by LAFCO for specific purposes, subject to change, as established either directly by the Commissioners or by management officials to whom assignment authority has been delegated by the Commissioners.

Unassigned fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, LAFCO specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, LAFCO's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

Net Position

Net Position is the excess of all LAFCO's assets over all its liabilities, regardless of fund. Net Position is divided into three captions under GASB Statement No. 34. These captions apply only to Net Position, which is determined only at the government-wide level, and are described below:

Invested in capital assets, net of related debt describes the portion of Net Position that is represented by the current net book value of LAFCO's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that LAFCO cannot unilaterally alter.

Unrestricted describes the portion of Net Position that is not restricted to use.

All of LAFCO's Net Position is unrestricted.

NOTE 7 - LAFCO'S EMPLOYEES' RETIREMENT PLAN

A. Plan Description

LAFCO's retirement plan is administered by the Marin County Employees' Retirement Association (MCERA), a retirement system established in July 1950 and governed by the California Constitution; the County Employees Retirement Law of 1937 (CERL or 1937 Act, California government Code Section 31450 et seq.); the Public Employees' Pension Reform Act of 2013 (PEPRA, Government Code Section 7522); the provisions of California Government Code Section 7500 et seq; and the bylaws, procedures, and policies adopted by MCERA's Board of Retirement. The Marin County Board of Supervisors may also adopt resolutions, as permitted by the CERL and PEPRA, which may affect the benefits of MCERA members.

Marin Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - LAFCO'S EMPLOYEES' RETIREMENT PLAN (continued)

A. Plan Description (concluded)

MCERA operates as a cost-sharing multiple employer defined benefit plan for the County and eight other participating employers: City of San Rafael, Local Agency Formation Commission (LAFCO), Marin City Community Services District, Marin County Superior Court, Marin/Sonoma Mosquito and Vector Control District, Novato Fire Protection District, Southern Marin Fire Protection District, and Tamalpais Community Services District. Separate actuarial valuations are performed for these other agencies and districts, and the responsibility for funding their plans rest with those entities. Post-retirement benefits are administered by MCERA to qualified retirees.

Copies of MCERA's annual financial reports, which include required supplementary information (RSI) for the Plan may be obtained from their office at One McInnis Parkway, Suite 100, San Rafael, CA 94903 or online at www.mcera.org.

Administration

Retirement system administration is managed by the Retirement Board. All Retirement Board members, except the County Director of Finance, serve for a term of three years. By statute, retirement Board members include the following:

- The Director of Finance of the County (ex-officio)
- Four members who are qualified electors of the County and not connected with County government in any capacity, except one may be a County Supervisor. The Board of Supervisor appoints these members.
- Two General members of MCERA elected by the General membership.
- One Safety member and one Safety member alternative elected by the Safety membership.
- One retired member and one retired member alternate elected by the retired membership.

Membership

MCERA provides service retirement, disability, and death and survivor benefits to its general and safety members. Safety membership primarily includes law enforcement and firefighters of MCERA, as well as other classifications as allowed under the CERL and adopted by the employer. General membership is applicable to all other occupational classifications. The retirement benefits within the plan are tiered based on the participating employer and the date of the member's entry into MCERA membership

Vesting

Members become vested in retirement benefits upon completion of five years of credited service.

B. Benefit Provisions

Service Retirement

MCERA's service retirement benefits are based on the years of credited service, final average compensation, and age at retirement, according to the applicable statutory formula. Members who qualify for service retirement are entitled to receive monthly retirement benefits for life.

Marin Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - LAFCO'S EMPLOYEES' RETIREMENT PLAN (continued)

B. Benefit Provisions (continued)

General members hired prior to January 1, 2013 are eligible to retire once they attain the age of 50 (except tiers 3a and 4, whereby the minimum age is 55) and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. A member who is age 70 or older is eligible to retire regardless of service credit. General members who are first hired on or after January 1, 2013 are eligible to retire once they have attained the age of 52, and have acquired 5 years of retirement service credit, or age 70, regardless of service.

Disability Retirement

A member with five years of service, regardless of age, who becomes permanently incapacitated for the performance of duty is eligible to apply for a non-service connected disability retirement. Any member who becomes permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment is eligible to apply for a service-connected disability retirement, regardless of service length or age.

Death Benefits

MCERA provides specified death benefits to beneficiaries and members' survivors. The death benefits provided depend on whether the member is active or retired.

The basic active member death benefit consists of a members' retirement contributions plus interest plus one month's pay for each full year of service (up to a maximum of six month's pay). Retiring members may choose from five retirement benefit payment options. Most retirees elect to receive the unmodified allowance which provides the maximum benefit to the retiree and continuance of 60% of the retiree's allowance to the surviving spouse or registered domestic partner after the retiree's death. Other death benefits may be available based on the years of service, marital status, and whether the member has minor children.

Cost of Living Adjustment

Retirement allowances are indexed for inflation. Most retirees receive automatic basic cost of living adjustments (COLA's) based upon the Urban Consumer Price Index (UCPI) for the San Francisco Bay Area. These adjustments go into effect on April 1 of each year. Annual COLA increases are statutorily capped at 2%, 3%, or 4% depending upon the member's retirement tier. When the UCPI exceeds the maximum statutory COLA for the member's tier, the difference is accumulated for use in future years when the UCPI is less than the maximum statutory COLA. The accumulated percentage carryover is known as the COLA Bank.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for the Plan were as follows:

Employer Contributions:	\$ 6,195
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As of June 30, 2017, LAFCO's reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous Plan as follows:

Marin Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 7 - LAFCO'S EMPLOYEES' RETIREMENT PLAN (continued)

B. Benefit Provisions (continued)

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ <u>32,451</u>
Total Net Pension Liability	\$ <u>32,451</u>

LAFCO's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. LAFCO's proportion of the net pension liability was based on a projection of LAFCO's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. LAFCO's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

<u>LAFCO Miscellaneous Plan</u>	
Proportion - June 30, 2015	.0021%
Proportion - June 30, 2016	.0088%
Change – Increase (Decrease)	.0067%

For the year ended June 30, 2017, LAFCO recognized pension expense of \$40,177. At June 30, 2017, LAFCO reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 47,157	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	3,185	-
Net differences between projected and actual earnings on plan investments	-	3,382
Total	\$ 50,342	\$ 3,382

\$47,157 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Marin Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 7 - LAFCO'S EMPLOYEES' RETIREMENT PLAN (continued)

B. Benefit Provisions (concluded)

<u>Year Ended June 30</u>	<u>Inflows</u>
2018	\$ (27,333)
2019	35,161
2020	16,530
2021	(1,712)
Thereafter	-

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

Actuarial Assumptions - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date:	June 30, 2016 (to determine FY 2016-17 contributions)
Timing:	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	5-year smoothed market, 80% / 120% corridor around market
Amortization Method:	Level percentage of payroll (17 years remaining as of 6/30/12) with separate periods for Extraordinary Actuarial Gains or Losses (27 years as of 6/30/12)
Discount Rate	7.25%
Price Inflation:	2.75%
Salary Increases:	3.00% plus merit component based on employee classification and years of service
Administrative Expenses:	Administrative expenses in the actuarial valuation are assumed to be \$4.774 million for FY2016-17, to be split between employees and employers based on their share of the overall contributions. Administrative expenses shown in this report are based on the actual FY2016-17 amounts.
Postretirement COLA:	Post retirement COLAs are assumed at the rate of 2.7% for members with a 4% COLA cap, 2.6% for members with a 3% COLA cap, and 1.9% for members with a 2% COLA cap.
Mortality Rates for Healthy Members and Inactives:	Rates of mortality for active Members are specified by CalPERS 2014 Pre-Retirement Non-Industrial Death rates (plus Duty-Related Death rates for Safety Members), with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2009 using Scale MP-2014.

A complete description of the methods and assumptions used to determine contribution rates for the year ended June 30, 2017 can be found in the June 30, 2017 actuarial report.

Discount Rate - The discount rate used to measure the total pension liability was 7.25% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions intended to fund benefits of current plan members and their beneficiaries are included.

Marin Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 7 - LAFCO'S EMPLOYEES' RETIREMENT PLAN (concluded)

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (concluded)

Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	32.0%	5.35%
Fixed Income	23.0%	0.75%
International Equity	22.0%	5.55%
Private Equity	8.0%	6.25%
Real Estate	<u>15.0%</u>	7.55%
Total	<u>100.0%</u>	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents LAFCO's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what LAFCO's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.25%
Net Pension Liability	\$63,552
Current Discount Rate	7.25%
Net Pension Liability	\$32,451
1% Increase	8.25%
Net Pension Liability	\$6,867

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MCERA financial reports.

Marin Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT (OPEB)

Plan Description

The Commission provides a defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides lifetime healthcare insurance for eligible retirees through the CaIPERS Health Benefit Program, which covers both active and retired members.

For retirees hired between October 1, 1993 and December 31, 2007 (Plan 3), LAFCO would pay a percentage of retirees' single-coverage premiums up to a dollar cap based on years of service at retirement, where the dollar cap is reviewed each year by the Board of Supervisors. Through January 1, 2007 the cap was increased to cover single Blue Cross Prudent Buyer Classic and Delta Dental premiums. The Board of Supervisors has implemented a policy to limit annual increases in the cap to no more than 3%, subject to annual approval regarding whether any increase will be granted and, if so, the amount of the increase. Cap increases were 3% effective January 1, 2008 and January 1, 2009. No cap increases have been adopted since that time. The dollar cap is currently \$442.65 per year of service up to \$8,853 per year.

For retirees hired on or after January 1, 2008 (Plan 4), LAFCO would pay \$150 per year of service up to \$3,000 per year for the retiree's single health plan premiums only.

Funding Policy

The Commission's Board of Directors has funded the plan based on the annual required contribution in the current year. The Board will review the funding requirements and policy annually.

Annual OPEB Cost and Net OPEB Obligation

The Commission's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Commission has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table shows the components of the Commission's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:

	2017	2016
Annual Required Contributions	\$ 15,615	\$ 15,615
Interest on Net OPEB Obligation/(Asset)	844	844
Adjustment to Annual Required Contributions	<u>(760)</u>	<u>(760)</u>
Annual OPEB cost (expense)	15,699	15,699
Contributions made	<u>(15,320)</u>	<u>(13,481)</u>
Increase in Net OPEB Obligation/(Asset)	379	2,218
Net OPEB Obligation/(Asset) – beginning of year	<u>15,473</u>	<u>13,255</u>
Net OPEB Obligation/(Asset) – end of year	<u>\$ 15,852</u>	<u>\$ 15,473</u>

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current fiscal year is as follows:

Marin Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) (continued)

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	\$ 17,700	\$ -	-	\$ 17,700
6/30/14	\$ 13,200	\$ 5,947	45%	\$ 24,953
6/30/15	\$ 13,200	\$ 24,898	189%	\$ 13,255
6/30/16	\$ 15,699	\$ 13,481	86%	\$ 15,473
6/30/17	\$ 15,699	\$ 15,320	98%	\$ 15,852

Funding Status and Funding Progress

As of July 1, 2015, the actuarial accrued liability (AAL) for benefits was \$132,725, of which \$19,339 is funded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer is subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees — Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 64, or at the first subsequent year in which the member would qualify for benefits.

Mortality — Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website (www.cdc.gov). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.

Turnover — The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific age-based turnover data provided in Table 1 in paragraph 35 of GASB Statement No. 45. In addition the expected future working lifetimes of employees were determined using Table 2 in paragraph 35c of GASB Statement No. 45.

Healthcare cost trend rate — Healthcare cost trend rates were selected based on a combination of national and state trend surveys as well as professional judgment. We assumed the ultimate trend rate to be 4%.

Marin Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) (concluded)

Health insurance premiums — 2015 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid. An employee is assumed to continue with the same medical plan upon retirement. If an employee waived medical coverage, then such waiver is assumed to continue into retirement.

Medicare Coordination — Medicare was assumed as the primary payer for current and future retirees at age 64.

Payroll increase — Changes in the payroll for current employees are expected to increase at a rate of approximately 2.0% annually.

Discount rate — The calculation uses an annual discount rate of 6.37%. This is based on the assumed long-term return on plan assets or employer assets.

Actuarial cost method — The entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

Plan for Funding

On an ongoing basis, the Commission will be reviewing its assumptions, comparing them against actual experience and recalculating the needed funding with the goal of paying for postemployment benefits out of interest earned on designated funds.

NOTE 9 - RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET WITH THE STATEMENT OF NET POSITION

Reconciling adjustments are as follows:

Non-current portion of compensated absences	\$ (18,174)
Other post-employment benefits	(15,852)
Deferred outflows	50,342
Deferred inflows	(3,382)
Net pension liability	(32,451)
Total fund balances – governmental funds	159,827
Net position of governmental activities	\$ 140,310

NOTE 10 - RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES

Reconciling adjustments are as follows:

Net change in fund balance – total governmental funds	\$ 7,821
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The amounts below included in the statement of activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):

Compensated absences	952
Other post-employment benefits	(379)
Pension expense	(45,221)
Change in net position of governmental activities	\$ (36,827)

REQUIRED SUPPLEMENTARY INFORMATION

Marin Local Agency Formation Commission
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

Required Supplemental Information
 Budget and Actual
 General Fund (Unaudited)
 For the period ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Intergovernmental	\$ 470,362	\$ 470,362	\$ 469,161	\$ (1,201)
Charges for services	<u>31,500</u>	<u>31,500</u>	<u>25,512</u>	<u>(5,988)</u>
Total revenue	<u>501,862</u>	<u>501,862</u>	<u>494,673</u>	<u>(7,189)</u>
Expenditures:				
Salaries and benefits	345,716	345,716	317,936	27,780
Services and supplies	<u>181,146</u>	<u>181,146</u>	<u>168,916</u>	<u>12,230</u>
Total expenditures	<u>526,862</u>	<u>526,862</u>	<u>486,852</u>	<u>40,010</u>
Excess (deficit) of revenue over expenditures	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	7,821	<u>\$ 32,821</u>
Fund balance, beginning of period			<u>152,006</u>	
Fund balance, end of period			<u>\$ 159,827</u>	

The accompanying notes are an integral part of these basic financial statements.

Marin Local Agency Formation Commission

As of June 30, 2017

Last 10 Years

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Schedule of the Proportionate Share

of the Net Pension Liability	2017	2016	2015
Proportion of the net pension liability	.0088%	0.00%	0.00%
Proportionate share of the net pension liability	\$ 32,451	\$ -	\$ 185,355
Covered - employee payroll	\$ 189,540	\$ 173,394	\$ 192,619
Proportionate share of the net pension liability as a percentage of covered-employee payroll	17%	0%	96%
Plan fiduciary net position as a percentage of the total pension liability	86.3%	84.3%	89.0%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Marin Local Agency Formation Commission

As of June 30, 2017

Last 10 Years

SCHEDULE OF CONTRIBUTIONS

<u>SCHEDULE OF CONTRIBUTIONS</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 6,195	\$ 48,485	\$ 43,313
Contributions in relation to the actuarially determined contributions	<u>(6,195)</u>	<u>(48,485)</u>	<u>(43,313)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll during the fiscal year	 \$ 189,540	 \$ 173,394	 \$ 192,619
Contributions as a percentage of covered-employee payroll	3.27%	27.96%	22.49%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Marin Local Agency Formation Commission
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
 Required Supplementary Information

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2017, was as follows:

Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability	(C) Unfunded Liability (Excess Assets) [(B)-(A)]	(D) Funded Ratio [(A)/(B)]	(E) Annual Covered Payroll	(F) UAAL as a % of Payroll {[(B)-(A)]/(E)}
7/1/12	-	\$ 120,400	\$ (120,400)	0%	\$ 174,200	69%
7/1/13	-	\$ 134,300	\$ (134,300)	0%	\$ 176,200	76%
7/1/15	\$ 19,339	\$ 132,725	\$ 113,386	15%	\$ 254,700	45%

NOTE 1 - SCHEDULE DESCRIPTION

Marin Local Agency Formation Commission sponsors a defined benefit postemployment healthcare plan (the Plan) to subsidize healthcare benefits to eligible retired employees. The above schedule presents information about the funded status for the Plan's two actuarial valuations.

NOTE 2 - ACTUARIAL VALUATIONS

Actuarial valuations of an on-going plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contribution of LAFCO are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Information regarding the actuarial methods and assumptions for the July 1, 2015 actuarial valuation can be found in Note 8 of the basic financial statements.

**MARIN LOCAL AGENCY
FORMATION COMMISSION**

BOARD OF COMMISSIONERS & MANAGEMENT REPORT

**For the Year Ended
JUNE 30, 2017**

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R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Commissioners
Marin Local Agency Formation Commission
San Rafael, California

In planning and performing our audit of the basic financial statements of Marin Local Agency Formation Commission (LAFCO) for the fiscal year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of Marin Local Agency Formation Commission's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. We will review the status of these comments during our next engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist Marin Local Agency Formation Commission in implementing the recommendations.

This report is intended solely for the information and use of management, the Commissioners, and officials of the federal and state grantor agencies and should not be used by anyone other than these specified parties.

We thank Marin Local Agency Formation Commission's staff for its cooperation during our audit.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
May 30, 2018

Commissioners
Marin Local Agency Formation Commission
San Rafael, California

We have audited the basic financial statements of the Marin Local Agency Formation Commission (LAFCO) for the year ended June 30, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 22, 2017, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of LAFCO. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by LAFCO are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by LAFCO during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The most sensitive estimate(s) affecting the financial statements were:

- Accrual and disclosure of compensated absences;
- Calculation of unearned revenue;
- Pension plan and post employment benefit actuarial computations;
- Fair value of investments and financial instruments.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Of the accounting adjustments detected as a result of audit procedures and corrected by management none were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 22, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to LAFCO's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as LAFCO's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and the Budgetary Comparison Schedule for the General Fund, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This report is intended solely for the information and use of management and the Board of Commissioners of Marin Local Agency Formation Commission and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Marin Local Agency Formation Commission
BOARD OF COMMISSIONERS & MANAGEMENT REPORT
For the Year Ended June 30, 2017

Current Year Observation

1) Wells Fargo Checking

Observation:

During the course of our audit it was noted the Wells Fargo Checking account reconciliation had a \$659 irreconcilable difference at June 30, 2017.

Recommendation:

The difference is immaterial to the financial statements but future reconciliations should be monitored for an increase in the amount noted above.

Prior Year Observations

1) Written Accounting, Administrative and Fraud Procedures Manual

Observation:

During the course of our audit it was noted that Marin Local Agency Formation Commission (LAFCO) does not have a formal accounting, administrative and fraud prevention procedures manual. This manual would document LAFCO's internal controls to safeguard assets and accounting records. This manual would also note LAFCO's policies regarding prevention, detection and deterrence of fraud and would serve as a training guide for new employees.

Recommendation:

We recommended LAFCO develop and maintain an up to date accounting, administrative policies and procedures manual.

Status:

This recommendation has not been implemented.

2) Payroll Tax Return Reconciliation

Observation:

During the course of our audit it was noted that LAFCO does not reconcile the salaries and payroll tax amounts on the quarterly payroll tax returns to the general ledger.

Recommendation:

We recommended LAFCO reconcile the quarterly payroll tax returns to the general ledger on a quarterly basis.

Status:

This recommendation has not been implemented.



Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

AGENDA REPORT

August 9, 2018

Item No. 4 (Consent)

TO: Local Agency Formation Commission

FROM: Jason Fried, Interim Executive Officer

SUBJECT: **Ratify Response to Civil Grand Jury Report – “Consolidation of Sanitation Districts”**
2017-2018 Marin County Civil Grand Jury issued a report in April 2018 on the consolidation of sanitation districts and requested Marin LAFCo respond to one of its recommendations.

Background

The Marin County Civil Grand Jury (CGJ) issued a report in April 2018 entitled, “*Consolidation of Sanitation Districts.*” This report had ten findings and four recommendations, of which Marin LAFCo (LAFCo) was requested to respond to Recommendation 1 (R1):

“R1. Marin LAFCO should complete the planned reorganization of Murray Park Sewer Maintenance District and San Quentin Village Sewer Maintenance District with Ross Valley Sanitary District.”

CGJ gave LAFCo until July 14th to respond. Chair McEntee worked with staff and legal counsel to submit a response on behalf of the Commission. Attached is the July 10th response to CGJ R1. The goal of this response was to let the CGJ know that there are several different ways the Commission could approach this matter and that the Commission would hold a hearing on this subject later this year. In order to comply with the Civil Grand Jury request, the Chair has included an agenda topic that pertains to this matter later in the agenda.

The Grand Jury Report mentioned Marin LAFCo in three other areas however, we were not requested to respond to the subject matter:

“R2. Central Marin Sanitation Agency (JPA), Sanitary District #1 (Ross Valley), Sanitary District #2 (Corte Madera), and the San Rafael Sanitary District should reorganize into a single sanitary/sanitation district. Each entity should complete a reorganization application with Marin LAFCo by 9/30/2018 and announce this action on the agenda of the next board meeting for public involvement.”

Administrative Office

Jason Fried, Interim Executive Officer
1401 Los Gatos Drive, Suite 220
San Rafael, California 94903
T: 415-448-5877 E: staff@marinlafco.org

Damon Connolly, Regular
County of Marin

Dennis J. Rodoni, Regular
County of Marin

Judy Arnold, Alternate
County of Marin

Sashi McEntee, Chair
City of Mill Valley

Sloan Bailey
Town of Corte Madera

Matthew Brown, Alternate
City of San Anselmo

Craig K. Murray, Vice Chair
Las Gallinas Valley Sanitary

Jack Baker, Regular
North Marin Water District

Lew Kious, Alternate
Almonte Sanitary District

Jeffrey Blanchfield, Regular
Public Member

Chris Skelton, Alternate
Public Member

“R3. Sewerage Agency of Southern Marin (JPA), Almonte Sanitary District, Alto Sanitary District, Richardson Bay Sanitary District, Homestead Valley Sanitary District, Public Works Department of the City of Mill Valley, and Tamalpais Community Services District should reorganize into a single sanitary/sanitation district. Each entity should initiate a reorganization application with Marin LAFCO and announce this action on the agenda of the next board meeting for public involvement.”

“R4. The County of Marin should allocate additional funds to Marin LAFCO.”

Should any of the responsible agency take action on these matters staff will inform the Commission.

Staff Recommendation for Action

- 1) Staff recommends that we accept and file the letter submitted by Chair McEntee to the Marin County Civil Grand Jury.

Procedures for Consideration

This item has been placed on the agenda as part of the consent calendar. Accordingly, a successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation as provided unless otherwise specified by the Commission.

Attachment:

- 1) Letter to Marin County Civil Grand Jury
- 2) Marin County Civil Grand Jury Report – Consolidation of Sanitation Districts

AGENCY RESPONSE TO GRAND JURY REPORT

Report Title: **Consolidation of Sanitation Districts**

Report Date: **April 13, 2018**

Response Date: **July 10, 2018**

Agency Name: **Marin LAFCo**

Agenda Date: **August 9, 2018**

Response by: **Jason Fried**

Title: **Interim Executive Officer**

FINDINGS

- I (we) agree with the findings numbered: **N/A**
- I (we) disagree *partially* with the findings numbered: **N/A**
- I (we) disagree *wholly* with the findings numbered: **N/A**

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

RECOMMENDATIONS

- Recommendations numbered **N/A** have been implemented.
(Attach a summary describing the implemented actions.)
- Recommendations numbered **N/A** have not yet been implemented, but will be implemented in the future.
(Attach a timeframe for the implementation.)
- Recommendations numbered **1** 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 **N/A** will not be implemented because they are not warranted or are not reasonable.
(Attach an explanation.)

Date: _____ Signed: _____

Number of pages attached 2



Marin Local Agency Formation Commission
Regional Service Planning | Subdivision of the State of California

July 10, 2018

Honorable Judge Paul Haakenson
Marin County Superior Court
Post Office Box 4988
San Rafael, California 94913-4988

Ron Brown, Foreperson
Marin County Grand Jury
3501 Civic Center Drive, Room 275
San Rafael, California 94903

SUBJECT: Response to 2017-2018 Grand Jury Report "Consolidation of Sanitation Districts"

Honorable Judge Haakenson and Foreperson Brown:

Attached is the requested response from the Marin Local Agency Formation Commission (Marin LAFCo) regarding Recommendation 1 of the referenced report. The response to the report's recommendations was approved by the Commission Chair will be presented for ratification by the full Commission on August 9, 2018.

In addition, it should be noted that our Executive Officer left last September, and last month our Administrative Analyst, who had been acting as Interim Executive Officer, left as well. Marin LAFCo has brought on outside consultant to serve as Interim Executive Officer. During this transition, we are short-staffed, and our current approved work plan and study schedule will need to be adjusted until we are fully staffed. We ask for your patience during this transition period.

Marin LAFCo appreciates the work of the Grand Jury and its ongoing and demonstrated commitment to address matters of mutual interest to our respective bodies, specifically accountable and efficient local government. We look forward to continuing to partner in these matters of mutual interests going forward.

Sincerely,

Sashi McEntee
Chair, Marin LAFCo

CC: Jason Fried, Interim Executive Officer

Administrative Office

Jason Fried, Interim Executive Officer
1401 Los Gatos Drive, Suite 220
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City of San Anselmo

Jack Baker, Regular
North Marin Water District

Craig K. Murray, Regular
Las Gallinas Valley Sanitary

Lew Kiou, Alternate
Almonte Sanitary District

Jeffrey Blanchfield, Chair
Public Member

Chris Skelton, Alternate
Public Member

Attachment 1

Per page 14, Marin LAFCo is required to respond to Recommendation R1:

“R1. Marin LAFCO should complete the planned reorganization of Murray Park Sewer Maintenance District and San Quentin Village Sewer Maintenance District with Ross Valley Sanitary District.”

The Marin Local Agency Formation Commission (Marin LAFCo) must follow state laws, primarily the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH). CKH includes regulating and planning the orderly formation, expansion, and consolidation of local government agencies and their municipal service areas based on local conditions and circumstances (Government Code §56001). In addition, based on Marin LAFCo policy (per section 4.1.B - Types of Change of Organization Proposals), there are three ways that this recommendation could be performed: dissolution, consolidation, or merger.

On August 10, 2017 Marin LAFCo passed resolution 17-06 approving the Municipal Service Review (MSR) for Central Marin Wastewater Services, which included review of the three agencies in this recommendation. Exhibit A, subsection 6(f) of Resolution 17-06 stated:

“Two separate governance alternatives appear readily merited to improve local accountability and service efficiencies in Central Marin. This involves immediately proceeding with reorganizations to dissolve MPSMD and SQVSMD and concurrently place their respective service areas in RVSD by annexation or consolidation. These reorganizations would eliminate two dependent special districts governed by the County of Marin subject and inhibited therein to antiquated statutes in favor of recognizing RVSD as the preferred and more capable service provider going forward.”

Following the MSR, there are different paths that Marin LAFCo could take to do this type of action. For simplification purposes, they fall into two general types. The first and more streamlined method would be for three impacted districts to jointly initiate and provide support for a consolidation. Pursuant to CKH (Government Code §56853), if all districts proposing a consolidation adopt substantially similar resolutions of application, the Commission shall approve the proposal. It should be noted that while CKH limits the Commission’s authority to deny consolidations, it still provides the Commission discretion to impose terms and conditions to mitigate issues that have been raised while processing the application and conducting the public hearing. This, in many ways, would be the quickest way for reorganization to occur.

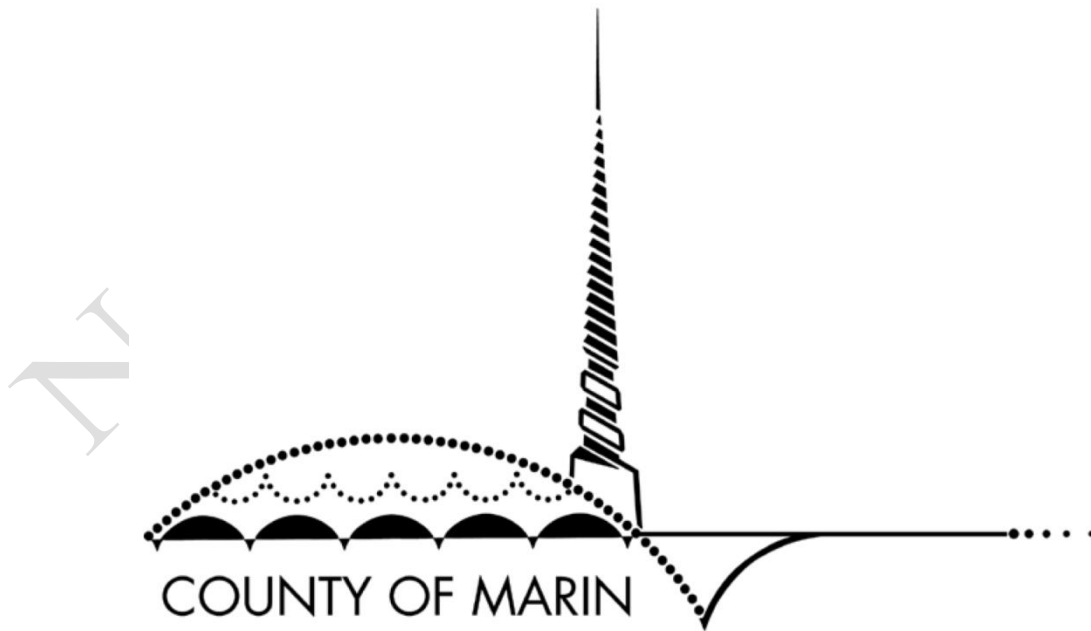
The second method, if one or more of the districts do not wish to be part of the reorganization, would allow Marin LAFCo to start the process, with authority given under Government Code §56821. There are additional steps to the process that would need to be done beyond what needs to be done in addition to the above process, which would add additional time to the length of the process.

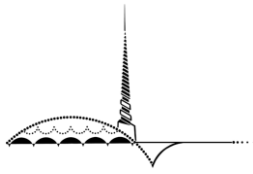
Should Marin LAFCo start this process, either by request (Government Code §56853) or by initiating the process itself (Government Code §56821), both processes will take longer than six months to accomplish. The Commission will consider this matter at a public hearing before the end of the current year.

Consolidation of Sanitation Districts

Report Date: April 13, 2018

Public Release Date: April 20, 2018





Consolidation of Sanitation Districts

SUMMARY

Marin residents support an unusually high number of special districts. These local government entities, such as police, fire and sanitation districts, serve residents daily and are funded through fees and taxes. Each district is governed by a board of directors that decides how money is budgeted and spent. These boards are accountable only to the voters yet public oversight is largely missing. Some Marin districts have responded to budget tightening by sharing resources that led to consolidations, while other districts have responded by increasing their budgets and raising fees. This report examines the merits of consolidating special districts, why certain attempts have succeeded where others have failed, and what path forward is in the best interest of the residents of Marin.

The creation of a high number of special districts in Marin was not by design. It developed over time without a master plan as areas that were once isolated rural communities developed their own services. Today these communities have become connected neighborhoods that are still served by a patchwork of districts.

Consolidation has been recommended repeatedly, most recently in two studies published in 2017. A local Marin study recommends specific sanitary district consolidations.¹ A report by the Little Hoover Commission asks that the State of California remove barriers to district consolidations.² This is not a new idea. A decade earlier an independent consulting firm hired to study the issue by Central Marin Sanitation Agency, Joint Powers Authority (CMSA, JPA) and its member sanitation districts recommended consolidation.³ These studies describe decreased costs, increased efficiency and the use of best practices as benefits.

Several examples exist of successful consolidations in Marin, motivated by budget concerns and cost savings. A police consolidation in central Marin has demonstrated substantial cost savings and fire districts in southern Marin are currently collaborating with the end goal of consolidation.

For decades, attempts to combine sanitary districts have been unsuccessful. We examine why, including the differences in funding schemes, the fear of losing local control, and the lack of oversight.

Increasingly, special districts will be required to respond to climate change challenges, such as sea level rise and increased wildfire risk due to drought. Specific to sanitation, the use of gravity in wastewater systems results in sanitation facilities being located at the lowest elevation, thereby

¹ [“Central Marin Wastewater Services Study.”](#) *Marin LAFCO.*

² [“Special Districts: Improving Oversight & Transparency.”](#) *The Little Hoover Commission.*

³ [“Central Marin Regionalization Scenarios Evaluation,”](#) *Red Oak Consulting.*

exposing them to rising sea levels. Large capital expenditures will be required as Federal and State funds diminish. Consolidated districts will be better able to prepare for these scenarios.

This report discusses the consolidation process itself. The path to move from separate districts to one consolidated district is complex and requires months or years of increased cooperation. It begins with shared service agreements, proceeding to formal contracts and finally consolidation.

BACKGROUND

Marin's Early History Led to a Large Number of Special Districts

The North Pacific Coast Railway was completed in 1875 and some of the large tracts of land in central Marin were subdivided to meet the new demand for homeownership. At that time the county was sparsely populated with small towns along the railway line. Soon the increase in population, combined with failing septic tank systems and poor water quality issues, made improvements necessary.

Consequently, an election was held in 1899 and what would later become the first special district in Marin, Sanitary District Number 1, was formed. Today it is also known as the Ross Valley Sanitary District (RVSD). RVSD brought together the communities of Ross, Kentfield, San Anselmo and Fairfax to solve mutual sanitation problems.⁴

Before the Golden Gate Bridge was completed in 1937, Marin was accessible to the growing San Francisco population only by ferries, resulting in modest growth. The access created by the bridge spurred growth in both primary and vacation homes. World War II brought an increasing number of defense industry workers, many of whom remained in Marin. Small special districts proliferated to serve isolated rural communities. Rapid growth of new residents in the 1950s resulted in further proliferation of special districts. (See Appendix C for a map of current sanitation districts.)

In 2018 our communities are no longer isolated but most of the special districts remain. A few districts have already formally merged while others contract with neighboring districts to provide mandated services, such as sanitation or water, a crucial step in the consolidation process.

⁴ [Ross Valley Sanitary District.](#)

APPROACH

The Grand Jury reviewed the complete list of Marin County special districts compiled by the 2013-14 Marin County Civil Grand Jury report, “What Are Special Districts and Why Do They Matter?”⁵ Previously there was no centralized database of all separate political entities within Marin. For the purpose of this study, we will focus on 63 special districts and Joint Powers Authorities (JPAs), which contain studied districts. (Please see the glossary for a definition of JPA and Appendix A for the list of districts.)

- The majority of studied districts are police, fire and sanitation districts.
- Transportation and open space districts were excluded because they are countywide.
- School districts are special districts but were excluded because they were considered to be beyond the scope of this investigation.
- Cities and towns were excluded, however, dependent districts and some departments within cities and towns are considered.

The Jury examined documents including the districts’ audited financial statements, public reports and records, including:

- “Special Districts: Improving Oversight & Transparency.”⁶
- “Central Marin Wastewater Services Study.”⁷
- “Central Marin Regionalization Scenarios Evaluation.”⁸
- “It’s Time to Draw the Line, A Citizen’s Guide to LAFCOs California’s Local Agency Formation Commissions.”⁹
- “What’s So Special About Special Districts? A Citizen’s Guide to Special Districts in California.”¹⁰
- “Special Districts: The Threat of Consolidation and How to Stop It.”¹¹
- “Understanding Proposition 218.”¹²
- “What Are Special Districts and Why Do They Matter?”¹³

The jury interviewed representatives from:

- Marin municipalities and towns.
- County administrator’s office.
- Legal expert for special districts.
- Marin LAFCO.
- Marin JPAs.
- Marin special districts.

The jury toured the Central Marin Sanitation Agency waste treatment facility.

⁵ [“What Are Special Districts and Why Do They Matter?”](#) 2013/2014 Marin County Civil Grand Jury.

⁶ [“Special Districts: Improving Oversight & Transparency.”](#) The Little Hoover Commission.

⁷ [“Central Marin Wastewater Services Study.”](#) Marin LAFCO.

⁸ [“Central Marin Regionalization Scenarios Evaluation.”](#) Red Oak Consulting for CMSA.

⁹ Tami Bui and Bill Ihrke [“It’s Time to Draw the Line A Citizen’s Guide to LAFCOs California’s Local Agency Formation Commissions.”](#) Senate Committee on Local Government.

¹⁰ [“What’s so special about Special Districts? A Citizen’s Guide to Special Districts in California”](#) (4th edition) Senate Local Government Committee.

¹¹ Adam Probolsky [“Special Districts: The Threat of Consolidation and How to Stop It”](#) PUBLICCEO, June 8, 2015.

¹² [“Understanding Proposition 218”](#) Legislative Analyst’s Office, December 1996.

¹³ [Ibid](#)

DISCUSSION

As stated in the introduction, the high number of special districts in Marin is not by design but rather an accident of our history. Several groups have examined the issue and recommended consolidation as the remedy. This report discusses in detail three studies, two published within the past year. The third study and the discussion that follows are focused on sanitation districts and their repeated failures to consolidate. Some consolidations have succeeded in Marin and they are commonplace elsewhere. Finally, the Grand Jury will explain the complicated consolidation process and what actions are in the best interest of Marin.

In 2017, a study conducted by the Little Hoover Commission¹⁴ recommended legislation to remove barriers to special district consolidations, and an unrelated study by Marin LAFCO¹⁵ recommended specific consolidations meriting immediate initiation.

Both of these studies identified the following issues:

- Districts need to prepare for the effects of climate change, including floods, sea level rise, drought, and an increased risk of wildfire.
- Districts should cooperate and combine resources in order to prepare adequately for these events. Fire and police leaders are cooperating in this manner but sanitation districts are not, yet wastewater services are affected by sea level rise and drought more than any other municipal service.
- Decreased redundancy of operations can reduce costs. For example, one administration department supporting one board of directors should cost less than several administration offices each with a board of directors. The increased standardization of policies and practices across similar spheres of influence and the use of best practices will improve service and operations.

In 2005, the Central Marin Sanitation Agency, JPA, and its member districts (Sanitary District #1, Sanitary District #2, San Rafael Sanitary District, and City of Larkspur) commissioned a report titled “Central Marin Regionalization Scenarios Evaluation.”¹⁶ The examiners rejected scenarios in which no consolidations were considered. Instead, they strongly recommended total consolidation of the JPA and its component districts into a single district. Three districts and the JPA agreed to consolidate but the board of RVSD declined and the agreement failed.

Special Districts: Improving Oversight and Transparency The Little Hoover Commission

In 2016 and 2017, the Little Hoover Commission analyzed 2,071 of California’s independent special districts and reviewed the state’s role and responsibility in overseeing them. The August

¹⁴ [“Special Districts: Improving Oversight & Transparency.”](#) *The Little Hoover Commission.*

¹⁵ [“Central Marin Wastewater Services Study.”](#) *Marin LAFCO.*

¹⁶ [“Central Marin Regionalization Scenarios Evaluation.”](#) *Red Oak Consulting.*

2017 “Special Districts: Improving Oversight and Transparency”¹⁷ report delved into four primary areas of concern for special districts.

Recommendations included:

- The State of California should simplify and create consistency in the special district consolidation process.
- Oversight of special districts should be improved, specifically, opportunities to bolster the effectiveness of LAFCO.
- The continued need for districts to improve transparency and public engagement.
- The urgency of climate change adaptation in California and the front-line roles that special districts, particularly water, wastewater treatment and flood control districts, play in preparing their communities and defending them from harm.

Central Marin Wastewater Services Study **Marin LAFCO**

In July 2017, Marin LAFCO published the results of the wastewater services review that included recommending consolidations of sanitation districts

One of the three stated objectives of the study is to “... serve as the source document to initiate one or more government reorganizations, such as special district formations, consolidations, and/or dissolutions.” The Grand Jury agrees with several conclusions and recommendations.

Conclusions of the Central Marin Wastewater Services Study included:

- Reorganize Murray Park Sewer Maintenance District (MPSMD) and San Quentin Village Sewer Maintenance District (SQVSMD), two county dependent districts with areas of 0.1 and 0.01 sq. miles respectively, so that both districts are absorbed by Ross Valley Sanitary District (RSVD) with an area of over 26 sq. miles.
 - Conclusion No. 5 of Study: These reorganizations would eliminate two dependent special districts governed by the County of Marin and operating under antiquated statutes in favor of recognizing RVSD as the preferred and more capable service provider going forward.¹⁸
- Explore regional reorganization and consolidation of agencies to align with the Ross Valley watershed and San Rafael Creek watershed.
 - Conclusion No. 6 of Study: Additional Merit to Explore Regional Consolidation. Information collected and analyzed in this study provides sufficient merit for the Commission to further evaluate options to reorganize and consolidate public wastewater services in Central Marin and most pertinently among agencies in the Ross Valley watershed (RVSD, Corte Madera - Sanitary District #2,¹⁹ MPSMD) and San Rafael

¹⁷ [“Special Districts: Improving Oversight and Transparency”](#) California LAFCO

¹⁸ [“Central Marin Wastewater Services Study”](#) Marin LAFCO, pg.29

¹⁹ [Corte Madera - Sanitary District #2](#). Town of Corte Madera.

Creek watershed (San Rafael Sanitary District,²⁰ Central Marin Sanitation Agency,²¹ SQVSMD).²²

- The commission should consider initiating the dissolution of MPSMD and SQVSMD and place their service areas in RVSD.
 - Recommendation 7. The Commission should consider proceeding with reorganizations to dissolve MPSMD and SQVSMD and concurrently place their respective service areas in RVSD.²³
- The sewer agencies in central Marin should coordinate efforts to establish policies and protocols in addressing the increasing effects of climate change relative to wastewater services.
 - Recommendation 11. The affected agencies in Central Marin should coordinate efforts to establish policies and protocols in addressing the increasing effects of climate change relative to wastewater services. This includes resiliency planning with respect to droughts, storm events, and rising water tables.²⁴

Central Marin Regionalization Scenarios Evaluation **Red Oak Consulting**

In 2005, Central Marin Sanitation Agency (CMSA) commissioned Red Oak Consulting to study regionalization options. It is a comprehensive study addressing topics such as long-term planning, evaluations of existing organizational structures, operations and procedures, and scenarios for regionalization.

The purpose of the report was to analyze issues facing CMSA, leading to the evaluation of its then-current structure against other regionalization solutions.

The report offered the commissioners four possible scenarios for consideration:

- Scenario 1A Joint Powers Agreement (no change).
- Scenario 1B Modified Joint Powers Agreement.
- Scenario 2 Partial combination of one or several of the agencies.
- Scenario 3 Total combination of CMSA and all member agencies.

The examiners rejected scenarios 1A and 2. The remaining options presented by Red Oak Consulting recommended Scenario 1B—implementing modifications to the JPA, while researching and proceeding toward Scenario 3—Total Combination.

The following remarks were prescient since none of the recommendations of the report were adopted:

“The modifications to the JPA could be viewed as ‘stepping stones’ toward total combination... It allows the CMSA and member agencies to focus on their immediate priorities. Additionally, ironing out issues during the execution of such modifications would also facilitate the

²⁰ [San Rafael Sanitary District](#). *City of San Rafael*.

²¹ [Central Marin Sanitation Agency](#)

²² “[Central Marin Wastewater Services Study](#).” *Marin LAFCO*, pg.29

²³ [Ibid.](#), pg.33

²⁴ [Ibid.](#), pg.34

establishment of any new structure. This option allows for the establishment of trust among the participants for continued momentum toward the ultimate goal.

“The total combination (Scenario 3) could easily be pushed aside and, in five years, the Commissioners could find themselves in the same place they are today.”²⁵

Sanitation Districts Should Consolidate

The four districts that cooperate to form the CMSA JPA have considered full consolidation since its inception. This is logical because forming a JPA can be a step in the process of full consolidation. However, all proposals over the years have been rejected, including after the publication of the regionalization report discussed above, which was eventually terminated in 2007 by a vote of the RVSD board of directors.

The 2010-11 Grand Jury focused on the consolidation failure in its report, “Ross Valley Sanitary District: Not Again!”²⁶ The jury noted that it was the third report in five years about this particular district. The report detailed a series of lawsuits that accumulated extensive legal fees in the years between the 2007 failure and the 2010 report.

However, the legal battles did not stop in 2010 and have not been confined to central Marin. The Sausalito–Marin City Sanitary District (SMCSD) is suing the Tamalpais Community Services District (TCSD) for \$500,000 plus interest and legal costs.²⁷ SMCSD claims it was incorrectly charged in a mutual contract.

The RVSD recently sued SQVSD and CMSA over a contract dispute.²⁸ At issue was a contract for services for SQVSD that was awarded to CMSA over RVSD. It is worth pointing out that RVSD is a member district of CMSA.

The Las Gallinas Sanitary District board of directors accepted—under pressure—the resignations of top employees in 2017.²⁹ The resulting investigation of the alleged wrongdoing of the general manager cost the district \$19,500 but did not find any misuse of funds. The district has an annual budget of over \$14 million.

The lawsuits are wasteful, because even when successful, the award simply moves money from one district to another after accumulating large legal bills. If the districts had already been consolidated then decisions regarding best use of funds could be made by regional management rather than being decided in court.

It is important to point out that these are examples of independent districts overseen only by the voters. Dependent districts are also at risk for wasteful spending, though it is more difficult to see

²⁵ [Ibid](#) pg.3-9

²⁶ “[Ross Valley Sanitary District: Not Again!](#)” Marin County Civil Grand Jury.

²⁷ “[Tam Valley Sued by Sewage District in Billing Dispute](#)” *Marin Independent Journal*. 18 August 2017

²⁸ “[Marin Sanitation Agencies End Legal Battle](#)” *Marin Independent Journal*. 28 May 2015

²⁹ “[San Rafael Sewage Chief Soiled by Backflow of Staff Ire](#)” *Marin Independent Journal*. 6 November 2017

because wasteful expenditures can be absorbed by its parent entity. Sanitation District #2 functions as if it were a department of the Town of Corte Madera, leaving open the possibility of staff, supplies, and resources being commingled between the town and district. The district's budget of over \$5.5 million is difficult to correctly assess because of this possibility. The San Rafael Sanitation District is another dependent district that functions as if it were a department of its parent jurisdiction, in this case the City of San Rafael.

Enterprise District Funding Reduces Pressure on Sanitation Districts to Consolidate

Districts that collect and dispose of sewage charge a fee for this service rather than depend entirely on property taxes. When the revenue is lower than needed or desired, the district will raise fees using Proposition 218 rules. Non-enterprise agencies, such as police and fire, cannot increase their funding as easily from municipal annual budgets, creating pressure to do more with less money, which is a strong incentive to consolidate. When savings are realized through shared services, often the desire is to make the savings permanent through consolidation. Sanitation districts have avoided the pressures to consolidate by raising fees.

The Lack of Public Attention Reduces Pressure on Sanitation Districts to Consolidate

The discussion is about the use of public money yet sanitation districts do not attract the attention that is needed for proper oversight. The Grand Jury in 2011 reported, "No one wants to think about sewers or pipes or overflows. They want to flush and forget."³⁰

This year's Little Hoover Commission report also discusses the lack of public interest. "Special districts in general are geographically close to their constituents and provide a limited number of services. This often leads to low public visibility and a lack of engagement. Special districts are often referred to as 'ghost governments, invisible governments and under-the-radar governments.' The public has limited practical ability to understand the workings of the special district and make informed decisions in voting."³¹

This is especially true with sanitation districts. The CMSA JPA-led effort to regionalize was a multi-year process that did not include much input from the community. Although meetings were open, the public was not encouraged to participate.

The "flush and forget" attitude should not be used as an excuse to avoid engagement. Instead, people should be made aware that the discussion is not about the flush, it's about the bill. The public has the strongest oversight power over these districts and transparency is crucial to inform and involve them.

The State of California strongly supports more participation in local elections, and in 2015 passed SB 415, the [California Voter Participation Rights Act](#). This law requires that special districts hold their elections only in March or November in even numbered years, no later than November 2022. The aim is to increase visibility of special districts and the elections of their independent boards.

³⁰ ["What Are Special Districts and Why Do They Matter?"](#) 2013/2014 Marin County Civil Grand Jury

³¹ ["Special Districts: Improving Oversight & Transparency."](#) The Little Hoover Commission

Fear of losing local control is often a reason for withdrawing from the consolidation. This fear is not supported by the facts. The consolidation of police and fire districts in Marin demonstrates that local control was not reduced. During the consolidation process, local control is repeatedly studied and negotiated. Districts are independent and cannot be forced to cooperate or share.

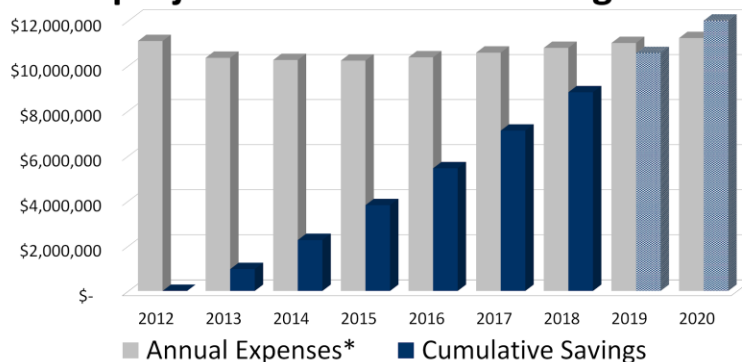
Only if each district agrees can consolidation move forward.

Consolidation has Succeeded in Marin and Elsewhere

Central Marin Police Authority (CMPA) is a recent example of a consolidation process. The police departments of Larkspur, Corte Madera and San Anselmo began sharing services in 2012, guided by a Memorandum of Understanding (MOU) that helped pilot increasing involvement and build trust. A completed JPA consolidation occurred in 2014.³²

This combined entity has a substantially lower need for revenue than the three independent departments combined. The consolidation will save the equivalent of these agencies’ combined annual budgets in just seven years. The main motivation for the consolidation project was to reduce costs. The new department serves the same population with 42 officers compared to a pre-consolidation headcount of 55. (See Appendix B)

**CMPA post-consolidation
projected cumulative savings**



*The merger was initiated in 2012 and completed in 2013.
 2012-2014 data is from audited financials
 2015-2018 data is from district budgets
 2019-2020 data has been projected by the Grand Jury

Another area of consolidation is the Southern Marin Fire Protection District, which serves Tamalpais Valley, Almonte, Homestead Valley, Alto, Strawberry, Tiburon, Sausalito, Fort Baker, and Marin Headlands. As a result of sharing services, the new district is projected to save \$315,000 per year while streamlining services and management. “Demonstrated cost savings is

³² [Central Marin Police Authority history](#)

what kept everyone at the table,” said an officer involved with the consolidation project.³³ Currently, some of the shared services include battalion chiefs, equipment and training.

Successful Mergers Outside of Marin

Here are three examples of large districts that demonstrate the advantages of consolidation:

- **Truckee Sanitary District (TSD)** is one of the oldest sanitary districts in the state with boundaries that extend across county lines. It provides wastewater collection and conveyance within Nevada and Placer counties. In the 1960s, TSD annexed the adjacent Donner Lake drainage area in adjoining Placer County in order to help protect the lake water quality. One district in control of one watershed as a sphere of influence is the most efficient model for environmental protection.³⁴
- **East Bay Municipal Utility District**—often referred to as East Bay MUD³⁵—performs both water and sewerage treatment services within Alameda and Contra Costa counties and has a very large sphere of influence. It was first formed in 1923 out of a necessity for stored water and soon started purchasing water rights and reservoir infrastructure. The water system today serves approximately 1.4 million people in a 332-square-mile area. Its smaller wastewater system, added in 1944, was created by election to protect the bay and today serves approximately 685,000 people in an 88-square-mile area. This entity has an annual budget of over 1 billion dollars. It warrants public involvement as it prepares for drought and climate change challenges, improves aging infrastructure in congested urban areas, and attends to hundreds of miles of pipe, yet maintains fresh water quality and release of safely-treated wastewater.
- **Sonoma County Water Agency (SCWA)** is a countywide dependent district whose board members are the county district supervisors. Though SCWA functions like a county government department, it is a separate entity of local government having its defined set purpose: water. This overarching agency oversees public water systems, from collection and distribution of fresh water to the conveyance and treatment of wastewater. It also attends to important water stewardship concerns for the public (flooding, recycling), wildlife (river fish) and environment (groundwater protection). SCWA works with water companies, municipalities, sanitary districts and zones operating eight sanitation systems, while giving resources to drought and climate change projects.³⁶

Marin LAFCO is Underfunded and Understaffed

Special district consolidations require the participation and approval of Marin LAFCO. Currently, the staff consists of one executive officer and one commission clerk. An additional full-time employee is on disability leave.

This level of staffing may be adequate in general but not to handle the additional workload that would be created by initiating the recommendations in this report. The agency is staffed

³³ [Southern Marin Fire Department](#)

³⁴ [Truckee Sanitary District](#)

³⁵ [East Bay MUD](#)

³⁶ [Sonoma County Water Agency](#)

adequately to produce the reports required by law, but handling an influx of requests for consolidations, annexations and other boundary changes will most likely require additional resources.

Marin LAFCO is funded by 42 separate entities divided into three categories. Each category is responsible for one third each:

- Marin County
- Cities and towns
- 30 special districts

These contributions are calculated by the State Controller's office based on revenues and not based on need. The agency itself cannot adjust its revenue so the county should consider voluntarily increasing its contribution beyond its one-third obligation. It is in the best interest of the residents of Marin County to ensure Marin LAFCO is adequately staffed. The county's 2016-2017 contribution was just over \$150,000.³⁷ An increase would allow the agency to hire an additional analyst to handle consolidations. The proven cost savings of consolidations justify this voluntary expense.

Understanding the Consolidation Process

The process does not begin with an agreement to consolidate. First, two or more districts need to identify services that can be shared. Tailored Memorandums of Understanding (MOUs) and formal contracts are used when agreements are made. A fire department, for example, might agree to serve a particular neighborhood not in its own district because its station is closer to that neighborhood. This improves service to the residents in the area by decreasing response times while also reducing costs.

Districts should cooperate on the purchase and use of expensive line items. For example, CMSA and nearby districts maintain their own heavy equipment and software. In some cases these items are not fully utilized by either district and could be easily shared using a simple MOU. This can be repeated in numerous scenarios, such as personnel, capital equipment and contracted services.

³⁷ [Annual Operating Budget](#), *Marin LAFCO*

CONCLUSION

The Grand Jury has determined that Marin has an excessive number of sanitary districts. Small districts are inherently inefficient due to duplication of expenditures and redundancy in operations. Special districts often lack sufficient oversight and accountability. Many have experienced cost and administrative challenges but have operated with very little public oversight. Operational benefits of consolidation are widely recognized and recommended. Marin has already experienced several successful consolidations. The Grand Jury is in support of this trend.³⁸

The Grand Jury recommends several consolidations that can be accomplished within one year. In addition to those actions, the remaining districts should pursue logical consolidations:

- Las Gallinas Sanitation District should consolidate with the to-be-formed central Marin sanitation district.
- Sausalito-Marín City Sanitary District and Tiburon Sanitary District #5 should consolidate with the to-be-formed Southern Marin Sanitation District. (Recommendation No.3)
- Novato Sanitary District should consider a plan to consolidate with the to-be-formed Central Marin Sanitation district. (Recommendation No. 2)
- The ultimate goal should be a countywide water and sanitation agency—Marin Municipal Utilities District (Marin MUD).

³⁸ [“Merging and Dissolving Special Districts”](#) Yale Law School, p.494, 2014

FINDINGS

- F1. Marin County has a large number of sanitary districts.
- F2. Independent sanitary districts are accountable only to district voters.
- F3. The public is not greatly involved in local sanitary district governance.
- F4. The public is not well informed about funding schemes or governance of sanitary districts.
- F5. Marin County's current system of sanitary districts is not cost-efficient.
- F6. Consolidation of sanitary districts in Marin has been recommended multiple times by governmental and non-governmental agencies.
- F7. Well-executed consolidations of sanitary districts will reduce administrative and operating costs.
- F8. Well-executed consolidations of sanitary districts will improve service.
- F9. Sanitation districts need to prepare for sea level rise.
- F10. Marin LAFCO is underfunded and understaffed.

RECOMMENDATIONS

- R1. Marin LAFCO should complete the planned reorganization of Murray Park Sewer Maintenance District and San Quentin Village Sewer Maintenance District with Ross Valley Sanitary District.
- R2. Central Marin Sanitation Agency (JPA), Sanitary District #1 (Ross Valley), Sanitary District #2 (Corte Madera), and the San Rafael Sanitary District should reorganize into a single sanitary/sanitation district. Each entity should complete a reorganization application with Marin LAFCO by 9/30/2018 and announce this action on the agenda of the next board meeting for public involvement.
- R3. Sewerage Agency of Southern Marin (JPA), Almonte Sanitary District, Alto Sanitary District, Richardson Bay Sanitary District, Homestead Valley Sanitary District, Public Works Department of the City of Mill Valley, and Tamalpais Community Services District should reorganize into a single sanitary/sanitation district. Each entity should initiate a reorganization application with Marin LAFCO and announce this action on the agenda of the next board meeting for public involvement.
- R4. The County of Marin should allocate additional funds to Marin LAFCO.

REQUEST FOR RESPONSES

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

From the following elected governing bodies:

- Marin County Board of Supervisors (R4)
- City of Mill Valley, Department of Public Works (R3)
- Almonte Sanitary District (R3)
- Alto Sanitary District (R3)
- Homestead Valley Sanitary District (R3)
- Murray Park Sewer Maintenance District (R1)
- Richardson Bay Sanitary District (R3)
- San Quentin Village Sewer Maintenance District (R1)
- San Rafael Sanitary District (R2)
- Sanitary District #1 (Ross Valley) (R1,R2)
- Sanitary District #2 (Corte Madera) (R2)
- Tamalpais Community Services District (R3)

From the following governing bodies:

- Marin LAFCO (R1)
- Joint Powers Authorities:
 - Central Marin Sanitation Agency (R2)
 - Sewerage Agency of Southern Marin (R3)

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

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

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

GLOSSARY

Annexation: When a district attaches additional territory to its boundary.

Consolidation: When two or more districts become one.

Contract: A legally binding agreement.

Dissolution: Refers to a district ceasing to exist.

Joint Powers Authority (JPA): An additional government entity created so that two or more special districts or local government entities can share a function.

LAFCO: Local Agency Formation Commission:³⁹ Mandated by the state to regulate and plan local government. Every county, including Marin, has a local office. Its responsibilities include:

- Initiation of special district consolidations
- Special district boundary changes
- Sphere of influence studies
- Service reviews
- Out-of-district service agreements
- Adoption of local policies

The Little Hoover Commission: An independent state oversight agency with a mission to investigate state government operations, such as special districts.

Memorandum of Understanding (MOU): A non-binding, written agreement often setting guidelines, timelines and goals.

Merger: Occurs when one district consumes another.

Special district: A local government entity created to address specific local community needs to tax themselves through public petition, and possible election. Special districts are further defined by their purpose, funding, and governing structure.

- *Single purpose:* A special district can have one purpose, such as a sewer maintenance district, which exists solely to maintain the sewer pipe.
- *Multi-purpose:* A district can provide a combination of services, such as maintaining both a water treatment plant and a community park.
- *Enterprise funding districts* collect service charges as the primary source of revenue, such as a water district that charges based on use.
- *Non-enterprise districts*, such as most fire protection and police districts, receive tax funds and do not charge based on a fee-for-service model.
- *Dependent districts* are governed by a separate entity, such as the county Board of Supervisors or city council.
- *Independent districts* have their own board of directors and do not report to the county Board of Supervisors or any other government agency. Oversight of independent districts is provided directly by the voters.

Reorganization: Combining two or more changes in one proposal.

³⁹ [Marin LAFCO](#)

Sphere of Influence: An established boundary line adopted by LAFCO to designate the boundary and service area for a city or special district.⁴⁰

Sanitary: A category of health and safety codes with powers and functions that involve the maintenance and operation of facilities such as garbage dump sites, garbage collection and disposal systems, sewers, storm water drains, and stormwater recycling and distribution systems.

Sanitation: A category of health and safety codes with powers and function that involve maintaining and operating sewage systems, sewage treatment plants and sewage disposal systems.

⁴⁰ [Sphere of Influence](#)

APPENDIX A

Special districts considered in this investigation:

1. Almonte Sanitary District
2. Alto Sanitary District
3. Bel Marin Keys CSD
4. Bolinas Community Public Utility District
5. Bolinas Fire Protection District
6. Bolinas Highlands Permanent Road Division
7. Corte Madera Sanitary District No. 2
8. CSA #1 (Loma Verde)
9. CSA #6 (Gallinas Creek)
10. CSA #9 (Northbridge)
11. CSA #13 (Lucas Valley)
12. CSA #14 (Homestead Valley)
13. CSA #16 (Greenbrae)
14. CSA #17 (Kentfield)
15. CSA #18 (Las Gallinas)
16. CSA #19 (San Rafael)
17. CSA #20 (Indian Valley, Dominga Canyon)
18. CSA #23 (Terra Linda)
19. CSA #25 (Unincorporated Novato)
20. CSA #27 (Ross Valley Paramedic)
21. CSA #28 (West Marin Paramedic)
22. CSA #29 (Paradise Cay)
23. CSA #31 (County Fire)
24. CSA #33 (Stinson Beach)
25. Homestead Valley Sanitary District
26. Inverness Public Utility District
27. Inverness Subdivision No. 2 Permanent Road Division
28. Kentfield Fire Protection District
29. Las Gallinas Sanitary District
30. Marin City CSD
31. Marin County Flood Control and Water Conservation District
32. Marin County Law Library
33. Marin County Lighting District
34. Marin County Open Space District
35. Marin County Transit District
36. Marin Healthcare District
37. Marin Municipal Water District
38. Marin Resource Conservation District
39. Marin/Sonoma Mosquito & Vector Control District
40. Marinwood Community Service District
41. Monte Cristo Permanent Road Division
42. Mt. View Ave - Lagunitas Permanent Road Division
43. Muir Beach Community Services District
44. Murray Park Sewer Maintenance District
45. North Marin Water District
46. Novato Fire Protection District
47. Novato Sanitary District
48. Paradise Estate Permanent Road Division
49. Richardson Bay Sanitary District
50. Ross Valley Sanitary District

51. Rush Creek Lighting and Landscape
52. San Quentin Village Sewer Maintenance District
53. San Rafael Sanitation District
54. Sausalito - Marin City Sanitary District
55. Sleepy Hollow Fire Protection District
56. Southern Marin Fire Protection District
57. Stinson Beach County Water District
58. Stinson Beach Fire Protection District
59. Strawberry Recreation District
60. Tamalpais Community Services District
61. Tiburon Fire Protection District
62. Tiburon Sanitary District #5
63. Tomales Village Community Services District

Not For Distribution

**APPENDIX B: CENTRAL MARIN POLICE AUTHORITY
POST-CONSOLIDATION ANALYSIS**

Source	2012 Budget \$	2013 Budget \$	2014 Budget \$	2015 Budget \$	2016 Budget \$	2017 Budget \$	2018 Budget \$	2019 Projected	2020 Projected
Expenses	11,095,129	10,348,615	10,251,452	10,226,658	10,371,547	10,578,978	10,790,557	11,006,369	11,226,496
Expenses w/out merge	11,095,129	11,317,032	11,543,372	11,774,240	12,009,724	12,249,919	12,494,917	12,744,816	12,999,712
Annual Savings	-	968,417	1,291,920	1,547,582	1,638,177	1,670,941	1,704,360	1,738,447	1,773,216
Cumul. Savings	-	968,417	2,260,337	3,807,918	5,446,096	7,117,037	8,821,397	10,559,844	12,333,060

APPENDIX C: WASTEWATER AGENCIES IN MARIN COUNTY



Map thanks to The Marin Association of REALTORS®



Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

AGENDA REPORT

August 9, 2018

Item No. 5(Consent)

TO: Marin Commissioners

FROM: Mala Subramanian, General Counsel

SUBJECT: **Receive and File Planwest Partners, Inc. Professional Services Agreement**
Executed New Contract with Planwest Partners, Inc. -- Interim Executive Officer

Background

Marin LAFCO's ("Commission") authorized Commissioner Condon to execute a short time agreement with Planwest Partners, Inc. for Interim Contract Executive Officer services, with Mr. Jason Fried serving as the Interim Executive Officer dated May 22, 2018. The Agreement was for 60 days and expired on July 20, 2018. At the June 5th meeting, the Commission authorized the Chair to enter into a new agreement with Planwest Partners to provide for additional time for Interim Executive Officer services using a template agreement from our firm for professional services.

Discussion

On July 20th, the Chair executed the attached Agreement with Planwest Partners for Interim Executive Officer, which expires on December 31, 2018. The Agreement also allows for additional analyst services, as well as services associated with Municipal Services Reviews, if approved by the Commission.

Recommendation

Receive and File.

Attachment:

1. Planwest Partners Professional Services Agreement

Administrative Office

Jason Fried, Interim Executive Officer
1401 Los Gamos Drive, Suite 220
San Rafael, California 94903
T: 415-448-5877 E: staff@marinlafco.org
www.marinlafco.org

Damon Connolly, Regular
County of Marin

Dennis J. Rodoni, Regular
County of Marin

Judy Arnold, Alternate
County of Marin

Sashi McEntee, Chair
City of Mill Valley

Sloan Bailey, Regular
Town of Corte Madera

Matthew Brown, Alternate
City of San Anselmo

Craig K. Murray, Vice Chair
Las Gallinas Valley Sanitary

Jack Baker, Regular
North Marin Water District

Lew Kious, Alternate
Almonte Sanitary District

Jeffry Blanchfield, Regular
Public Member

Chris Skelton, Alternate
Public Member

**MARIN LOCAL AGENCY FORMATION COMMISSION
PROFESSIONAL SERVICES AGREEMENT**

This Agreement is made and entered into as of July 20, 2018 by and between the Marin Local Agency Formation Commission, a public agency organized and operating under the laws of the State of California with its principal place of business at 1401 Los Gamos Drive, San Rafael, CA 94903 ("Commission"), and Planwest Partners, Inc., a California corporation with its principal place of business at 1125 16th Street Suite 200 Arcata CA 95521 (hereinafter referred to as "Consultant"). Commission and Consultant are sometimes individually referred to as "Party" and collectively as "Parties" in this Agreement.

RECITALS

A. Commission is a public agency of the State of California and is in need of professional services for the following project:

Interim Contract Executive Officer Service Project (hereinafter referred to as "the Project").

B. Consultant is duly licensed and has the necessary qualifications to provide such services.

C. The Commission had an immediate need to fill a vacant executive officer position following the abrupt resignation of Commission's prior interim executive officer. The Commission received a recommendation from CALAFCo to engage Consultant based on Consultant's experience and qualifications. Following an interview during which Consultant demonstrated its qualifications and experience, the Commission chose to engage Consultant to perform interim executive officer services on a temporary basis.

D. The Parties desire by this Agreement to establish the terms for Commission to retain Consultant to provide the services described herein.

AGREEMENT

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Services.

Consultant shall provide the Commission with the services described in the Scope of Services attached hereto as Exhibit "A."

2. Compensation.

a. The Commission shall pay for such services in accordance with the Schedule of Charges set forth in Exhibit "B" subject to any not-to-exceed amounts set forth therein. The amounts set forth in Exhibit "B" cover all printing and related costs, and the Commission will not pay any additional fees for printing expenses. Periodic payments shall be made within 30 days of receipt of an invoice which includes a detailed description of the work performed comparable to the June 2018 invoice. Payments to Consultant for work performed will be made on a monthly billing basis.

3. Additional Work.

If changes in the work seem merited by Consultant or the Commission, and informal consultations with the other party indicate that a change is warranted, it shall be processed in the following manner: a letter outlining the changes shall be forwarded to the Commission by Consultant with a statement of estimated changes in fee or time schedule. An amendment to this Agreement shall be prepared by the Commission and executed by both Parties before performance of such services, or the Commission will not be required to pay for the changes in the scope of work. Such amendment shall not render ineffective or invalidate unaffected portions of this Agreement.

4. Maintenance of Records.

Books, documents, papers, accounting records, and other evidence pertaining to costs incurred shall be maintained by Consultant and made available at all reasonable times during the contract period and for four (4) years from the date of final payment under the contract for inspection by Commission.

5. Time of Performance; Term.

Consultant shall perform its services in a prompt and timely manner. The term of this Agreement shall commence on July 1, 2018 and expire on December 31, 2018, unless earlier terminated or extended pursuant to the provisions of this Agreement.

6. Delays in Performance.

a. Neither Commission nor Consultant shall be considered in default of this Agreement for delays in performance caused by circumstances beyond the reasonable control of the non-performing party. For purposes of this Agreement, such circumstances include but are not limited to, abnormal weather conditions; floods; earthquakes; fire; epidemics; war; riots and other civil disturbances; strikes, lockouts, work slowdowns, and other labor disturbances; sabotage or judicial restraint.

b. Should such circumstances occur, the non-performing party shall, within a reasonable time of being prevented from performing, give written notice to the other party describing the circumstances preventing continued performance and the efforts being made to resume performance of this Agreement.

7. Compliance with Law.

a. Consultant shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local government, including Cal/OSHA requirements.

b. If required, Consultant shall assist the Commission, as requested, in obtaining and maintaining all permits required of Consultant by federal, state and local regulatory agencies.

c. If applicable, Consultant is responsible for all costs of clean up and/ or removal of hazardous and toxic substances spilled as a result of his or her services or operations performed under this Agreement.

8. Standard of Care

Consultant's services will be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions.

9. Assignment and Subconsultant

Consultant shall not assign, sublet, or transfer this Agreement or any rights under or interest in this Agreement without the written consent of the Commission, which may be withheld for any reason. Any attempt to so assign or so transfer without such consent shall be void and without legal effect and shall constitute grounds for termination. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement.

10. Independent Contractor

Consultant is retained as an independent contractor and is not an employee of Commission. No employee or agent of Consultant shall become an employee of Commission for the duration of this contract. The work to be performed shall be in accordance with the work described in this Agreement, subject to such directions and amendments from Commission as herein provided.

11. Insurance. Consultant shall not commence work for the Commission until it has provided evidence satisfactory to the Commission it has secured all insurance required under Exhibit "C," Insurance Requirements, attached hereto and incorporated herein by this reference. In addition, Consultant shall not allow any subcontractor to commence work on any subcontract until it has secured all insurance required therein.

12. Indemnification.

a. To the fullest extent permitted by law, Consultant shall defend (with counsel of Commission's choosing), indemnify and hold the Commission, its officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to any acts, errors or omissions, or willful misconduct of Consultant, its officials, officers, employees, subcontractors, consultants or agents in connection with the performance of the Consultant's services, the Project or this Agreement, including without limitation the payment of all damages, expert witness fees and attorney's fees and other related costs and expenses. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by Consultant, the Commission, its officials, officers, employees, agents, or volunteers.

b. If Consultant's obligation to defend, indemnify, and/or hold harmless arises out of Consultant's performance of "design professional" services (as that term is defined under Civil Code section 2782.8), then, and only to the extent required by Civil Code section 2782.8, which is fully incorporated herein, Consultant's indemnification obligation shall be limited to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant, and, upon Consultant obtaining a final adjudication by a court of competent jurisdiction, Consultant's liability for such claim, including the cost to defend, shall not exceed the Consultant's proportionate percentage of fault.

13. [RESERVED].

14. Verification of Employment Eligibility.

By executing this Agreement, Consultant verifies that it fully complies with all requirements and restrictions of state and federal law respecting the employment of undocumented aliens, including, but not limited to, the Immigration Reform and Control Act of 1986, as may be amended from time to time, and shall require all subconsultants and sub-subconsultants to comply with the same.

15. [RESERVED].

16. Laws and Venue.

This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in a state or federal court situated in the County of Marin, State of California.

17 Termination or Abandonment

a. Commission has the right to terminate or abandon any portion or all of the work under this Agreement by giving ten (10) calendar days written notice to Consultant. In such event, Commission shall be immediately given title and possession to all original field notes, drawings and specifications, written reports and other documents produced or developed for that portion of the work completed and/or being abandoned. Commission shall pay Consultant the reasonable value of services rendered for any portion of the work completed prior to termination. If said termination occurs prior to completion of any task for the Project for which a payment request has not been received, the charge for services performed during such task shall be the reasonable value of such services, based on an amount mutually agreed to by Commission and Consultant of the portion of such task completed but not paid prior to said termination. Commission shall not be liable for any costs other than the charges or portions thereof which are specified herein. Consultant shall not be entitled to payment for unperformed services, and shall not be entitled to damages or compensation for termination of work.

b. Consultant may terminate its obligation to provide further services under this Agreement upon thirty (30) calendar days' written notice to Commission only in the event of substantial failure by Commission to perform in accordance with the terms of this Agreement through no fault of Consultant.

18 Documents. Except as otherwise provided in "Termination or Abandonment," above, all original field notes, written reports, Drawings and Specifications and other documents, produced or developed for the Project shall, upon payment in full for the services described in this Agreement, be furnished to and become the property of the Commission.

19. Organization

Consultant shall assign Jason Fried as Interim Executive Officer. The Interim Executive Officer shall not be removed from the Project or reassigned without the prior written consent of the Commission.

20. Limitation of Agreement.

This Agreement is limited to and includes only the work included in the Project described above.

21. Notice

Any notice or instrument required to be given or delivered by this Agreement may be given or delivered by depositing the same in any United States Post Office, certified mail, return receipt requested, postage prepaid, addressed to:

COMMISSION:

Marin Local Agency Formation Commission
1401 Los Gamos Drive
San Rafael, CA 94903
Attn: Jason Fried Interim Executive Officer

CONSULTANT:

Planwest Partners, Inc.
P.O. Box 4581
Arcata, CA 95518
Attn: George Williamson

and shall be effective upon receipt thereof.

22. Third Party Rights

Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than the Commission and the Consultant.

23. Equal Opportunity Employment.

Consultant represents that it is an equal opportunity employer and that it shall not discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, sex, age or other interests protected by the State or Federal Constitutions. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination.

24. Entire Agreement

This Agreement, with its exhibits, represents the entire understanding of Commission and Consultant as to those matters contained herein, and supersedes and cancels any prior or contemporaneous oral or written understanding, promises or representations with respect to those matters covered hereunder. Each Party acknowledges that no representations, inducements, promises or agreements have been made by any person which are not incorporated herein, and that any other agreements shall be void. This Agreement may not be modified or altered except in writing signed by both Parties hereto. This is an integrated Agreement.

25. Severability

The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the remaining provisions unenforceable, invalid or illegal.

26. Successors and Assigns

This Agreement shall be binding upon and shall inure to the benefit of the successors in interest, executors, administrators and assigns of each Party to this Agreement. However, Consultant shall not assign or transfer by operation of law or otherwise any or all of its rights,

burdens, duties or obligations without the prior written consent of Commission. Any attempted assignment without such consent shall be invalid and void.

27. Non-Waiver

None of the provisions of this Agreement shall be considered waived by either Party, unless such waiver is specifically specified in writing.

28. Time of Essence

Time is of the essence for each and every provision of this Agreement.

29. Commission's Right to Employ Other Consultants

Commission reserves its right to employ other consultants, including engineers, in connection with this Project or other projects.

30. Prohibited Interests

Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, Commission shall have the right to rescind this Agreement without liability. For the term of this Agreement, no director, official, officer or employee of Commission, during the term of his or her service with Commission, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.


[SIGNATURES ON FOLLOWING PAGE]

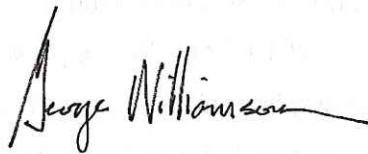
**SIGNATURE PAGE FOR PROFESSIONAL SERVICES AGREEMENT
BETWEEN THE MARIN LOCAL AGENCY FORMATION COMMISSION
AND PLANWEST PARTNERS, INC.**

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

MARIN LOCAL AGENCY FORMATION
COMMISSION

PLANWEST PARTNERS, INC.

By:  _____
Sashi McEntee
Chair

By:  _____
Its: Principal and Majority Owner
Printed Name: George Williamson

ATTEST:

By: _____
[TITLE]

EXHIBIT A

Scope of Services

The Consultant is responsible for coordinating basic Commission functions until the Commission makes a decision on permanent staffing and during an appropriate transition period. Services include:

- Administering and supervising day-to-day Commission operations and staff in their offices at 1401 Los Gatos Rd, Suite 220 San Rafael, California 94903;
- Attending the Regular Commission meetings;
- Upon FY 2018-19 budget approval, make appropriate distribution and posting;
- Processing financial claims and payments as approved by the Commission;
- Maintaining website and posting meeting and related information in a timely manner;
- Responding to inquiries, and information requests including application materials;
- Supporting Policy Committee with meeting staffing and agenda materials;
- Coordinating with contract legal counsel and bookkeeper as needed;
- Following up on actuarial report for other post employee benefits (OPEB);
- Coordinating with Travis Woods/Marin Mac Tech on IT support and interim email addresses;
- Processing applications on file and accepting new applications received;
- Scheduling Municipal Services Reviews and completing Sphere of Influence Updates;
- Potential sewer districts consolidation
- Collection of data, preparation, submittal and presentation of Municipal Service Reviews (as approved by the Commission);
- Additional analyst services related to LAFCO issues (as approved by the Commission); and
- Other duties as assigned by the Commission.

EXHIBIT B

Schedule of Charges/Payments

Consultant will invoice Commission on a monthly cycle. Consultant will include with each invoice a detailed progress report that indicates the amount of budget spent during that billing cycle and to date. Consultant will inform Commission regarding any out-of-scope work being performed by Consultant. This is a time-and-materials contract, including direct travel expenses.

Consultant's rate for performance of services under this Agreement are as follows:

Interim Executive Officer	\$112.00/hour (not-to-exceed the aggregate sum of \$116,480.00)
Principal Planner	\$112.00/hour
Senior Planner/Analyst	\$92.00/hour
Associate Planner	\$78.00/hour
GIS Analyst	\$72.00/hour
Assistant Planner	\$62.00/hour
GIS Technician	\$62.00/hour
Planning Technician	\$58.00/hour

EXHIBIT C

Insurance Requirements

Consultant must procure and maintain insurance meeting the requirements set forth below.

a. Commercial General Liability

(i) The Consultant shall take out and maintain, during the performance of all work under this Agreement, in amounts not less than specified herein, Commercial General Liability Insurance, in a form and with insurance companies acceptable to the Commission.

(ii) Coverage for Commercial General Liability insurance shall be at least as broad as the following:

(1) Insurance Services Office Commercial General Liability coverage (Occurrence Form CG 00 01) or exact equivalent.

(iii) Commercial General Liability Insurance must include coverage for the following:

- (1) Bodily Injury and Property Damage
- (2) Personal Injury/Advertising Injury
- (3) Premises/Operations Liability
- (4) Products/Completed Operations Liability
- (5) Aggregate Limits that Apply per Project
- (6) Explosion, Collapse and Underground (UCX) exclusion deleted
- (7) Contractual Liability with respect to this Agreement
- (8) Property Damage
- (9) Independent Consultants Coverage

(iv) The policy shall contain no endorsements or provisions limiting coverage for (1) contractual liability; (2) cross liability exclusion for claims or suits by one insured against another; (3) products/completed operations liability; or (4) contain any other exclusion contrary to the Agreement.

(v) The policy shall give Commission, its officials, officers, employees, agents and Commission designated volunteers additional insured status using ISO endorsement forms CG 20 10 10 01 and 20 37 10 01, or endorsements providing the exact same coverage.

(vi) The general liability program may utilize either deductibles or provide coverage excess of a self-insured retention, subject to written approval by the Commission, and provided that such deductibles shall not apply to the Commission as an additional insured.

b. Automobile Liability

(i) At all times during the performance of the work under this Agreement, the Consultant shall maintain Automobile Liability Insurance for bodily injury and

property damage including coverage for owned, non-owned and hired vehicles, in a form and with insurance companies acceptable to the Commission.

(ii) Coverage for automobile liability insurance shall be at least as broad as Insurance Services Office Form Number CA 00 01 covering automobile liability (Coverage Symbol 1, any auto).

(iii) The policy shall give Commission, its officials, officers, employees, agents and Commission designated volunteers additional insured status.

(iv) Subject to written approval by the Commission, the automobile liability program may utilize deductibles, provided that such deductibles shall not apply to the Commission as an additional insured, but not a self-insured retention.

c. Workers' Compensation/Employer's Liability

(i) Consultant certifies that he/she is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and he/she will comply with such provisions before commencing work under this Agreement.

(ii) To the extent Consultant has employees at any time during the term of this Agreement, at all times during the performance of the work under this Agreement, the Consultant shall maintain full compensation insurance for all persons employed directly by him/her to carry out the work contemplated under this Agreement, all in accordance with the "Workers' Compensation and Insurance Act," Division IV of the Labor Code of the State of California and any acts amendatory thereof, and Employer's Liability Coverage in amounts indicated herein. Consultant shall require all subconsultants to obtain and maintain, for the period required by this Agreement, workers' compensation coverage of the same type and limits as specified in this section.

d. Professional Liability (Errors and Omissions)

At all times during the performance of the work under this Agreement the Consultant shall maintain professional liability or Errors and Omissions insurance appropriate to its profession, in a form and with insurance companies acceptable to the Commission and in an amount indicated herein. This insurance shall be endorsed to include contractual liability applicable to this Agreement and shall be written on a policy form coverage specifically designed to protect against acts, errors or omissions of the Consultant. "Covered Professional Services" as designated in the policy must specifically include work performed under this Agreement. The policy must "pay on behalf of" the insured and must include a provision establishing the insurer's duty to defend.

e. Minimum Policy Limits Required

(i) The following insurance limits are required for the Agreement:

Combined Single Limit

Commercial General Liability	\$1,000,000 per occurrence/ \$2,000,000 aggregate for bodily injury, personal injury, and property damage
------------------------------	---

Automobile Liability	\$1,000,000 per occurrence for bodily injury and property damage
Employer's Liability	\$1,000,000 per occurrence
Professional Liability	\$1,000,000 per claim and aggregate (errors and omissions)

(ii) Defense costs shall be payable in addition to the limits.

(iii) Requirements of specific coverage or limits contained in this section are not intended as a limitation on coverage, limits, or other requirement, or a waiver of any coverage normally provided by any insurance. Any available coverage shall be provided to the parties required to be named as Additional Insured pursuant to this Agreement.

f. Evidence Required

Prior to execution of the Agreement, the Consultant shall file with the Commission evidence of insurance from an insurer or insurers certifying to the coverage of all insurance required herein. Such evidence shall include original copies of the ISO CG 00 01 (or insurer's equivalent) signed by the insurer's representative and Certificate of Insurance (Acord Form 25-S or equivalent), together with required endorsements. All evidence of insurance shall be signed by a properly authorized officer, agent, or qualified representative of the insurer and shall certify the names of the insured, any additional insureds, where appropriate, the type and amount of the insurance, the location and operations to which the insurance applies, and the expiration date of such insurance.

g. Policy Provisions Required

(i) Consultant shall provide the Commission at least thirty (30) days prior written notice of cancellation of any policy required by this Agreement, except that the Consultant shall provide at least ten (10) days prior written notice of cancellation of any such policy due to non-payment of premium. If any of the required coverage is cancelled or expires during the term of this Agreement, the Consultant shall deliver renewal certificate(s) including the General Liability Additional Insured Endorsement to the Commission at least ten (10) days prior to the effective date of cancellation or expiration.

(ii) The Commercial General Liability Policy and Automobile Policy shall each contain a provision stating that Consultant's policy is primary insurance and that any insurance, self-insurance or other coverage maintained by the Commission or any named insureds shall not be called upon to contribute to any loss.

(iii) The retroactive date (if any) of each policy is to be no later than the effective date of this Agreement. Consultant shall maintain such coverage continuously for a period of at least three years after the completion of the work under this Agreement. Consultant shall purchase a one (1) year extended reporting period A) if the retroactive date is advanced past the effective date of this Agreement; B) if the policy is cancelled or not renewed; or C) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement.

(iv) All required insurance coverages, except for the professional liability coverage, shall contain or be endorsed to waiver of subrogation in favor of the Commission, its officials, officers, employees, agents, and volunteers or shall specifically allow Consultant or others providing insurance evidence in compliance with these specifications to waive their right of recovery prior to a loss. Consultant hereby waives its own right of recovery against Commission, and shall require similar written express waivers and insurance clauses from each of its subconsultants.

(v) The limits set forth herein shall apply separately to each insured against whom claims are made or suits are brought, except with respect to the limits of liability. Further the limits set forth herein shall not be construed to relieve the Consultant from liability in excess of such coverage, nor shall it limit the Consultant's indemnification obligations to the Commission and shall not preclude the Commission from taking such other actions available to the Commission under other provisions of the Agreement or law.

h. Qualifying Insurers

(i) All policies required shall be issued by acceptable insurance companies, as determined by the Commission, which satisfy the following minimum requirements:

(1) Each such policy shall be from a company or companies with a current A.M. Best's rating of no less than A:VII and admitted to transact in the business of insurance in the State of California, or otherwise allowed to place insurance through surplus line brokers under applicable provisions of the California Insurance Code or any federal law.

i. Additional Insurance Provisions

(i) The foregoing requirements as to the types and limits of insurance coverage to be maintained by Consultant, and any approval of said insurance by the Commission, is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by the Consultant pursuant to this Agreement, including but not limited to, the provisions concerning indemnification.

(ii) If at any time during the life of the Agreement, any policy of insurance required under this Agreement does not comply with these specifications or is canceled and not replaced, Commission has the right but not the duty to obtain the insurance it deems necessary and any premium paid by Commission will be promptly reimbursed by Consultant or Commission will withhold amounts sufficient to pay premium from Consultant payments. In the alternative, Commission may cancel this Agreement.

(iii) The Commission may require the Consultant to provide complete copies of all insurance policies in effect for the duration of the Project.

(iv) Neither the Commission nor any of its officials, officers, employees, agents or volunteers shall be personally responsible for any liability arising under or by virtue of this Agreement.

j. Subconsultant Insurance Requirements. Consultant shall not allow any subcontractors or subconsultants to commence work on any subcontract until they have provided evidence satisfactory to the Commission that they have secured all insurance required under

this section. Policies of commercial general liability insurance provided by such subcontractors or subconsultants shall be endorsed to name the Commission as an additional insured using ISO form CG 20 38 04 13 or an endorsement providing the exact same coverage. If requested by Consultant, Commission may approve different scopes or minimum limits of insurance for particular subcontractors or subconsultants.



Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

AGENDA REPORT

August 9, 2018

Item No. 6 (Consent)

TO: Local Agency Formation Commission

FROM: Jason Fried, Interim Executive Officer

SUBJECT: Fund Transfer from County of Marin to Wells Fargo

In accordance with the Marin LAFCo Commission Policy, the Commission needs to give approval for funds transfer from the County of Marin account to any other account.

Background

Marin LAFCo (LAFCo) has two main bank accounts. First, the County of Marin collects LAFCo member dues on an annual basis. The money that is collected is then deposited in a County of Marin account. For the past few years, the County of Marin account, has primarily been used for payroll purposes and is used as a general saving account. In 2016, LAFCo opened a two-tier checking account to pay non-payroll bills. Starting in May 2018, LAFCo brought on two new staff members that are being paid through outside contracts, and has no staff on payroll. As we transition to fiscal year 2018-2019 several yearly payments have been made. Both the change in staff payments and our once a year payments caused the amount in the Wells Fargo account to be spent-down faster than in previous years, subsequently the Wells Fargo account became dangerously low.

In July, staff realized that both of our Wells Fargo accounts were about to run out of money. Staff made a request to the County of Marin to transfer funds in the amount of \$100,000, in order to pay bills for the next 2-3 months. This amount was chosen, in part, as a stop-gap measure explained in agenda Item 12 on banking options. Staff wants to ensure LAFCo's uninterrupted payments to non-payroll bills, while considering further options for its banking needs. Without this transfer, LAFCo would not have been able to pay all its bills without incurring penalties or late fees.

While researching banking options, staff became aware of the section of the LAFCo Policy Handbook which describes necessary approval from the Commission to transfer of funds from the County of Marin account to other accounts. Staff is making the request for the Commission to approve the transfer of \$100,000.

Staff Recommendation for Action

- 1) Staff recommendation – Approve the transfer of funds from the County of Marin to the Wells Fargo account in the amount of \$100,000.

Attachment:

- 1) None

Administrative Office

Jason Fried, Interim Executive Officer
1401 Los Gatos Drive, Suite 220
San Rafael, California 94903
T: 415-448-5877 E: staff@marinlafco.org
www.marinlafco.org

Damon Connolly, Regular
County of Marin

Dennis J. Rodoni, Regular
County of Marin

Judy Arnold, Alternate
County of Marin

Sashi McEntee, Chair
City of Mill Valley

Sloan Bailey, Regular
Town of Corte Madera

Matthew Brown, Alternate
City of San Anselmo

Craig K. Murray, Vice Chair
Las Gallinas Valley Sanitary

Jack Baker, Regular
North Marin Water District

Lew Kious, Alternate
Almonte Sanitary District

Jeffrey Blanchfield, Regular
Public Member

Chris Skelton, Alternate
Public Member



Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

AGENDA REPORT

August 9, 2018

Item No. 7 (Business)

TO: Local Agency Formation Commission

FROM: Veda Florez, Interim Commission Clerk

SUBJECT: **Proclamation for Retiring Commissioner Carla Condon**
Proclamation of the Marin Local Agency Formation Commission honoring Carla Condon on the occasion of her retirement from LAFCo.

Background

Commissioner Carla Condon began servicing as an alternate on the Commission from 2006 until her appointment to serve the remainder of Former Commissioner Hank Barner's term in 2011. May 30th was Commissioner Condon last day with Marin LAFCo.

Commissioner Condon brought a steady hand while helping the Commission navigate challenging circumstances, as well as managing a productive work plan. She uses the benefit of her life experience as a city administrator, member of Bay Area policy committee, and expertise navigating boards and commissions.

Highlights of her LAFCo career include servings as Vice Chair of the Commission, as well as, participating for 6-years on the Policy and Administration committee, and Budget and Legislative committees. Her 5-years on the Technology Committee and Public Information Committee include decision making to support our beautiful new website. In 2006-2007, Commissioner Condon participated as an alternate on the ad hoc Sphere of Influence subcommittee.

Her refreshing ability to cut to the heart of any issue, and humorously understand the big picture created a greater connection between fellow Commissioners.

Staff Recommendation for Action

- 1) Staff recommendation – Approve and present Commissioner Condon with the attached Proclamation.

Attachment:

- 1) Resolution

Administrative Office

Jason Fried, Interim Executive Officer
1401 Los Gatos Drive, Suite 220
San Rafael, California 94903
T: 415-448-5877 E: staff@marinlafco.org
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Lew Kiou, Alternate
Almonte Sanitary District

Jeffry Blanchfield, Regular
Public Member

Chris Skelton, Alternate
Public Member

Proclamation

Marin Local Agency Formation Commission

Honoring

Carla Condon

on the occasion of her Retirement from the Corte Madera Town Council

WHEREAS Carla Condon was first elected to the Corte Madera Town Council in 2001 and subsequently re-elected in 2005, 2009, and 2013, serving as Mayor in 2003, 2010, 2015, and 2018; and

WHEREAS Carla was appointed to the Marin Local Agency Formation Commission as City Member Alternate in 2006 and then as Regular City Member in 2011;

WHEREAS Carla has brought to the commission the benefit of her years of experience as a former small business operator, educator, and employee of the City Administrator of the City and County of San Francisco, as well as member of the League of California Cities Housing, Community, and Economic Development Policy Committee, the Age-Friendly Corte Madera Task Force, and numerous other boards and committees;

WHEREAS Carla currently serves as the Commission's Vice Chair in which role she has brought a steady but firm hand while helping the commission navigate through challenging circumstances and manage a productive work plan;

WHEREAS Carla will always call it like it is with refreshing bluntness and honesty, setting a principles tone and a high standard for excellence as a part of the Commission leadership;

WHEREAS Carla has served the Commission with the proper balance of diligent preparation and consideration of the matters at hand and sense of humor and warmth that brought the Commission together as a harmonious working group.





Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

AGENDA REPORT

August 9, 2018

Item No. 8 (Business)

TO: Local Agency Formation Commission

FROM: Jason Fried, Interim Executive Officer

SUBJECT: **Request for Time Extension to Complete Approval Terms / 276 Mesa Road to Bolinas Community Public Utility District (File #1337)**

Commission will consider applicant's request for a time extension to complete the terms established by Marin LAFCo in approving the annexation of territory at 276 Mesa Road to the Bolinas Community Public Utility.

Background

At the October 12, 2017 regular LAFCo Commission meeting, landowner (Brad Drury) requested annexation approval of apx. 20.6 acres in Bolinas community to the Bolinas Community Public Utility District (BCPUD). The affected territory as proposed includes one entire legal lot in unincorporated Bolinas identified by the County of Marin Assessor's Office as #188-170-54, and at 276 Mesa Road.

The Commission, with conditional approval, agreed with the landowners request with modifications to include a public right of way, in order to avoid the creation of an island. The conditional approval, in part, was based on a coastal permit application approval by the Marin County Community Development Agency. G.C. Section 57001 specifies that a certificate of completion must be recorded for all change of organization/reorganization proposals within one calendar year of approval or must be automatically terminated unless an extension is granted by Marin LAFCo. The extension may be for any period deemed reasonable by Marin LAFCo for completion of necessary prerequisite actions by any party. The certificate of completion cannot be recorded until all conditions of approval have been satisfied.

Since the Commission's approval, the ownership of the land has been sold to Sam Lessin. Mr. Lessin has been going through the necessary processes to receive a coastal permit, but has not yet finished the process. On June 20th, 2018, staff received a letter, see attachment, requesting an extension in order to complete the coastal permit process.

This item is for the Commission to consider a request by the applicant through his authorized representative (LAK Associates) for a time extension necessary to complete the approval terms established for the proposal given the approaching one-year statutory deadline to record a certificate of completion.

Administrative Office

Jason Fried, Interim Executive Officer
1401 Los Gatos Drive, Suite 220
San Rafael, California 94903
T: 415-448-5877 E: staff@marinlafco.org
www.marinlafco.org

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Almonte Sanitary District

Jeffrey Blanchfield, Regular
Public Member

Chris Skelton, Alternate
Public Member

Staff Recommendation for Action

- 1) Staff recommendation – Approve the requested time extension contingent on the applicant submitting the associated fee.
- 2) Alternate option - Deny the requested time extension. This will terminate the Commission's prior approval assuming the terms remain outstanding will not be completed October 12, 2018.

Attachment:

- 1) Letter from Applicants Representative Requesting Delay



LAK ASSOCIATES, LLC

PO Box 7043, Corte Madera, CA 94976

tel: (415) 533-2111 sean@lakassociates.com

June 20, 2018

Jason Fried
Marin County Local Agency Formation Commission
1401 Los Gatos, Suite 220
San Rafael, California 94903

RE: Extension Request - Conditional Approval (LAFCO File No. 1337) | Concurrent Sphere of Influence Amendment and Annexation of 276 Mesa Road to Bolinas Community Public Utility District

Jason,

On behalf of Sam Lessin (owner/applicant) of 276 Mesa Road in Bolinas CA, and pursuant to the Notice of Conditional Approval letter prepared by Rachel Jones dated October 27, 2017, we are formally requesting an extension to the LAFCO annexation Conditions of Approval.

The extension request, pursuant to Order #4 of Resolution 17-10, is as follows (emphasis added):

(4) Approval of the sphere of influence amendments are CONDITIONED on the following terms being satisfied within one calendar year – or October 12, 2018 – *unless a prior written request for a time extension is received and approved by the Commission.*

At this time, the owner/applicant is preparing site investigations to develop a development plan necessary to satisfy a coastal permit application submittal to the Marin County Community Development Agency. Several studies are required to satisfy the application process, including a biological site assessment, geotechnical evaluations, and architectural and landscape plan development. The intent is to finalize the preliminary evaluation process by 4th quarter 2018, with a coastal permit submittal to the County of Marin by 1st quarter 2019.

Please do not hesitate to call me at (415) 533-2111 or contact me via email at sean@lakassociates.com if you have questions or comments regarding our extension request.

Sincerely,

Sean Kennings
LAK Associates, LLC

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Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

AGENDA REPORT

August 9, 2018

Item No. 9 (Business)

TO: Local Agency Formation Commission

FROM: Jason Fried, Interim Executive Officer

SUBJECT: **Civil Grand Jury Report and Ways to Consolidate Special Districts.**

2017-2018 Marin County Civil Grand Jury issued a report on the reorganization of three special districts and that Marin LAFCo should start the merger process. LAFCo's have multiple ways to do this process and this shall be a review of those options.

Background

The Marin County Civil Grand Jury (CGJ) issued a report in April 2018 entitled, "*Consolidation of Sanitation Districts.*" One of the findings was that Marin LAFCo (LAFCo) *should* "complete the planned reorganization of Murray Park Sewer Maintenance District (MPSWD) and San Quentin Village Sewer Maintenance District (SQVSMD) with Ross Valley Sanitary District (RVSD)." The CGJ does not specify how the Commission should take this action.

As stated in the Chair's response to the CGJ, the Commission must follow state laws, primarily the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH). CKH includes regulating and planning the orderly formation, expansion, and consolidation of local government agencies and their municipal service areas based on local conditions and circumstances (Government Code §56001). In addition, based on Marin LAFCo policy (per section 4.1.B - Types of Change of Organization Proposals), there are three opportunities this recommendation could be performed: dissolution, consolidation, or merger.

In 2015, Best Best & Krieger wrote a memo (Attachment 1) on the current methods to consolidation, dissolution and merger of Special Districts for CALAFCo. This memo lays out various options of "reorganization" that the CGJ wants to accomplish. Many paths can be taken to achieve this goal depending, in part, on the willingness of each district to be part of this process.

Should each district choose to be part of this process, Government Code §56853 would likely be the quickest path, given in part, the MSR for the Central Marin Wastewater Services was completed last year. This would require similar resolutions of application to be approved by each Board. Upon receipt of the approved resolutions, the Commission would approve the proposal. It should be noted that while CKH limits the Commission's authority to deny consolidation, it still provides the Commission discretion to

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impose terms and conditions to mitigate issues that may arise during the application process. LAFCo would also conduct a public hearing.

A second option, under Government Code §56658, any special district may start the process by passing a resolution and informing the Commission. Once this occurs all other impacted districts become informed and the process can begin. Should all other districts agree to consolidation then a similar process as mentioned in the paragraph above would be followed. If the other districts do not agree then it would take more time to complete.

A third option, under Government Code §56821, LAFCo can initiate the process by passing a resolution to consolidate special districts. Once the Commission approves the resolution then §56821.1 would need to be implemented. This would require a meeting of the independent special districts selection committee. In Marin County, this body, in the past years has had difficulty meeting a quorum. This is why LAFCo holds Special District elections for the LAFCo special district seats. If the Commission chooses this option staff and legal counsel will need to do more research on how this part of the process would work should the Commission go down this path.

The fourth option involves the general public in a signature gathering petition campaign as listed under Government Code §56700.4. The number of signatures is dependent on either land ownership or the number of registered voters in the impacted special district.

While the CGJ wants the reorganization of MPSWD, SQVSMD, and RVSD to be completed in one process, the Commission, based on the situation, could either look to have this done as one process or could make these two different applications. Discussions with the districts and general public will inform the Commission on the best solution for consolidation, each district (MPSWD and SQVSMD) working separately or together with RVSD.

When the Commission approved the MSR on the Central Marin Wastewater Services Study it passed resolution 17-06 included in the review of the three agencies in this recommendation. Exhibit A, subsection 6(f) of Resolution 17-06 stated:

“Two separate governance alternatives appear readily merited to improve local accountability and service efficiencies in Central Marin. This involves immediately proceeding with reorganizations to dissolve MPSMD and SQVSMD and concurrently place their respective service areas in RVSD by annexation or consolidation. These reorganizations would eliminate two dependent special districts governed by the County of Marin subject and inhibited therein to antiquated statutes in favor of recognizing RVSD as the preferred and more capable service provider going forward.”

Staff Recommendation for Action

- 1) Staff recommendation – The Commission, via staff, talk with each district to determine the level of interest today in going through a consolidation. Should each district be interested then staff should reach out to the impacted communities for public opinion. If any of the districts indicate opposition to consolidation then the item would be brought back to the Commission for further review and discussion.
- 2) Alternative option – Wait to see if any of the impact districts act on their own.
- 3) Alternative option – Wait take any action until the Commission has had more discussion on this matter at a later date.

Attachment:

- 1) Best Best & Kreiger Memo to CALAFCo

Updated: January 1, 2015

MEMORANDUM

To: CALAFCO
FROM: Clark A. Alsop
Paula C.P. de Sousa
RE: CALAFCO: The Metamorphosis of Special Districts: Current Methods for Consolidation, Dissolution, Subsidiary District Formation and Merger

This Memorandum is intended to provide an updated overview of the typical methods for the reorganization of special districts. Of course, the procedures and processes for the consolidation, dissolution, merger and establishment of a subsidiary district may take various forms not delineated herein. Each Local Agency Formation Commission (“LAFCO”) should work with its legal counsel to follow appropriate procedures.

QUESTIONS PRESENTED

1. What are the various ways a special district may be modified under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Gov. Code § 56000 et seq.)¹ (the “Act”)?
2. How does the Act restrict the processes to modify special districts?

SHORT ANSWERS

1. Districts may be modified through the following means or combination thereof:
 - A. Consolidation;
 - B. Dissolution, including Dissolution with Annexation;
 - C. Merger;
 - D. Establishment of a Subsidiary District.
2. These specific limitations apply to some of the processes listed above:
 - A. Consolidation: Historically, only districts formed under the same principal acts could be consolidated. As of 2005, the consolidation of two or more special districts not formed pursuant to the same principal act is permitted subject to certain procedures.
 - B. Merger: A city must consent to a merger affecting its territory whether LAFCO initiates it or the voters approved it.
 - C. Establishment of a Subsidiary District: A subsidiary district may be established only if it meets certain statutory requirements regarding the amount of subsidiary district territory and the number of district voters within the governing city’s territory. Additionally, a city must consent to establishment of a subsidiary district affecting its territory.

¹ All further citations are to the Government Code unless otherwise specified.
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DISCUSSION

A. CONSOLIDATION

1. Brief History

In 1986, the State Legislature amended the Act to include, in part, a definition for the term “consolidation.” Under the Act, a “consolidation” is defined as “the uniting or joining of two or more . . . districts into a single new successor district.” (§ 56030.) Prior to January 1, 2005,² only districts formed pursuant to the same principal act could consolidate. Now, the Act permits consolidation of two or more special districts not formed pursuant to the same principal act if certain procedures are followed. Additionally, as of July 1, 1994, LAFCOs have had the power to initiate proposals to consolidate districts. (§ 56375(a).) Before 1994, only districts or petitioners could initiate a consolidation proceeding.

Sections 56859 and 56860 require that proceedings to form a consolidated district must be conducted as authorized in the principal act of the district to be formed. (§ 56859.) However, Section 56100 specifies that for purposes of reorganization, LAFCO serves as the conducting authority and that the reorganization provisions of the Act prevail over any conflicting laws in the principal act of the district, subject to a commission determination.³

2. LAFCO-Initiated Consolidation

LAFCO may only initiate a consolidation that is consistent with a recommendation or conclusion of a study prepared pursuant to Sections 56378, 56425, or 56430 and the LAFCO determinations specified in Section 56881(b). (§ 56375(a)(3).) Sections 56378, 56425, and 56430 require LAFCO to study existing agencies and make determinations regarding spheres of influence, and to conduct service reviews of the municipal services provided in the area under review.

Section 56881(b) requires LAFCO to make both the following determinations with regard to a proposed LAFCO-initiated consolidation:

- (1) Public service costs of a proposal LAFCO is authorizing are likely to be less than or substantially similar to the costs of alternate means of providing the service; and
- (2) Consolidation promotes public access and accountability for community services needs and financial resources.

Although not required, where LAFCO initiates a consolidation, Section 56827(c) “encourages” LAFCO to utilize a reorganization committee to review the consolidation proposal.

² Assembly Bill 2067, passed on September 10, 2004 and effective January 1, 2005, amended Section 56030 to permit consolidation of districts not formed pursuant to the same principal act. The Bill contained a sunset provision reinstating the prior law on July 1, 2008, but Senate Bill 819, passed July 20, 2007, deleted the sunset provision effective January 1, 2008.

³ The California Legislature enacted a significant overhaul of California’s Public Employee retirement system in 2013. The effects of that legislation on special district employees as a result of reorganizations is beyond the scope of this paper.

Section 56668 requires LAFCO to consider the factors set forth in Appendix “A” to this Memorandum in evaluating the consolidation proposal. LAFCO may also impose terms and conditions pursuant to Sections 56885.5 and 56886. It is important to keep in mind that if a conflicting proposal is submitted to LAFCO within 60 days of the submission of the original consolidation proposal, LAFCO cannot approve the original consolidation proposal until it considers the second conflicting proposal. (§ 56657.)

a. Protest/Election/Certificate of Completion

LAFCO must provide notice and hold a public protest hearing in the affected territory for a LAFCO-initiated consolidation. (§ 57008.) The protest hearing must be noticed pursuant to Section 57025 (regarding method and timing of notice) and Section 57026 (regarding content of notice). At any time prior to the conclusion of the protest hearing, any registered voter within inhabited territory that is the subject of a proposed consolidation, or any owner of land within inhabited or uninhabited territory subject to a proposed consolidation, may file a written protest against the consolidation. (§ 57051.)

LAFCO is not required to place the LAFCO-initiated consolidation before the voters unless written protests have been filed in accordance with the requirements of Section 57113. (§57077.2(b)(4).) For changes of organization consisting of consolidation of two or more districts, Section 57113 requires that LAFCO submit a consolidation to the voters if LAFCO receives protests signed by either of the following:

- (a) In the case of inhabited territory, protests have been signed by either of the following:
 - (1) At least 10 percent of the number of landowners within any subject agency within the affected territory who own at least 10 percent of the assessed value of land within the territory. However, if the number of landowners within a subject agency is less than 300, the protests shall be signed by at least 25 percent of the landowners who own at least 25 percent of the assessed value of land within the territory of the subject agency.
 - (2) At least 10 percent of the voters entitled to vote as a result of residing within, or owning land within, any subject agency within the affected territory. However, if the number of voters entitled to vote within a subject agency is less than 300, the protests shall be signed by at least 25 percent of the voters entitled to vote.
- (b) In the case of a landowner-voter district, the territory is uninhabited and protests have been signed by at least 10 percent of the number of landowners within any subject agency within the affected territory, who own at least 10 percent of the assessed value of land within the territory.

However, if the number of landowners entitled to vote within a subject agency is less than 300, protests shall be signed by at least 25 percent of the landowners entitled to vote.

(§ 57113(a) and (b) (emphasis added).) For LAFCO-initiated proposals, the method of and formula for calculating protests are the same regardless of whether a resolution of objection is filed by a subject agency. (§ 57077.2(b)(4).)

If a sufficient protest is made, LAFCO is required to submit the consolidation to the voters. LAFCO's resolution must designate the territory in which the elections will be held, provide the question to be submitted to the voters, specify any consolidation terms and conditions, and state the vote required to confirm the consolidation. (§§ 57115, 57118.) The election will be held within the territory of each district ordered to be consolidated. (§ 57118(a).) The election procedures and requirements are set forth in Section 57125 et seq.

If an election is held and the majority of voters vote against the consolidation in any of the districts ordered to be consolidated, LAFCO must adopt a certificate of completion terminating proceedings. (§§ 57177.5(b), 57179.) However, if the majority of the voters in both districts ordered to be consolidated vote in favor of consolidation, LAFCO must execute a certificate of completion confirming the order of consolidation. (§ 57177.5(a).) If no election is required to be held, the LAFCO Executive Officer must still execute a certificate of completion and make the requisite filings. (§ 57200.)

b. Effect of Consolidation⁴

After the LAFCO Executive Officer files the requisite certificate of completion, the consolidated district succeeds to all the "powers, rights, duties, obligations, functions, and properties of all predecessor districts" which consolidated to form the consolidated district. (§57500.) Included in these rights and duties is liability of the consolidated district for all debts of the predecessor districts. (§ 57502.) The consolidated district "steps into the shoes" of the predecessor districts because it is as if the "consolidated district had been originally formed under the principal act." (§ 57500.)

c. Effective Date

Finally, the consolidation's effective date is the date set forth in LAFCO's resolution, so long as it is neither earlier than the date the certificate of completion is executed, nor later than nine months after an election in which the majority of voters vote for the consolidation. (§ 57202(a).) If LAFCO's resolution does not establish an effective date, the consolidation is

⁴ This section of the Memorandum summarizes the default general conditions applicable to consolidations, as set out in Section 57500 et seq. Pursuant to Section 57302, these general conditions only apply if LAFCO does not impose any of the specific terms and conditions authorized under Section 56886. In the event LAFCO does impose terms and conditions under Section 56886, Section 57302 states that those terms and conditions become the "exclusive terms and conditions of the change of organization or reorganization and shall control over the general provisions of this part." The language in Section 57302 conflicts with newly enacted revisions to Section 56886, which specifies that terms and conditions imposed under Section 56886 "shall prevail in the event of a conflict between a specific term and condition authorized [pursuant to Section 56866] and any of the general provisions [set out at Section 57300 et seq.]." The Legislative Committee of the California Association of Local Agency Formation Commissions ("CALAFCO") will undertake a review of the inconsistencies between Sections 56886 and 57302.

effective on the date the consolidation is recorded by the county recorder, or if there are two counties involved, on the last date of recordation. (§ 57202(c).)

3. District-Initiated Consolidation

a. Initiated by One District

The legislative body of a district wishing to consolidate with another district must submit a Resolution of Application to the LAFCO Executive Officer of the principal county. (§ 56658(a).) The Application must contain the components set forth in Appendix “B” to this Memorandum, which include, in part, a Resolution of Application (see Appendix “C”) and a Plan for Providing Services (see Appendix “D”).

At least five days before the hearing, the Executive Officer must prepare a report on the Application, including his or her recommendation on the Application, and must give a copy of the report to every affected district, agency, and city. (§ 56665.) At the hearing, LAFCO hears and receives written and oral protests and evidence as well as the Executive Officer’s report and the Plan for Providing Services. (§ 56666.) Section 56668 requires LAFCO to consider the factors set forth in Appendix “A” to this Memorandum in evaluating the proposal to consolidate. LAFCO may also impose terms and conditions pursuant to Sections 56885.5 and 56886. It is important to keep in mind that if a conflicting proposal is submitted to LAFCO within 60 days of the submission of the consolidation proposal, LAFCO cannot approve the original consolidation proposal until it considers the conflicting proposal. (§ 56657.)

i. Protest/Election/Certificate of Completion

Where a subject agency has not objected by resolution, the voter/landowner petition requirements for written protest are subject to Section 57077.2(b)(2). (§ 57077.2.) Section 57077.2(b)(2) provides that the applicable protest threshold is the threshold set out in Section 57077.2(b)(1)(A) and (B), i.e.:

- (A) In the case of inhabited territory, protests have been signed by either of the following:
 - (i) At least 25 percent of the number of landowners within the territory subject to the consolidation who own at least 25 percent of the assessed value of land within the territory.
 - (ii) At least 25 percent of the voters entitled to vote as a result of residing within, or owning land within, the territory.
- (B) In the case of a landowner-voter district, the territory is uninhabited and protests have been signed by at least 25 percent of the number of landowners within the territory subject to the consolidation, owning at least 25 percent of the assessed value of land within the territory.

To summarize, where a subject agency does not object to the consolidation, the protest is measured in the entire affected territory.

(Id.) On the other hand, if a subject agency does file a resolution of objection, then the method of, and formula for, calculating protests are set forth in Section 57077.2(b)(3), which provides:

- (A) In the case of inhabited territory, protests have been signed by either of the following:
 - (i) At least 25 percent of the number of landowners within any subject agency within the affected territory who own at least 25 percent of the assessed value of land within the territory.
 - (ii) At least 25 percent of the voters entitled to vote as a result of residing within, or owning land within, any subject agency within the affected territory.
- (B) In the case of a landowner-voter district, the territory is uninhabited, and protests have been signed by at least 25 percent of the number of landowners within any subject agency within the affected territory, owning at least 25 percent of the assessed value of land within the subject agency.

(Id. (emphasis added).) Notably, where a subject agency has objected, the protest calculation is measured/calculated within any subject agency within the affected territory, as compared to measuring/calculating protests within the entire territory subject to consolidation, as is the case for consolidations without subject agency objection. Regardless, if LAFCO is required to submit a consolidation to the voters pursuant to either Section 57077.2(b)(2) or Section 57077.2(b)(3) protest thresholds, then the election must be held within the territory of each district ordered to be consolidated. (§57118(a).) LAFCO's resolution must provide the question to be submitted to the voters, specify any consolidation terms and conditions, and state the vote required to confirm the consolidation. (§ 57115.) The election procedures and requirements are set forth in Section 57125 et seq.

If an election is held and the majority of voters vote against the consolidation in any one of the districts ordered to be consolidated, LAFCO must adopt a certificate of completion terminating proceedings. (§§ 57177.5(b), 57179.) However, if the majority of the voters in the districts ordered to be consolidated vote in favor of consolidation, LAFCO must execute a certificate of completion confirming the order of consolidation. (§ 57177.5(a).) If no election is required to be held, the LAFCO Executive Officer must still execute a certificate of completion and make the requisite filings. (§ 57200.)

ii. *Effect of Consolidation*⁵

After the LAFCO Executive Officer files the certificate of completion, the consolidated district succeeds to all the “powers, rights, duties, obligations, functions, and properties of all predecessor districts” which consolidated to form a consolidated district. (§ 57500.) Included in these rights and duties is liability of the consolidated district for all debts of the predecessor districts. (§ 57502.) The consolidated district “steps into the shoes” of the predecessor districts because it is as if the “consolidated district had been originally formed under the principal act.” (§ 57500.)

iii. *Effective Date*

The consolidation’s effective date is the date set forth in LAFCO’s resolution, so long as it is neither earlier than the date the certificate of completion is executed, nor later than nine months after an election in which the majority of voters vote for the consolidation. (§ 57202(a).) If LAFCO’s resolution does not establish an effective date, the consolidation is effective on the date the consolidation is recorded by the county recorder, or if there are two counties involved, on the last date of recordation. (§ 57202(c).)

b. *Initiated by Two or More Districts*

Consolidation may also be initiated by the legislative bodies of two or more special districts. In order to start the consolidation process, the districts must adopt “substantially similar” Resolutions of Application to consolidate the districts. (§ 56853(a).) The Application must contain the components set forth in Appendix “B” to this Memorandum, which include, in part, a Resolution of Application (see Appendix “C”) and a Plan for Providing Services (see Appendix “D”).

LAFCO may change the terms of the consolidation set forth in the districts’ proposal. (§ 56853(b).) However, after any material modification to any of the terms of the consolidation proposal, LAFCO must provide mailed written notice of the change to the districts and cannot move forward on the consolidation for 30 days following that mailing without the districts’ written consent. (§ 56853(b).) During this 30 day time period, either district may file a written demand with the LAFCO Executive Officer, demanding that LAFCO make determinations only after notice and hearing on the proposals. If no written demand is made by either district, LAFCO may make those determinations without notice or a hearing. However, LAFCO cannot make any changes that would delete or add districts to the proposed consolidation without the written consent of the applicant districts. (§ 56853(c).)⁶

i. *Protest/Election/Certificate of Completion*

Upon receiving the districts’ proposals to consolidate, LAFCO must approve, or conditionally approve, the consolidation unless LAFCO receives a protest petition from the statutorily-mandated number of landowners/voters required to submit the consolidation to an election, as described below. (§ 56853(a).) Moreover, if a conflicting proposal is submitted to

⁵ See, Footnote 4.

⁶ “The application of any provision of this subdivision may be waived by consent of all the subject agencies.” (§ 56852(b).)

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LAFCO within 60 days of the submission of the proposal to consolidate, LAFCO cannot approve the proposal to consolidate until it considers the conflicting proposal. (§ 56657.)

LAFCO will order consolidation subject to confirmation of the voters, if it receives protests meeting the voter/landowner requirements of Section 57077.2(b)(1). (§ 57077.2.) Section 57077.2(b)(1) sets forth the following protest threshold:

- (A) In the case of inhabited territory, protests have been signed by either of the following:
 - (i) At least 25 percent of the number of landowners within the territory subject to the consolidation who own at least 25 percent of the assessed value of land within the territory.
 - (ii) At least 25 percent of the voters entitled to vote as a result of residing within, or owning land within, the territory.
- (B) In the case of a landowner-voter district, the territory is uninhabited and protests have been signed by at least 25 percent of the number of landowners within the territory subject to the consolidation, owning at least 25 percent of the assessed value of land within the territory.

(§ 57077.2 (b)(1).)

If sufficient protest requires LAFCO to submit a consolidation to the voters as calculated pursuant to Section 57077.2(b)(1), the election will be held within the territory of each district ordered to be consolidated. (§ 57118(a).) LAFCO’s resolution must provide the question to be submitted to the voters, specify any consolidation terms and conditions, and state the vote required to confirm the consolidation. (§ 57115.) The election procedures and requirements are set forth in Section 57125 et seq.

If an election is held and the majority of voters within the territory of any district vote against the consolidation, LAFCO must adopt a certificate of completion terminating proceedings. (§§ 57177.5(b), 57179.) However, if the majority of the voters in both districts ordered to be consolidated vote in favor of consolidation, the LAFCO Executive Officer must execute a certificate of completion confirming the order of consolidation. (§ 57177.5(a).) If no election is required to be held, LAFCO must still execute a certificate of completion and make the requisite filings. (§ 57200.)

ii. Effect of Consolidation⁷

After the LAFCO Executive Officer files the requisite certificate of completion, the consolidated district succeeds to all the “powers, rights, duties, obligations, functions, and properties of all predecessor districts” which were consolidated to form a consolidated district. (§ 57500.) Included in these rights and duties, a consolidated district becomes liable for all debts

⁷ See, Footnote 4.

of the predecessor districts. (§ 57502.) The consolidated district “steps into the shoes” of the predecessor districts because it is as if the “consolidated district had been originally formed under the principal act.” (§ 57500.)

iii. *Effective Date*

Finally, the effective date of the consolidation is the date set forth in LAFCO’s resolution, so long as it is neither earlier than the date the certificate of completion is executed, nor later than nine months after an election in which the majority of voters approved the consolidation. (§ 57202(a).) If LAFCO’s resolution does not establish an effective date, the consolidation is effective on the date the consolidation is recorded by the county recorder, or if there are two counties involved, on the last date of recordation. (§ 57202(c).)

4. **Petition-Initiated Consolidation**

Special districts may be consolidated by petition signed by the requisite number of registered voters or landowners, depending upon the specifics of the district’s statutory authorization. Prior to circulating any petition, however, the proponents for change of organization must file a notice of intention to circulate a petition with LAFCO. (§ 56700.4(a).) After a notice of intention to circulate the petition is filed, the petition may be circulated for the appropriate signatures. (§ 56700.4(b).) For a consolidation, voters or landowners must sign a petition as follows:

- (a) For registered voter districts, by not less than 5 percent of the registered voters within each of the several districts.
- (b) For landowner-voter districts, by landowner-voters within each of the several districts constituting not less than 5 percent of the number of landowner-voters owning land within each of the several districts and who also own not less than 5 percent of the assessed value of land within each of the several districts.

(§ 56865.)

The petitioners must submit an Application for consolidation to the LAFCO Executive Officer of the principal county. (§ 56658(a).) Like a Resolution of Application filed by districts wishing to consolidate, the Application must contain those elements set forth in Appendix “B” to this Memorandum. Additionally, the petition must contain all of the requirements delineated in Section 56700(a) attached to this Memorandum as Appendix “C.” Within 30 days, excluding Saturdays, Sundays, and holidays, after the date of receiving a petition, the Executive Officer must cause the petition to be reviewed by either the Registrar of Voters or County Assessor, and must “prepare a certificate of sufficiency indicating whether the petition is signed by the requisite number of signers.” (§ 56706(a).) Once an application is deemed complete by the Executive Officer, the Executive Officer issues a certificate of filing to the applicant. (§ 56658(d)-(h).) Within 90 days of issuing the certificate of filing, the Executive Officer must set a hearing. (§ 56658(h).)

Before LAFCO may take action on a proposal to consolidate, LAFCO must hold a public hearing on the proposal. (§ 56662(b).) Section 56668 requires LAFCO to consider the factors set forth in Appendix “A” to this Memorandum in evaluating the proposal to consolidate. LAFCO may also impose terms and conditions pursuant to Section 56885.5 and 56886.

a. Protest Election/Certificate of Completion

LAFCO is still not required to place the consolidation before the voters unless written protests have been filed meeting 1) the threshold in Section 57077.2(b)(2), if a subject agency has not objected by resolution to the proposal, or 2) the threshold in Section 57077.2(b)(3), if a subject agency has objected by resolution to the proposal. (§ 57077.2(a).) These threshold limits are described in greater detail in Section A(3) of this Memorandum, above.

If LAFCO is required to submit a consolidation to the voters pursuant to Section 57077.2(b)(2), the election will be held within the territory of each district ordered to be consolidated. (§ 57118(a).) LAFCO’s resolution must provide the question to be submitted to the voters, specify any consolidation terms and conditions, and state the vote required to confirm the consolidation. (§ 57115.) The election procedures and requirements are set forth in Section 57125 et seq.

If an election is held and the majority of voters within the territory of any subject district vote against the consolidation, LAFCO must adopt a certificate of completion terminating proceedings. (§§ 57177.5(b), 57179.) However, if the majority of the voters in each district vote to consolidate the districts, LAFCO must execute a certificate of completion confirming the order of consolidation. (§ 57177.5(a).) If no election is required to be held, LAFCO must still execute a certificate of completion and make the requisite filings. (§ 57200.)

b. Effect of Consolidation⁸

After the LAFCO Executive Officer files the requisite certificate of completion, the consolidated district succeeds to all the “powers, rights, duties, obligations, functions, and properties of all predecessor districts” which consolidated to form a consolidated district. (§ 57500.) Included in these rights and duties, a consolidated district becomes liable for all debts of the predecessor districts. (§ 57502.) The consolidated district “steps into the shoes” of the predecessor districts because it is as if the “consolidated district had been originally formed under the principal act.” (§ 57500.)

c. Effective Date

Finally, the consolidation’s effective date is the date set forth in LAFCO’s resolution, so long as it is neither earlier than the date the certificate of completion is executed, nor later than nine months after an election in which the majority of voters vote for the consolidation. (§ 57202(a).) If LAFCO’s resolution does not establish an effective date, the consolidation is effective on the date the consolidation is recorded by the county recorder, or if there are two counties involved, on the last date of recordation. (§ 57202(c).)

⁸ See, Footnote 4.

5. Additional Procedures for Consolidation of Districts Not Formed by Same Principal Act

Districts not formed under the same principal act may be consolidated if certain procedures are followed. In the past, only districts formed under the same principal act could be consolidated into a single district. For instance, under the former law, two municipal water districts could consolidate but an irrigation district and a municipal water district could not, even though they may have exercised many of the same powers and duties. After the 2004 and 2007 amendments,⁹ the Act now permits the consolidation of two or more special districts not formed pursuant to the same principal act. For example, an irrigation district may consolidate with a municipal water district through LAFCO-initiated, district-initiated, or petition-initiated procedures as outlined above, subject to the following additional requirements and limitations.

a. LAFCO-Initiated Consolidation

As outlined in Section A(2) above, LAFCO may initiate a consolidation of districts. Where LAFCO initiates a consolidation of two or more special districts not formed pursuant to the same principal act, the proposal must be consistent with a recommendation or conclusion of a study prepared pursuant to Section 56378 or the written statement of determinations specified in Section 56430(a). (§ 56826.5(b).) The proposal must also ensure that services currently provided by both districts will not be hampered, that public services costs of the proposal are likely to be less than, or substantially similar to the costs of alternate means of providing the service, and that the consolidation promotes public access and accountability for community service needs and financial resources. (§ 56826.5(b)(1) – (3).)

b. District-Initiated Consolidation

As outlined in Section A(3)(a) and A(3)(b) above, special districts may initiate consolidation by resolution of application—by one district or jointly by two or more districts. In addition to all of the requirements delineated in Section 56700(a) and attached to this Memorandum as Appendix “C,” Section 56700(b) requires that an Application for consolidation of districts not formed pursuant to the same principal act must either:

- (1) Designate the district that shall be the successor and specify under which principal act the successor shall conduct itself;
or
- (2) State that the proposal requires the formation of a new district and includes a plan for services prepared pursuant to Section 56653.

c. Petition-Initiated Consolidation

As outlined in Section A(4) above, special districts may be consolidated by petition signed by the requisite number of registered voters or landowners, depending upon the specifics of the district’s statutory authorization. Proponents must file a notice of intention with LAFCO,

⁹ Assembly Bill 2067, passed on September 10, 2004 and effective January 1, 2005, amended Section 56030 to permit consolidation of districts not formed pursuant to the same principal act. The Bill contained a sunset provision reinstating the prior law on July 1, 2008. Senate Bill 819 deleted the sunset provision effective January 1, 2008.

circulate a petition for signatures, and submit an Application for consolidation. (§ 56700.4(a) and (b); § 56865(a) and (b).) In addition to all of the requirements delineated in Section 56700(a) and attached to this Memorandum as Appendix “C,” the Application for consolidation of districts not formed pursuant to the same principal act must do either of the following:

- (1) Designate the district that shall be the successor and specify under which principal act the successor shall conduct itself;
or
- (2) State that the proposal requires the formation of a new district and includes a plan for services prepared pursuant to Section 56653.

(§ 56700(b).)

d. Limitations on Consolidation of Districts Not Formed Under Same Act

LAFCO may approve a proposal for reorganization that includes the consolidation of two or more special districts not formed pursuant to the same principal act only if both the following conditions are met:

- (1) The commission is able to designate a successor or successors, or form a new district or districts, authorized by their respective principal acts to deliver all of the services provided by the consolidating districts at the time of consolidation.
- (2) The commission determines that public services costs of the proposal are likely to be less than or substantially similar to the costs of alternate means of providing the service, and the consolidation promotes public access and accountability for community service needs and financial resources.

(§ 56826.5(a); § 56881(b).) The Act also requires LAFCO to determine whether any service provided at the time could be discontinued due to a lack of authority under the principal act of the successor. (§ 56886.5(b).) For example, an irrigation district and municipal water district may not be consolidated into a single irrigation district if the laws governing the resulting irrigation district would not allow it to perform all the functions of the extinguished water district. In this case, the commission shall consider the formation of a new district that is authorized to provide the service or services. (Id.)

B. DISSOLUTION

1. Brief History

As a result of the Gotch Amendment (AB 1335) to the Cortese-Knox Local Government Reorganization Act of 1985, proposals to dissolve a special district may be initiated by LAFCO itself. (§ 56000.) The purpose of the Gotch Amendment was to consolidate overlapping districts into a more coherent system of local government or dissolve districts that have outlived their purpose. However, by 2000, five years after the passage of the Gotch Amendment, only one LAFCO-initiated proposal had led to the dissolution of a special district. (Little Hoover Commission, Special Districts: Relics of the Past or Resources for the Future? 9 (2000).)

The Act defines “dissolution” as:

The disincorporation, extinguishment, or termination of the existence of a district and the cessation of all its corporate powers, except as the commission may otherwise provide pursuant to Section 56886 or for the purpose of winding up the affairs of the district.

(§ 56035.)

At present, the procedures for a dissolution may be commenced by the district, by petition, or by LAFCO itself.

2. LAFCO-Initiated Dissolution

A dissolution may be initiated by LAFCO if it is consistent with a recommendation or conclusion of a study prepared pursuant to Sections 56378, 56425, or 56430, and LAFCO makes the determinations specified in Section 56881(b). (§ 56375(a)(3).) Sections 56378, 56425, and 56430 require LAFCO to study existing agencies and make determinations regarding spheres of influence and conduct service reviews of the municipal services provided in the area for review.

Section 56881(b) requires LAFCO to make both of the following determinations with regard to the proposed dissolution:

- (1) Public service costs of a proposal that LAFCO is authorizing are likely to be less than or substantially similar to the costs of alternate means of providing the service.
- (2) The proposed dissolution promotes public access and accountability for community services needs and financial resources.

Before LAFCO may dissolve a district, LAFCO must hold a public hearing on the dissolution proposal. (§ 56662(b).) Section 56668 requires LAFCO to consider the factors set forth in Appendix “A” to this Memorandum in evaluating the proposal to dissolve a district.

a. **Protest/Election/Certificate of Completion**

LAFCO is not required to place the dissolution before the voters, unless the required written protests have been filed as set out in Section 57113. (§ 57077.1(b)(3).) These threshold limits are detailed in Section A(2)(a) of this Memorandum, above. Additionally, if a change of organization only consists of a single dissolution, and the dissolution is “consistent with a prior action of the commission pursuant to Sections 56378, 56425, or 56430,¹⁰ the commission may” order the dissolution without an election after “holding at least one noticed public hearing, and after conducting protest proceedings in accordance with this part.” (§ 57077.1(c)(2).) However, LAFCO must terminate proceedings entirely if a majority protest exists pursuant to Section 57078. (Id.)

If the requirements of Section 57077.1(c) are not met, and if a sufficient protest is made, LAFCO is required to submit the dissolution to the voters.¹¹ LAFCO’s resolution must designate the territory in which the elections will be held (which, in the case of a district dissolution, is the territory of the district ordered to be dissolved), provide the question to be submitted to the voters, specify any dissolution terms and conditions, and state the vote required to confirm the dissolution. (§§ 57115 & 57118.) The election procedures and requirements are set forth in Section 57125 et seq.

If an election is held and the majority of voters vote against the dissolution, LAFCO must adopt a certificate of termination proceedings. (§ 57179.) However, if the majority of the voters vote for the dissolution of a district, LAFCO must execute a certificate of completion confirming the order of dissolution. (§ 57176.) If no election is required to be held, the LAFCO Executive Officer must still execute a certificate of completion and make the requisite filings. (§ 57200.)

¹⁰ Sections 56378, 56425, and 56430 require LAFCO to study existing agencies and make determinations regarding spheres of influence, and to conduct service reviews of the municipal services provided in the area under review.

¹¹ Section 57102, however, permits the commission to order the dissolution without an election (except in the case of a hospital district dissolution) if it makes any of the following findings specified in Section 57102. Section 57102 provides as follows:

- a) In any resolution ordering a dissolution, the commission shall make findings upon one or more of the following matters:
 - (1) That the corporate powers have not been used, as specified Section 56871, and that there is a reasonable probability that those powers will not be used in the future.
 - (2) That the district is a registered-voter district and is uninhabited.
 - (3) That the board of directors of the district has, by unanimous resolution, consented to the dissolution of the district.
 - (4) That the commission has authorized, pursuant to subdivision (a) of Section 57077.1, the dissolution of the district without an election.
- (b) If the commission makes any of the findings specified in subdivision (a), the commission may, except as otherwise provided in Section 57103, order the dissolution of the district without election.

The requirement provisions of Section 57077.1(c) control over the provisions of Section 57102, as applicable.

b. Effect of Dissolution¹²

After the LAFCO Executive Officer files the requisite certificate of completion, the dissolved district is extinguished and all of its corporate powers cease except to wind up the affairs of the district, or as required by a term or condition imposed on the dissolution by LAFCO. (§ 57450.) If the terms and conditions of the dissolution call for annexation of the district into a single existing district, the remaining assets of the dissolved district are distributed to the existing successor district. (§§ 57451(d), 56886.) If the dissolution calls for annexation and distribution of remaining assets of a dissolved district into two or more existing districts, then the existing district containing the greater assessed value of all taxable property within the territory of the dissolved district shall become the successor district. (§ 57451(e).) For dissolution without annexation, a city or county will become the successor agency for the district depending on which one contains the greatest assessed value of all taxable property within the territory of the dissolved district. (§ 57451(c).) A successor agency collects the dissolved district's assets and is empowered to wind up the business of the district - ensuring that all debts are paid, distributing assets and all other lawful purposes for the benefit of the lands, inhabitants and taxpayers within the territory of the dissolved district, as far as practicable. (§ 57452.) In the case of dissolution with annexation, the successor agency "steps into the shoes" of the former district and assumes its corporate powers over the dissolved district's territory. (§ 56886.)

c. Effective Date

Finally, the dissolution's effective date is the date set forth in LAFCO's resolution, so long as it is neither earlier than the date the certificate of completion is executed, nor later than nine months after an election in which the majority of voters vote for the dissolution. (§ 57202(a).) If LAFCO's resolution does not establish an effective date, the dissolution is effective on the date the dissolution is recorded by the county recorder, or if there are two counties involved, on the last date of recordation. (§ 57202(c).)

3. District-Initiated Dissolution (Either by Dissolving District or Affected Local Agency)

The legislative body of a district may begin the process to dissolve the district by adopting a Resolution of Application, which must be submitted to LAFCO. (§§ 56654(a); 56858(a).) The Application must contain the components set forth in Appendix "B" to this Memorandum, which include, in part, a Resolution of Application (see Appendix "C") and a Plan for Providing Services (see Appendix "D"). At least 21 days before adopting the resolution, however, the district may give mailed notice to LAFCO and any affected districts and counties. (§ 56654(c).)

¹² This section of the Memorandum summarizes the default general conditions applicable to dissolutions, as set out in Section 57450 *et seq.* Pursuant to Section 57302, these general conditions only apply if LAFCO does not impose any of the specific terms and conditions authorized under Section 56886. In the event LAFCO does impose terms and conditions under Section 56886, Section 57302 states that those terms and conditions become the "exclusive terms and conditions of the change of organization or reorganization and shall control over the general provisions of this part." The language in Section 57302 conflicts with newly enacted revisions to Section 56886, which specifies that terms and conditions imposed under Section 56886 "shall prevail in the event of a conflict between a specific term and condition authorized [pursuant to Section 56866] and any of the general provisions [set out at Section 57300 *et seq.*]." The Legislative Committee of CALAFCO will undertake a review of the inconsistencies between Sections 56886 and 57302.

Not less than five days prior to the hearing, the Executive Officer must prepare a report on the Application, including his or her recommendation on the Application, and must give a copy of the report to every affected district, agency, and city. (§ 56665.) At the hearing, LAFCO hears and receives written and oral protests and evidence as well as the Executive Officer's report and the Plan for Providing Services. (§ 56666(b).) Section 56668 requires LAFCO to evaluate the dissolution proposal pursuant to the factors set forth in Appendix "A" to this Memorandum. LAFCO may also impose terms and conditions on the dissolution pursuant to Section 56885.5 and 56886.

a. Protest/Election/Certificate of Completion

LAFCO is required to place the dissolution before the voters if written protests have been filed meeting Section 57077.1(b)(1), where a subject agency has not objected by resolution to the proposal, or Section 57077.1(b)(2), if a subject agency has objected by resolution to the proposal. (§ 57077.1(a).) Section 57077.1(b)(1) sets forth the following protest threshold:

- (A) In the case of inhabited territory, protests have been signed by either of the following:
 - (i) At least 25 percent of the number of landowners within the affected territory who own at least 25 percent of the assessed value of land within the territory.
 - (ii) At least 25 percent of the voters entitled to vote as a result of residing within, or owning land within, the affected territory.
- (B) In the case of a landowner-voter district, that the territory is uninhabited, and that protests have been signed by at least 25 percent of the number of landowners within the affected territory owning at least 25 percent of the assessed value of land within the territory.

Alternatively, Section 57077.1(b)(2) requires that written protests meet the following threshold:

- (A) In the case of inhabited territory, protests have been signed by either of the following:
 - (i) At least 25 percent of the number of landowners within any subject agency within the affected territory who own at least 25 percent of the assessed value of land within the territory.
 - (ii) At least 25 percent of the voters entitled to vote as a result of residing within, or owning land within, any subject agency within the affected territory.

- (B) In the case of a landowner-voter district, that the territory is uninhabited, and that protests have been signed by at least 25 percent of the number of landowners within any subject agency within the affected territory, owning at least 25 percent of the assessed value of land within the subject agency.

If LAFCO is required to submit a dissolution to the voters pursuant to Section 57077.1(b), the election will be held within the territory of the district ordered to be dissolved.¹³ (§ 57118(a).) LAFCO’s resolution must provide the question to be submitted to the voters, specify any dissolution terms and conditions, and state the vote required to confirm the dissolution. (§ 57115.) The election procedures and requirements are set forth in Section 57125 et seq.

If an election is held and the majority of voters vote against the dissolution, LAFCO must adopt a certificate of termination proceedings. (§ 57179.) However, if the majority of the voters vote for the dissolution of a district, LAFCO must execute a certificate of completion confirming the order of dissolution. (§ 57176.) If no election is required to be held, the LAFCO Executive Officer must still execute a certificate of completion and make the requisite filings. (§ 57200.)

Notwithstanding the above, if a change of organization only consists of a single dissolution that is “consistent with a prior action of the commission pursuant to Sections 56378, 56425, or 56430,”¹⁴ and the dissolution is “initiated by the district board,” then LAFCO may “immediately approve and order the dissolution without an election or protest proceedings pursuant to this part.” (§ 57077.1(c)(1).)¹⁵ Alternatively, if a single dissolution is initiated by an affected local agency and if that single dissolution is “consistent with a prior action of the commission pursuant to Sections 56378, 56425, or 56430,” then commission may” order the dissolution without an election after “holding at least one noticed public hearing, and after conducting protest proceedings in accordance with this part.” (§ 57077.1(c)(2).) However, LAFCO must terminate proceedings entirely if a majority protest exists pursuant to Section 57078. (Id.)

b. Effect of Dissolution¹⁶

After the LAFCO Executive Officer files the requisite certificate of completion, the dissolved district is extinguished and all of its corporate powers cease, except to wind up the affairs of the district, or as required by a term and condition imposed on the dissolution by LAFCO. (§ 57450.) If the terms and conditions of the dissolution call for annexation of the district into a single existing district, the remaining assets of the dissolved district are distributed to the existing successor district. (§§ 57451(d), 56886.) If the dissolution calls for annexation and distribution of remaining assets of a dissolved district into two or more existing districts, then the existing district containing the greater assessed value of all taxable property within the

¹³ See, Footnote 22 regarding where an election is held for a reorganization consisting of dissolution with annexation.

¹⁴ Sections 56378, 56425, and 56430 require LAFCO to study existing agencies and make determinations regarding spheres of influence, and to conduct service reviews of the municipal services provided in the area under review.

¹⁵ See, Footnote 11.

¹⁶ See, Footnote 12.

territory of the dissolved district shall become the successor district. (§ 57451(e).) For dissolution without annexation, a city or county will become the successor agency for the district depending on which one contains the greatest assessed value of all taxable property within the territory of the dissolved district. (§ 57451(c).) A successor agency collects the dissolved district's assets and is empowered to wind up the business of the district; ensuring that all debts are paid, distributing assets and all other lawful purposes for the benefit of the lands, inhabitants and taxpayers within the territory of the dissolved district, as far as practicable. (§ 57452.) In the case of dissolution with annexation, the successor agency "steps into the shoes" of the former district and assumes its corporate powers over the dissolved district's territory. (§ 56886.)

c. Effective Date

Finally, the dissolution's effective date is the date set forth in LAFCO's resolution, so long as it is neither earlier than the date the certificate of completion is executed, nor later than nine months after an election in which the majority of voters vote for the dissolution. (§ 57202(a).) If LAFCO's resolution does not establish an effective date, the dissolution is effective on the date the dissolution is recorded by the county recorder, or if there are two counties involved, on the last date of recordation. (§ 57202(c).)

4. Petition-Initiated Dissolution

Special districts may be dissolved by petition signed by the requisite number of registered voters or landowners, which are set forth in Section 56870. Prior to circulating any petition, however, the proponent for change of organization must file a notice of intention to circulate a petition with LAFCO. (§ 56700.4(a).) After a notice of intention to circulate the petition is filed, the petition may be circulated for the appropriate signatures. (§ 56700.4(b).) Except as provided in Section 56871,¹⁷ petitions for the dissolution of a district must be signed by:

- (a) For registered voter districts, by either of the following:
 - (1) Not less than 10 percent of the registered voters within the district.
 - (2) Not less than 10 percent of the number of landowners within the district who also own not less

¹⁷ Section 56871 sets forth alternative petition requirements if the petition for dissolution of a registered voter district is signed by three or more registered voters within the district (or by three or more landowners within a landowner-voter district) provided certain additional requirements are met. Under Section 56871, such a petition is deemed sufficient if the petition recites that the district has been in existence for at least three years, that the district has not used its corporate powers and that one or more of the following conditions have existed or now exist:

- (a) That during the three-year period preceding the date of the first signature upon the petition any of the following events have not occurred:
 - (1) There has not been a duly selected and acting quorum of the board of directors of the district.
 - (2) The board of directors has not furnished or provided services or facilities of substantial benefit to residents, landowners, or property within the district.
 - (3) The board of directors has not levied or fixed and collected any taxes, assessments, service charges, rentals, or rates or expended the proceeds of those levies or collections for district purposes.
- (b) That during the one-year period preceding the date of the first signature upon the petition a quorum of the duly selected and acting board of directors has not met for the purpose of transacting district business.
- (c) That, upon the date of the first signature upon the petition, the district had no assets, other than money in the form of cash, investments, or deposits.

than 10 percent of the assessed value of land within the district.

- (b) For landowner-voter districts, by not less than 10 percent of the number of landowner-voters within the district who also own not less than 10 percent of the assessed value of land within the district.

(§ 56870.)

Once a petition is qualified by the Executive Officer, the Executive Officer issues a certificate of filing to the applicant. (56658(d)-(h).) Within 90 days of issuing the certificate of filing, the Executive Officer must set a hearing. (§ 56658(h).) Within 35 days of the hearing, LAFCO must adopt a resolution making determinations approving or disapproving the proposal, with or without terms and conditions. (§ 56880.) If a conflicting proposal is submitted to LAFCO within 60 days of the submission of the proposal to dissolve, then LAFCO cannot approve the proposal to dissolve until it considers the conflicting proposal. (§ 56657.)

a. Protest/Election/Certificate of Completion

Where a subject agency has not objected by resolution, an election must be held if written protests are received meeting the voter/landowner petition requirements of Section 57077.1(b)(1). (§ 57077.1(a).) Where a subject agency files a resolution of objection, an election must be held if written protests have been filed meeting the threshold level set forth in Section 57077.1(b)(2). These thresholds are set forth in Section B(3)(a), above. Additionally, if a change of organization only consists of a single dissolution that is “consistent with a prior action of the commission pursuant to Sections 56378, 56425, or 56430,¹⁸” and the dissolution is initiated by petition, the commission may order the dissolution without an election after “holding at least one noticed public hearing, and after conducting protest proceedings in accordance with this part.” (§ 57077.1(c)(2).) However, LAFCO must terminate proceedings entirely if a majority protest exists pursuant to Section 57078. (Id.)¹⁹

If LAFCO is required to submit a dissolution to the voters pursuant to Section 57077.1(b), the election will be held and the measure must pass within the territory of each district ordered to be dissolved.²⁰ (§ 57118(a).) LAFCO’s resolution must provide the question to be submitted to the voters, specify any dissolution terms and conditions, and state the vote required to confirm the dissolution. (§ 57115.) The election procedures and requirements are set forth in Section 57125 et seq.

If an election is held and the majority of voters vote against a dissolution, LAFCO must adopt a certificate of termination proceedings. (§ 57179.) However, if the majority of the voters vote for the dissolution, the LAFCO Executive Officer must execute a certificate of completion

¹⁸ Sections 56378, 56425, and 56430 require LAFCO to study existing agencies and make determinations regarding spheres of influence, and to conduct service reviews of the municipal services provided in the area under review.

¹⁹ See, Footnote 11.

²⁰ See, Footnote 22 regarding where an election is held for reorganizations consisting of dissolution with annexation.

confirming the order of dissolution. (§ 57176.) If no election is required to be held, LAFCO must still execute a certificate of completion and make the requisite filings. (§ 57200.)

b. Effect of Dissolution²¹

After the LAFCO Executive Officer files the requisite certificate of completion, the dissolved district is extinguished and all of its corporate powers cease except to wind up the affairs of the district, or as required by a term or condition imposed on the dissolution by LAFCO. (§ 57450.) If the terms and conditions of the dissolution call for annexation of the district into a single existing district, the remaining assets of the dissolved district are distributed to the existing successor district. (§§ 57451(d), 56886.) If the dissolution calls for annexation and distribution of remaining assets of a dissolved district into two or more existing districts, then the existing district containing the greater assessed value of all taxable property within the territory of the dissolved district shall become the successor district. (§ 57451(e).) For dissolution without annexation, a city or county will become the successor agency for the district depending on which one contains the greatest assessed value of all taxable property within the territory of the dissolved district. (§ 57451(c).) A successor agency collects the dissolved district's assets and is empowered to wind up the business of the district - ensuring that all debts are paid, distributing assets and all other lawful purposes for the benefit of the lands, inhabitants and taxpayers within the territory of the dissolved district, as far as practicable. (§ 57452.) In the case of dissolution with annexation, the successor agency "steps into the shoes" of the former district and assumes its corporate powers over the dissolved district's territory. (§ 56886.)

c. Effective Date

Finally, the dissolution's effective date is the date set forth in LAFCO's resolution, so long as it is neither earlier than the date the certificate of completion is executed, nor later than nine months after an election in which the majority of voters vote for the dissolution. (§ 57202(a).) If LAFCO's resolution does not establish an effective date, the dissolution is effective on the date the dissolution is recorded by the county recorder, or if there are two counties involved, on the last date of recordation. (§ 57202(c).)

5. Dissolution with Annexation

The Act's provisions expressly allow LAFCO to "select" a successor to "step into the shoes" of the dissolved district. Section 56886 permits LAFCO to impose a condition on a dissolution that will grant one agency all of the remaining assets of the dissolved district. (§ 56886(h) and (i).) When LAFCO imposes such conditions, the agency granted all of the dissolved district's remaining assets becomes the "successor" agency pursuant to Section 57451. Specifically, Section 57451(d) provides that:

If the terms and conditions provide that all of the remaining assets of a dissolved district shall be distributed to a single existing district, the single existing district is the successor.

²¹ See, Footnote 12.

In such an instance, for example, if one of the remaining assets of a dissolved district is that district's water distribution facilities, including pipelines and water treatment facilities, these assets will be put to use for the purpose of distributing water by the successor district. The provisions of Section 57463 support this conclusion. Section 57463 provides that after all debts are paid, any assets remaining may be used for any lawful purpose of the public agency to which the assets have been distributed for the benefit of the lands, inhabitants and taxpayers within the territory of the dissolved district, as far as practicable. (§ 57463.) Applying the intent of Section 57463 to the water distribution facilities example would allow the public agency to which the assets have been distributed to continue to use the water distribution facilities. In essence, the agency receiving the dissolved district's remaining assets, which may be the successor agency, steps into the shoes of the dissolved district.

a. Initiation of Reorganization Consisting of Dissolution with Annexation

A reorganization consisting of a dissolution with annexation may be initiated by petition, Resolution of Application by one special district, or if initiated pursuant to Section 56853, the reorganization can be initiated by the legislative bodies of two or more special districts.

i. Protest/Election/Certificate of Completion

When a reorganization application consists of a dissolution of one or more districts and the annexation of all or substantially all the territory into another district and the application is initiated by two or more districts pursuant to Section 56853, the protest thresholds to trigger an election are set out in Section 57077.3(b)(1)(A) and (B). Section 57077.3(b)(1)(A) and (B) provides as follows:

- (A) In the case of inhabited territory, protests have been signed by either of the following:
 - (i) At least 25 percent of the number of landowners within the affected territory who own at least 25 percent of the assessed value of land within the territory.
 - (ii) At least 25 percent of the voters entitled to vote as a result of residing within, or owning land within, the affected territory.
- (B) In the case of a landowner-voter district, that the territory is uninhabited, and that protests have been signed by at least 25 percent of the number of landowners within the affected territory, owning at least 25 percent of the assessed value of land within the territory.

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For proposals initiated by a single special district, or by petition, LAFCO must order the reorganization subject to confirmation by the voters if it receives protests meeting the following thresholds:

- (1) In the case of inhabited territory, protests have been signed by either of the following:
 - (A) At least 25 percent of the number of landowners within any subject agency within the affected territory who own at least 25 percent of the assessed value of land within the territory.
 - (B) At least 25 percent of the voters entitled to vote as a result of residing within, or owning land within, any subject agency within the affected territory.
- (2) In the case of a landowner-voter district, the territory is uninhabited, and protests have been signed by at least 25 percent of the number of landowners within any subject agency within the affected territory, owning at least 25 percent of the assessed value of land within the subject agency.

(§ 57077.4(b)(1)(A) and (B).)

For dissolution with annexation initiated under Section 56853, if LAFCO is required to submit the reorganization to the voters pursuant to Section 57077.3(b), the election will be held and the measure must pass within the territory of each district ordered to be dissolved. (§ 57118(a).) On the other hand, if the dissolution with annexation is initiated by petition or by Resolution of Application by one district, and if there is sufficient protest under Section 57077.4, the election will be held separately within the territory of each affected district that has filed a petition meeting the requisite protest requirements.²² LAFCO's resolution must provide the question to be submitted to the voters, specify any reorganization terms and conditions, and state the vote required to confirm the dissolution. (§ 57115.) The election procedures and requirements are set forth in Section 57125 et seq.

If an election is held and the majority of voters vote against the reorganization, LAFCO must adopt a certificate of termination proceedings. (§ 57179.) However, if the majority of the voters vote for the dissolution, the LAFCO Executive Officer must execute a certificate of completion confirming the order of reorganization. (§ 57176.) If no election is required to be held, LAFCO must still execute a certificate of completion and make the requisite filings. (§ 57200.)

²² Section 57118(f) requires that elections for reorganizations consisting of a dissolution and annexation be held separately within the territory of each affected district that has filed a petition meeting the requirements of Section 57077.4(b).

C. **MERGER**

1. **Brief History**

Prior to 1965, the state of the law in California was that the inclusion of the entire territory of a special district within the boundaries of a city resulted in the automatic merger of the special district into the city, thereby eliminating the special district. The rationale behind this doctrine, dubbed the “Doctrine of Automatic Merger,” was the avoidance of the “duplication of functions - otherwise two distinct governmental bodies claiming to exercise the same authority, powers and franchises simultaneously over the same territory would ‘produce intolerable confusion, if not constant conflict.’” (*City of Downey v. Downey Water Dist.* (1962) 202 Cal.App.2d 786, 792 (citations omitted).)

In 1965, the Legislature enacted the District Reorganization Act of 1965, effective September 17, 1965 (Stats 1965 ch 2043 §§ 2), adding Government Code section 56400 as follows:

The Legislature hereby declares that the doctrine of automatic merger of a district with a city or the merger by operation of law of a district with a city shall have and be given no further force or effect. The existence of a district shall not be extinguished or terminated as a result of the entire territory of such district being heretofore or hereafter included within a city unless such district be merged with such city as a result of proceedings taken pursuant to this division.

This very language is now part of the Act and is set forth in Section 56116.

A merger now can only occur as a result of proceedings taken pursuant to the Act. The term “merger” for purposes of the Act is defined as:

The termination of the existence of a district when the responsibility for the functions, services, assets, and liabilities of that district are assumed by a city as a result of proceedings taken pursuant to this division.

(§ 56056.)

2. **LAFCO-Initiated Merger**

LAFCO may initiate a merger of a district with a city if it is consistent with a recommendation or conclusion of a study prepared pursuant to Sections 56378, 56425, or 56430 and LAFCO makes the determinations specified in Section 56881(b). (§ 56375(a)(3).) Sections 56378, 56425, and 56430 require LAFCO to study existing agencies and make determinations regarding spheres of influence and conduct service reviews of the municipal services provided in the area for review. Section 56881(b) requires LAFCO to make all of the following determinations with regard to the proposed merger:

- (1) Public service costs of a proposal that the LAFCO is authorizing are likely to be less than or substantially similar to the costs of alternate means of providing the service.
- (2) Promotes public access and accountability for community services needs and financial resources.

Before LAFCO may take action on a proposal to merger, LAFCO must hold a public hearing on the proposal. (§ 56662(b).) Section 56668 requires LAFCO to consider the factors set forth in Appendix “A” to this Memorandum in evaluating a merger proposal.

All proposals for merger, except for proposals for the merger of an existing subsidiary district, also must consider the establishment of a subsidiary district as well.²³

a. Protest/Election/Certificate of Completion

LAFCO is required to place a merger before the voters, regardless of whether a subject agency has objected, where written protests have been filed in accordance with Section 57113. (§ 57107(b)(3).) Notwithstanding Section 57107(b), the commission shall not order the merger without the consent of the subject city. (§ 57107(c).) Section 57113 requires LAFCO to submit a merger to the voters if LAFCO receives protests signed by the following:

- (a) In the case of inhabited territory, protests have been signed by either of the following:
 - (1) At least 10 percent of the number of landowners within any subject agency within the affected territory who own at least 10 percent of the assessed value of land within the territory. However, if the number of landowners within a subject agency is less than 300, the protests shall be signed by at least 25 percent of the landowners who own at least 25 percent of the assessed value of land within the territory of the subject agency.
 - (2) At least 10 percent of the voters entitled to vote as a result of residing within, or owning land within, any subject agency within the affected territory. However, if the number of voters entitled to vote within a subject agency is less than 300, the protests shall be signed by at least 25 percent of the voters entitled to vote.

²³ Section 56118 specifically provides: “Except for a proposal for the merger of a then existing subsidiary district, any proposal for a merger or establishment of a subsidiary district authorized by this division shall contain a request in the alternative, requesting either a merger or the establishment of a subsidiary district, as may be determined during the course of the proceedings. Any proposal requesting only merger shall be deemed to also include a request for the establishment of a subsidiary district and any proposal requesting only the establishment of a subsidiary district shall be deemed to also include a request for merger.”

- (b) In the case of a landowner-voter district, the territory is uninhabited and protests have been signed by at least 10 percent of the number of landowners within any subject agency within the affected territory, who own at least 10 percent of the assessed value of land within the territory. However, if the number of landowners entitled to vote within a subject agency is less than 300, protests shall be signed by at least 25 percent of the landowners entitled to vote.

If required to submit a merger to the voters, the election will be held within the “entire territory of each district ordered to be merged with. . . or both within the district and within the entire territory of the city outside the boundaries of the district.” (§ 57118(b)).²⁴ LAFCO’s resolution must also provide the question to be submitted to the voters, specify any merger terms and conditions, and state the vote required to confirm the merger. (§ 57115.) The election procedures and requirements are set forth in Section 57125 et seq.

If an election is held and the majority of voters vote against the merger, LAFCO must adopt a certificate of termination proceedings. (§ 57179.) In addition, no new proposal for a merger or establishment of a subsidiary district involving the same district may be filed within two years of the date of the certificate of termination proceedings. (§ 57112 (a).) LAFCO may waive this prohibition if it finds the prohibition is detrimental to the public interest. (§ 57112(b).) However, if the majority of the voters vote for a merger, the LAFCO Executive Officer must execute a certificate of completion confirming the order of merger.²⁵ (§ 57177.) If no election is required to be held, LAFCO must still execute a certificate of completion and make the requisite filings. (§ 57200.)

²⁴ Pursuant to Section 57108, however, if a petition meeting certain requirements is submitted prior to the conclusion of the protest hearing, the election will only be called, held and conducted within the district to be merged with, or established as, a subsidiary district of a city. Section 57108 provides as follows:

At any time prior to the conclusion of the protest hearing by the commission ordering the district to be merged with or established as a subsidiary district of a city, a petition may be filed with the executive officer referring, by date of adoption, to the commission’s resolution making determinations and requesting that any election upon that question be called, held, and conducted only within that district. Any petition so filed shall be immediately examined and certified by the executive officer by the same method and in the same manner as provided in Sections 56707 to 56711, inclusive, for the examination of petitions by the executive officer.

The commission shall forward the proposal to the affected city, and the affected city shall call, hold, and conduct any election upon the question of a merger or the establishment of a subsidiary district only within the district to be merged or established as a subsidiary district, if the executive officer certifies that any petition so filed was signed by either of the following:

- (a) In the case of a registered voter district, by not less than 10 percent of the registered voters of the district.
- (b) In the case of a landowner-voter district, by not less than 10 percent of the number of landowner-voters within the district who also own not less than 10 percent of the assessed value of land within the district.

²⁵ Section 57177 establishes additional requirements for certificates of completion confirming a merger and/or establishment of a subsidiary district.

b. Effect of Merger²⁶

On the effective date of the merger, the district ceases to exist and all district funds and all district property is vested in the city. (§§ 57525 & 57526.) The city becomes liable on all debts of the merged district. (§ 57531.) The city must use district funds and property to pay outstanding bonds and other obligations of the merged district. (§ 57528.) If any debts are to be paid from taxes levied on property in the district, the city council will collect those taxes as they become due as provided for under the principal act of the merged district. (§ 57529.) All funds that are unencumbered by debt may be used for any lawful purpose by the city, however, the city, “so far as may be practicable,” shall use those funds to benefit the land and inhabitants within the former merged district area. (§ 57533.)

c. Effective Date

Finally, the merger’s effective date is the date set forth in LAFCO’s resolution, so long as it is neither earlier than the date the certificate of completion is executed, nor later than nine months after an election in which the majority of voters vote for the merger. (§ 57202(a).) If LAFCO’s resolution does not establish an effective date, the merger is effective on the date the merger is recorded by the county recorder, or if there are two counties involved, on the last date of recordation. (§ 57202(c).)

3. District/City-Initiated Merger

The legislative body of a district or city wishing to merge with a city or district must submit a Resolution of Application to the LAFCO Executive Officer of the principal county. (§ 56658(a).) The Application must contain the components set forth in Appendix “B” to this Memorandum, which include, in part, a Resolution of Application (see Appendix “C”) and a Plan for Providing Services (see Appendix “D”).

Within 30 days of receiving the Application, the Executive Officer must determine if it is complete and acceptable for filing. (§ 56658(c).) If no determination is made within this time frame and the appropriate fees have been paid, then the Application shall be deemed to have been accepted for filing. (§ 56658(e).) The Executive Officer must accept an Application for filing if it is in the form prescribed by LAFCO and it contains all the information required in Appendix “B.” (§ 56658(e).) Within 90 days of accepting a proposal for filing, the Executive Officer must set a hearing date. (§ 56658(h).)

²⁶ This section of the Memorandum summarizes the default general conditions applicable to mergers, as set out in Section 57525 *et seq.* Pursuant to Section 57302, these general conditions only apply if LAFCO does not impose any of the specific terms and conditions authorized under Section 56886. In the event LAFCO does impose terms and conditions under Section 56886, Section 57302 states that those terms and conditions become the “exclusive terms and conditions of the change of organization or reorganization and shall control over the general provisions of this part.” The language in Section 57302 conflicts with newly enacted revisions to Section 56886, which specifies that terms and conditions imposed under Section 56886 “shall prevail in the event of a conflict between a specific term and condition authorized [pursuant to Section 56866] and any of the general provisions [set out at Section 57300 *et seq.*].” The Legislative Committee of CALAFCO will undertake a review of the inconsistencies between Sections 56886 and 57302.

Before the hearing, the Executive Officer must prepare a report on the Application, including his or her recommendation on the Application and give a copy of the report to every affected district, agency, and city. (§ 56665.) At the hearing, LAFCO hears and receives written and oral protests and evidence as well as the Executive Officer's report and the Plan for Providing Services. (§ 56666.) Section 56668 requires LAFCO to consider the factors set forth in Appendix "A" to this Memorandum in evaluating the merger proposal. LAFCO may also impose terms and conditions pursuant to Section 56885.5 and 56886.

a. Protest/Election/Certificate of Completion

LAFCO is required to place a merger before the voters, if written protests have been filed meeting the requirements of Section 57107(b)(1), where a subject agency has not objected by resolution to the proposal, or Section 57107(b)(2), where a subject agency has objected by resolution to the proposal. (§ 57107(a).) Notwithstanding Section 57107(b), the commission shall not order the merger without the consent of the subject city. (§ 57107(c).) Section 57107(b)(1) sets forth the following protest threshold:

- (A) In the case of inhabited territory, protests have been signed by either of the following:
 - (i) At least 25 percent of the number of landowners within the affected territory who own at least 25 percent of the assessed value of land within the territory.
 - (ii) At least 25 percent of the voters entitled to vote as a result of residing within, or owning land within, the affected territory.
- (B) In the case of a landowner-voter district, that the territory is uninhabited, and that protests have been signed by at least 25 percent of the number of landowners within the affected territory owning at least 25 percent of the assessed value of land within the territory.

Section 57107(b)(2) requires the following protest threshold:

- (A) In the case of inhabited territory, protests have been signed by either of the following:
 - (i) At least 25 percent of the number of landowners within any subject agency within the affected territory who own at least 25 percent of the assessed value of land within the territory.
 - (ii) At least 25 percent of the voters entitled to vote as a result of residing within, or owning land within, any subject agency within the affected territory.

- (B) In the case of a landowner-voter district, that the territory is uninhabited and protests have been signed by at least 25 percent of the number of landowners within any subject agency within the affected territory, owning at least 25 percent of the assessed value of land within the subject agency.

If LAFCO is required to submit a merger to the voters pursuant to Section 57107, the election will be held within the “entire territory of each district ordered to be merged with. . . or both within the district and within the entire territory of the city outside the boundaries of the district.” (§ 57118(b).)²⁷ LAFCO’s resolution must provide the question to be submitted to the voters, specify any terms and conditions, and state the vote required to confirm the merger. (§ 57115.) The election procedures and requirements are set forth in Section 57125 et seq.

If an election is held and the majority of voters vote against the merger, LAFCO must adopt a certificate of termination of proceedings. (§ 57179.) In addition, no new proposal for a merger or establishment of a subsidiary district involving the same district may be filed within two years of the date of the certificate of termination proceedings. (§ 57112(a).) LAFCO may waive this prohibition if it finds the prohibition is detrimental to the public interest. (§ 57112(b).) However, if the majority of the voters vote for the merger, the LAFCO Executive Officer must execute a certificate of completion confirming the order of merger. (§ 57177.)²⁸ If no election is required to be held, LAFCO must still execute a certificate of completion and make the requisite filings. (§ 57200.)

b. Effect of Merger²⁹

On the effective date of the merger, the district ceases to exist and all district funds and all district property is vested in the city. (§§ 57525 & 57526.) The city becomes liable on all debts of the merged district. (§ 57531.) The city must use district funds and property to pay outstanding bonds and other obligations of the merged district. (§ 57528.) If any debts are to be paid from taxes levied on property in the district, the city council will collect those taxes as they become due as provided for under the principal act of the merged district. (§ 57529.) All funds that are unencumbered by debt may be used for any lawful purpose by the city, however, the city, “so far as may be practicable,” shall use those funds to benefit the land and inhabitants within the former merged district area. (§ 57533.)

c. Effective Date

Finally, the merger’s effective date is the date set forth in LAFCO’s resolution, so long as it is neither earlier than the date the certificate of completion is executed, nor later than nine months after an election in which the majority of voters vote for the merger. (§ 57202(a).) If LAFCO’s resolution does not establish an effective date, the merger is effective on the date the merger is recorded by the county recorder, or if there are two counties involved, on the last date of recordation. (§ 57202(c).)

²⁷ See, Footnote 24.

²⁸ See, Footnote 25.

²⁹ See, Footnote 26.

4. Petition-Initiated Merger

A district of limited powers which overlaps a city may be merged into a city by petition signed by the requisite number of registered voters or landowners, depending upon the specifics of the district's statutory authorization. Prior to circulating any petition, however, the proponents for change of organization must file a notice of intention to circulate a petition with LAFCO. (§ 56700.4(a).) After a notice of intention to circulate the petition is filed, the petition may be circulated for the appropriate signatures. (§ 56700.4(b).) For a merger, voters or landowners must sign a petition as follows:

- (a) For a registered voter district, by either of the following:
 - (1) Five percent of the registered voters of the district.
 - (2) Five percent of the registered voters residing within the territory of the city outside the boundaries of the district.

- (b) For a landowner-voter district, by either of the following:
 - (1) Five percent of the number of landowner-voters within the district who also own not less than 5 percent of assessed value of land within the district.
 - (2) Five percent of the registered voters residing within the territory of the city outside the boundaries of the district.

(§ 56866.)

The petitioners must submit an Application for merger to the LAFCO Executive Officer of the principal county. (§ 56658(a).) The Application must contain those elements set forth in Appendix "B" to this Memorandum. Additionally, the petition must contain all of the requirements delineated in Section 56700 attached to this Memorandum as Appendix "C." Once a petition is qualified by the Executive Officer, the Executive Officer issues a certificate of filing to the applicant. (§ 56658(d)-(h).) Within 90 days of issuing the certificate of filing, the Executive Officer must set a hearing. (§ 56658(h).)

Before LAFCO may take action on a merger proposal, LAFCO must hold a public hearing on the proposal or report and recommendation of a reorganization committee. (§ 56662(b).) Section 56668 requires LAFCO to consider the factors set forth in Appendix "A" to this Memorandum in evaluating the proposal. LAFCO may also impose terms and conditions pursuant to Section 56885.5 and 56886.

a. Protest/Election/Certificate of Completion

LAFCO is required to place a merger before the voters, if written protests have been filed meeting the requirements of Section 57107(b)(1), where a subject agency has not objected by resolution to the proposal, or Section 57107(b)(2), where a subject agency has objected by resolution to the proposal. (§ 57107(a).) These threshold limits are delineated in Section C(3)(a), above. Notwithstanding Section 57107(b), the commission shall not order the merger without the consent of the subject city. (§ 57107(c).)

If LAFCO is required to submit a merger to the voters pursuant to Section 57107, the election will be held within the “entire territory of each district ordered to be merged with. . . or both within the district and within the entire territory of the city outside the boundaries of the district.” (§ 57118(b).)³⁰ LAFCO’s resolution must provide the question to be submitted to the voters, specify any merger terms and conditions, and state the vote required to confirm the merger. (§ 57115.) The election procedures and requirements are set forth in Section 57125 et seq.

If an election is held and the majority of voters vote against the merger, LAFCO must adopt a certificate of termination proceedings. (§ 57179.) However, if the majority of the voters vote for the merger, LAFCO Executive Officer must execute a certificate of completion confirming the order of merger. (§ 57177.)³¹ If no election is required to be held, LAFCO must still execute a certificate of completion and make the requisite filings. (§ 57200.)

b. Effect of Merger³²

On the effective date of the merger, the district ceases to exist and all district funds and all district property is vested in the city. (§§ 57525 & 57526.) The city becomes liable on all debts of the merged district. (§ 57531.) The city must use district funds and property to pay outstanding bonds and other obligations of the merged district. (§ 57528.) If any debts are to be paid from taxes levied on property in the district, the city council will collect those taxes as they become due as provided for under the principal act of the merged district. (§ 57529.) All funds that are unencumbered by debt may be used for any lawful purpose by the city, however, the city, “so far as practicable” shall use those funds to benefit the land and inhabitants within the former merged district area. (§ 57533.)

c. Effective Date

Finally, the merger’s effective date is the date set forth in LAFCO’s resolution, so long as it is neither earlier than the date the certificate of completion is executed, nor later than nine months after an election in which the majority of voters vote for the merger. (§ 57202(a).) If LAFCO’s resolution does not establish an effective date, the merger is effective on the date the merger is recorded by the county recorder, or if there are two counties involved, on the last date of recordation. (§ 57202(c).)

³⁰ See, Footnote 24.

³¹ See, Footnote 25.

³² See, Footnote 26.

5. Limitations on Merger

As stated above the subject city must consent to the merger. (§ 57107(c).)

D. ESTABLISHMENT OF A SUBSIDIARY DISTRICT

1. A Brief History

The procedures for establishment of a subsidiary district were established by the legislature in 1965 by the adoption of the District Reorganization Act of 1965, effective September 17, 1965 (Stats 1965 ch 2043 §§ 2), which added Government Code sections 56073, 56401, and 56405.

For purposes of the current version of the Act, the term “subsidiary district” is a district in which a city council is designated as, and empowered to act as, the ex officio board of directors of the district. (§ 56078.) A subsidiary district may be established if, upon the date of the commission’s order, the commission determines that either of the following situations exist:

- (a) The entire territory of the district is included within the boundaries of a city.
- (b) A portion or portions of the territory of the district are included within the boundaries of a city and that portion or portions meet both of the following requirements.
 - (1) Represents 70 percent or more of the area of land within the district. . . .
 - (2) Contains 70 percent or more of the number of registered voters who reside within the district as shown on the voters’ register in the office of the county clerk or registrar of voters.

(§ 57105.)

2. LAFCO-Initiated Establishment of a Subsidiary District

LAFCO may initiate the establishment of a subsidiary district if it is consistent with a recommendation or conclusion of a study prepared pursuant to Sections 56378, 56425, or 56430, and LAFCO makes the determinations specified in Section 56881(b). (§ 56375(a)(3).) Sections 56378, 56425, and 56430 require LAFCO to study existing agencies, to make determinations regarding spheres of influence, and to conduct service reviews of the municipal services provided in the area for review. Section 56881(b) requires LAFCO to make all of the following determinations with regard to the proposed establishment of a subsidiary district:

- (1) Public service costs of a proposal that the LAFCO is authorizing are likely to be less than or substantially similar to the costs of alternate means of providing the service.

- (2) The proposal promotes public access and accountability for community services needs and financial resources.

Before LAFCO may take action on a proposal for the establishment of a subsidiary district, LAFCO must hold a public hearing on the proposal. (§ 56662(b).) Section 56668 requires LAFCO to consider the factors set forth in Appendix “A” to this Memorandum in evaluating the proposal for the establishment of a subsidiary district.

All proposals for establishment of a subsidiary district must also consider merger.³³

a. Protest/Election/Certificate of Completion

The protest and election procedures and the requirements for a certificate of completion for the establishment of a subsidiary district initiated by LAFCO are the same as the procedures applicable to LAFCO-initiated mergers, as more particularly described in Section C(2)(a), above.

b. Effect of the Establishment of a Subsidiary District³⁴

On or after the effective date of the establishment of a subsidiary district, the city council shall be designated, and shall be empowered to act as the ex officio board of directors of the district. The district shall continue to operate as a separate legal entity with all of the powers, rights, duties, obligations, and functions provided for by the principal act, except for any provisions relating to the selection or removal of the members of the board of directors of the district. (§ 57534.) If a court determines that holding office both as a member of city council and as a member of the board of directors is incompatible, the court may order that person to vacate the board of director position but not the position on city council. (§ 57535.) The court must order the position on the board of directors to be filled in accordance with the principal act of the subsidiary district. (§ 57535.)

³³ Section 56118 specifically provides: “Except for a proposal for the merger of a then existing subsidiary district, any proposal for a merger or establishment of a subsidiary district authorized by this division shall contain a request in the alternative, requesting either a merger or the establishment of a subsidiary district, as may be determined during the course of the proceedings. Any proposal requesting only merger shall be deemed to also include a request for the establishment of a subsidiary district and any proposal requesting only the establishment of a subsidiary district shall be deemed to also include a request for merger.”

³⁴ This section of the Memorandum summarizes the default general conditions applicable to establishment of a subsidiary district, as set out in Section 57525 *et seq.* Pursuant to Section 57302, these general conditions only apply if LAFCO does not impose any of the specific terms and conditions authorized under Section 56886. In the event LAFCO does impose terms and conditions under Section 56886, Section 57302 states that those terms and conditions become the “exclusive terms and conditions of the change of organization or reorganization and shall control over the general provisions of this part.” The language in Section 57302 conflicts with newly enacted revisions to Section 56886, which specifies that terms and conditions imposed under Section 56886 “shall prevail in the event of a conflict between a specific term and condition authorized [pursuant to Section 56866] and any of the general provisions [set out at Section 57300 *et seq.*].” The Legislative Committee of CALAFCO will undertake a review of the inconsistencies between Sections 56886 and 57302.

c. **Effective Date of the Establishment of a Subsidiary District**

The effective date for the establishment of a subsidiary district is the same as the effective date for a merger, as more particularly described in Section C(2)(c), above.

3. **District-Initiated Establishment of a Subsidiary District**

The legislative body of a district wishing to establish itself as a subsidiary district may submit a Resolution of Application to the LAFCO Executive Officer of the principal county. (§ 56658(a).) The Application must contain the components set forth in Appendix “B” to this Memorandum, which include, in part, a Resolution of Application (see Appendix “C”) and a Plan for Providing Services (see Appendix “D”).

Before the hearing, the Executive Officer must prepare a report on the Application including his or her recommendation on the Application and give a copy of the report to every affected district, agency, and city. (§ 56665.) At the hearing, LAFCO hears and receives written and oral protests and evidence as well as the Executive Officer’s report and the Plan for Providing Services. (§ 56666.) Section 56668 requires LAFCO to consider the factors set forth in Appendix “A” to this Memorandum in evaluating the proposal. LAFCO may also impose terms and conditions pursuant to Section 56885.5 and 56886.

a. **Protest/Election/Certificate of Completion**

The protest and election procedures and the requirements for a certificate of completion for the establishment of a subsidiary district initiated by a district are the same as the procedures applicable to district-initiated mergers, as more particularly described in Section C(3)(a), above.

b. **Effect of the Establishment of a Subsidiary District**³⁵

On or after the effective date of the establishment of a subsidiary district, the city council shall be designated, and shall be empowered to act as the ex officio board of directors of the district. The district shall continue to operate as a separate legal entity with all of the powers, rights, duties, obligations, and functions provided for by the principal act, except for any provisions relating to the selection or removal of the members of the board of directors of the district. (§ 57534.) If a court determines that holding office both as a member of city council and as a member of the board of directors is incompatible, the court may order that person to vacate the board of director position but not the position on city council. (§ 57535.) The court must order the position on the board of directors to be filled in accordance with the principal act of the subsidiary district. (§ 57535.)

c. **Effective Date of the Establishment of a Subsidiary District**

The effective date for the establishment of a subsidiary district is the same as the effective date for a merger, as more particularly described in Section C(3)(c), above.

³⁵ See, Footnote 34.

4. City-Initiated Establishment of a Subsidiary District

The legislative body of a city wishing to establish a subsidiary district may submit a Resolution of Application to the LAFCO Executive Officer of the principal county. (§ 56658(a).) The Application must contain the components set forth in Appendix “B” to this Memorandum, which include, in part, a Resolution of Application (see Appendix “C”) and a Plan for Providing Services (see Appendix “D”).

Section 56861 requires LAFCO to provide notice to subject districts within ten days of receiving such a proposal. Subject districts may then either 1) consent to the proposal or 2) adopt a resolution of intent to submit an alternative proposal. If a subject district files a resolution of intention to file an alternative proposal, the Executive Officer may not take further action on the original proposal for 70 days. (§ 56862.) If the subject district fails to submit an alternative proposal during that 70 day period, it is deemed to have consented to the original proposal. (*Id.*) If the subject district submits a timely alternative proposal, the Executive Officer will analyze and report on both the original proposal and the alternative proposal so that “both proposals may be considered simultaneously at a single hearing.” (*Id.*)

Before LAFCO may take action on a proposal for the establishment of a subsidiary district, LAFCO must hold a public hearing on the proposal. (§ 56662(b).) Section 56668 requires LAFCO to consider the factors set forth in Appendix “A” to this Memorandum in evaluating a proposal for the establishment of a subsidiary district. LAFCO may also impose terms and conditions pursuant to Sections 56885.5 and 56886.

a. Protest/Election/Certificate of Completion

The protest and election procedures and the requirements for a certificate of completion for the establishment of a subsidiary district initiated by a city are the same as the procedures applicable to city initiated mergers, as more particularly described in Section C(3)(a), above.

b. Effect of the Establishment of a Subsidiary District³⁶

On or after the effective date of the establishment of a subsidiary district, the city council shall be designated, and shall be empowered to act as the ex officio board of directors of the district. The district shall continue to operate as a separate legal entity with all of the powers, rights, duties, obligations, and functions provided for by the principal act, except for any provisions relating to the selection or removal of the members of the board of directors of the district. (§ 57534.) If a court determines that holding office both as a member of city council and as a member of the board of directors is incompatible, the court may order that person to vacate the board of director position but not the position on city council. (§ 57535.) The court must order the position on the board of directors to be filled in accordance with the principal act of the subsidiary district. (§ 57535.)

c. Effective Date of the Establishment of a Subsidiary District

The effective date for the establishment of a subsidiary district is the same as the effective date for a merger, as more particularly described in Section C(3)(c), above.

³⁶ See, Footnote 34.

5. Petition-Initiated Establishment of a Subsidiary District

A proposal to establish a district of limited powers as a subsidiary district of a city may be initiated by petition. Section 56866 requires that the petition be signed as follows:

- (a) For a registered voter district, by either of the following:
 - (1) Five percent of the registered voters of the district.
 - (2) Five percent of the registered voters residing within the territory of the city outside the boundaries of the district.
- (b) For a landowner-voter district, by either of the following:
 - (1) Five percent of the number of landowner-voters within the district who also own not less than 5 percent of assessed value of land within the district.
 - (2) Five percent of the registered voters residing within the territory of the city outside the boundaries of the district.

Section 56861 requires LAFCO to provide notice to subject districts within ten days of receiving such a proposal. Subject districts may then either 1) consent to the proposal or 2) adopt a resolution of intent to submit an alternative proposal. If a subject district files a resolution of intention to file an alternative proposal, the Executive Officer may not take further action on the original proposal for 70 days. (§ 56862.) If the subject district fails to submit an alternative proposal during that 70 day period, it is deemed to have consented to the original proposal. (*Id.*) If the subject district submits a timely alternative proposal, the Executive Officer will analyze and report on both the original proposal and the alternative proposal so that “both proposals may be considered simultaneously at a single hearing.” (*Id.*)

Before LAFCO may take action on a proposal for the establishment of a subsidiary district, LAFCO must hold a public hearing on the proposal. (§ 56662(b).) Section 56668 requires LAFCO to consider the factors set forth in Appendix “A” to this Memorandum in evaluating a proposal for the establishment of a subsidiary district. LAFCO may also impose terms and conditions pursuant to Section 56885.5 and 56886.

a. Protest/Election/Certificate of Completion

The procedures for protest, election and the requirements for the certificate of completion are the same as a petition-initiated merger, as more particularly described in Section C(4)(a), above.

b. Effect of the Establishment of a Subsidiary District³⁷

On or after the effective date of the establishment of a subsidiary district, the city council shall be designated, and shall be empowered to act as the ex officio board of directors of the district. The district shall continue to operate as a separate legal entity with all of the powers, rights, duties, obligations, and functions provided for by the principal act, except for any provisions relating to the selection or removal of the members of the board of directors of the district. (§ 57534.) If a court determines that holding office both as a member of city council and as a member of the board of directors is incompatible, the court may order that person to vacate the board of director position but not the position on city council. (§ 57535.) The court must order the position on the board of directors to be filled in accordance with the principal act of the subsidiary district. (§ 57535.)

c. Effective Date of the Establishment of a Subsidiary District

The effective date for the establishment of a subsidiary district is the same as the effective date for a merger, as more particularly described in Section C(4)(a), above.

6. Limitations on the Establishment of a Subsidiary District

A proposal for the establishment of a subsidiary district cannot go forward without the consent of the subject city. (§ 57107(c).) Additionally a subsidiary district may only be established if on the date of LAFCO's order the statutory requirements regarding the amount of subsidiary district territory and the number of district voters within the governing city's territory are met.

³⁷ See, Footnote 34.

APPENDIX "A"
FACTORS

Section 56668.

Factors to be considered in the review of a proposal shall include, but not be limited to, all of the following:

- (a) Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent incorporated and unincorporated areas, during the next 10 years.
- (b) The need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas. "Services," as used in this subdivision, refers to governmental services whether or not the services are services which would be provided by local agencies subject to this division, and includes the public facilities necessary to provide those services.
- (c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county.
- (d) The conformity of both the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies and priorities in Section 56377.
- (e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by Section 56016.
- (f) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.
- (g) A regional transportation plan adopted pursuant to Section 65080.
- (h) The proposal's consistency with city or county general and specific plans.
- (i) The sphere of influence of any local agency which may be applicable to the proposal being reviewed.
- (j) The comments of any affected local agency or other public agency.

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- (k) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.
- (l) Timely availability of water supplies adequate for projected needs as specified in Section 65352.5.
- (m) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments consistent with Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7.
- (n) Any information or comments from the landowner or owners, voters, or residents of the affected territory.
- (o) Any information relating to existing land use designations.
- (p) The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.

Section 56668.3.

- (a) If the proposed change of organization or reorganization includes a city detachment or district annexation, except a special reorganization, and the proceeding has not been terminated based upon receipt of a resolution requesting termination pursuant to either Section 56751 or Section 56857, factors to be considered by the commission shall include all of the following:
 - (1) In the case of district annexation, whether the proposed annexation will be for the interest of landowners or present or future inhabitants within the district and within the territory proposed to be annexed to the district.
 - (2) In the case of a city detachment, whether the proposed detachment will be for the interest of the landowners or present or future inhabitants within the city and within the territory proposed to be detached from the city
 - (3) Any factors which may be considered by the commission as provided in Section 56668.
 - (4) Any resolution raising objections to the action that may be filed by an affected agency.
 - (5) Any other matters which the commission deems material.
- (b) The commission shall give great weight to any resolution raising objections to the action that is filed by a city or a district. The commission's consideration shall be based only on financial or service related concerns expressed in the protest.

Except for findings regarding the value of written protests, the commission is not required to make any express findings concerning any of the factors considered by the commission.

Section 56668.5.

The commission may, but is not required to, consider the regional growth goals and policies established by a collaboration of elected officials only, formally representing their local jurisdictions in an official capacity on a regional or subregional basis. This section does not grant any new powers or authority to the commission or any other body to establish regional growth goals and policies independent of the powers granted by other laws.

APPENDIX "B"
CONTENTS OF A PROPOSAL APPLICATION

Each application must include the following information:

- a. A petition or resolution of application initiating the proposal;
- b. A statement of the nature of each proposal;
- c. A map and description acceptable to the executive officer of the boundaries of the subject territory for each proposed change of organization or reorganization;
- d. Any data and information as may be required by any regulation of the commission;
- e. Any additional data and information as may be required by the executive officer pertaining to any of the matters or factors which may be considered by the commission;
- f. The names of the officers or persons, not to exceed three in number, who are to be furnished with copies of the report by the executive officer and who are to be given mailed notice of the hearing.

(§ 56652.)

APPENDIX “C”

CONTENTS OF A RESOLUTION OR PETITION OF APPLICATION

A resolution of application must include the following:

- a. State the proposal is made [pursuant to Part 3 of Division 3 of the Act [(§ 56650 et seq.)];
- b. State the nature of the proposal and list all proposed changes of organization;
- c. Set forth a description of the boundaries of the affected territory accompanied by a map showing the boundaries;
- d. Set forth any proposed terms and conditions;
- e. State the reason or reasons for the proposal;
- f. State whether the petition is signed by registered voters or owners of land.
- g. Designate not to exceed three persons as chief petitioners, setting forth their names and mailing addresses.
- h. Request that the proceedings be taken for the proposal [pursuant to Part 3 of Division 3 of the Act (§ 56650 et seq.)]; and
- i. State whether the proposal is consistent with the sphere of influence of any affected city or affected district.

(§§ 56654 and 56700.)

APPENDIX “D”
PLAN FOR PROVIDING SERVICES

Local agencies submitting a resolution of application for a change of organization must submit a plan for providing services which must include the following:

- b. . . .
 - 1. An enumeration and description of the services to be extended to the affected territory;
 - 2. The level and range of those services;
 - 3. An indication of when those services can feasibly be extended to the affected territory;
 - 4. An indication of any improvement or upgrading of structures, roads, sewer or water facility, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed;
 - 5. Information with respect to how those services would be financed.

(§ 56653(b).)



Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

AGENDA REPORT

August 9, 2018

Item No. 10 (Business)

TO: Local Agency Formation Commission

FROM: Jason Fried, Interim Executive Officer

SUBJECT: **Evaluation on Other-Employment Benefits Liabilities.**

Every two years CalPERS requires actuarial valuation of its Other Post-Employment Benefits (OPEB). This is completed by having an outside firm complete the review of our OPEB and do a Governmental Accounting Standards Board (GASB) No. 75 report.

Background

Marin LAFCo (Commission) currently funds its other post-employment benefits (OPEB) obligations through two separate contracts. The first contract entered into by the Commission is with the Marin County Employees Retirement Association (MCERA) from 2013. This contract allows Marin LAFCo to cover its existing OPEB costs for the agency's lone retiree, on a pay-as-you go basis. The second contract entered into by the Commission is with California Public Employees Retirement System (CalPERS) from 2015. This contract allows Marin LAFCo to prefund its OPEB costs going forward by investing in a pooled trust account with at present, over 400 other public agencies in California.

Earlier this year, CalPERS informed staff that we need to perform our next actuarial valuation. A process that should be done every two years. The Commission's actuarial evaluation was last performed in 2016 by contract with James Marta & Company. In mid-June, staff became aware that one item was due June 29, 2018, with the other parts due July 31, 2018. Once these deadlines became known, staff reached out to James Marta & Company to see if they could perform this work for us again. James Marta & Company informed staff two-years ago, CalPERS used Governmental Accounting Standards Board (GASB) No. 57 but has since switched to GASB No. 75. James Marta & Company does not perform work under GASB No. 75, and the number of companies doing this work is very limited. Upon their suggestion, we reach out to Cathy MacLeod of MacLeod Watts to see if they had the ability to fit us in. Cathy informed staff that they were very busy, but could possible help. We were informed we may not be able to make the July deadlines, and without charging they assisted staff in preparations of necessary items needed for the June 29th deadline. In order to complete the rest of the work, we need an accounting firm who could perform OPEB actuarial valuation work related to GASB 75.

After further discussion with MacLeod Watts, they offered to do the work but still was not sure if they could complete the process by the July 31st deadline. They submitted a not to exceed amount of \$4,200.

Administrative Office

Jason Fried, Interim Executive Officer
1401 Los Gatos Drive, Suite 220
San Rafael, California 94903
T: 415-448-5877 E: staff@marinlafco.org
www.marinlafco.org

Damon Connolly, Regular
County of Marin

Dennis J. Rodoni, Regular
County of Marin

Judy Arnold, Alternate
County of Marin

Sashi McEntee, Chair
City of Mill Valley

Sloan Bailey, Regular
Town of Corte Madera

Matthew Brown, Alternate
City of San Anselmo

Craig K. Murray, Vice Chair
Las Gallinas Valley Sanitary

Jack Baker, Regular
North Marin Water District

Lew Kiou, Alternate
Almonte Sanitary District

Jeffrey Blanchfield, Regular
Public Member

Chris Skelton, Alternate
Public Member

For this agreement, see attachment, a model contract provided by our legal counsel was used. As we were going through the process of bringing on MacLeod Watts, staff became aware that prior to her departure Rachel Jones reached out to another firm to perform this work. The cost range for this second firm was \$10,500 - \$14,500. Given the deadlines being faced, staff presented this information to Chair McEntee for approval to move forward with an agreement with MacLeod Watts.

During the month of July staff provided documentation and got needed information for MacLeod Watts to perform the work to the GASB 75 report specifications. MacLeod Watts was able to complete the report, see attachment, and assisted staff in filling out the various forms needed to submit the report by the July 31, 2018 deadline.

Staff Recommendation for Action

- 1) Staff recommendation – Receive and file both the contract with MacLeod Watts and the GASB 75 actuarial report prepared by MacLeod Watts.

Attachment:

- 1) Contract with MacLeod Watts
- 2) GASB 75 Actuarial Report for Fiscal Year Ending June 30, 2018

**MARIN LOCAL AGENCY FORMATION COMMISSION
PROFESSIONAL SERVICES AGREEMENT**

This Agreement is made and entered into as of July 10th, 2018 by and between the Marin Local Agency Formation Commission, a public agency organized and operating under the laws of the State of California with its principal place of business at 1401 Los Gamos Drive, San Rafael, CA 94903 ("Commission"), and MACLEOD WATTS, a - CORPORATION with its principal place of business 5200 SW Macadam, Suite 310, Portland, OR 97239 (hereinafter referred to as "Consultant"). Commission and Consultant are sometimes individually referred to as "Party" and collectively as "Parties" in this Agreement.

RECITALS

A. Commission is a public agency of the State of California and is in need of professional services for the following project:

2017 OPEB Actuarial valuation and related funding and GASB 75 reports for two years (hereinafter referred to as "the Project").

B. Consultant is duly licensed and has the necessary qualifications to provide such services.

C. The Parties desire by this Agreement to establish the terms for Commission to retain Consultant to provide the services described herein.

AGREEMENT

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Services.

Consultant shall provide the Commission with the services described in the Scope of Services described as follows:

- a. Prepare an actuarial valuation of OPEB liability as of June 30, 2017
- b. Develop Actuarially Determined Contributions for the Commissions FYEs 2019 and 2020
- c. Prepare actuarial forms required to be submitted to the OPEB trust (CERBT)
- d. Prepare GASB 75 report for the Commission's fiscal year end June 30, 2018
- e. Prepare GASB 75 report for the Commission's fiscal year end June 30, 2019

2. Compensation.

a. Subject to paragraph 2(b) below, the Commission shall pay for such services in accordance with the Schedule of Charges set forth below:

For items 1.a., 1.b., 1.c. and 1.d. above:	\$3,000
For item 1.e. above:	\$1,200

b. In no event shall the total amount paid for services rendered by Consultant under this Agreement exceed the sum of **\$4,200**. This amount is to cover all printing and related costs, and the Commission will not pay any additional fees for printing expenses. Periodic

payments shall be made within 30 days of receipt of an invoice which includes a detailed description of the work performed. Payments to Consultant for work performed will be made on a monthly billing basis.

3. Additional Work.

If changes in the work seem merited by Consultant or the Commission, and informal consultations with the other party indicate that a change is warranted, it shall be processed in the following manner: a letter outlining the changes shall be forwarded to the Commission by Consultant with a statement of estimated changes in fee or time schedule. An amendment to this Agreement shall be prepared by the Commission and executed by both Parties before performance of such services, or the Commission will not be required to pay for the changes in the scope of work. Such amendment shall not render ineffective or invalidate unaffected portions of this Agreement.

4. Maintenance of Records.

Books, documents, papers, accounting records, and other evidence pertaining to costs incurred shall be maintained by Consultant and made available at all reasonable times during the contract period and for four (4) years from the date of final payment under the contract for inspection by Commission.

5. Time of Performance.

Consultant shall perform its services in a prompt and timely manner and shall commence performance upon receipt of written notice from the Commission to proceed ("Notice to Proceed"). Consultant shall complete the services required hereunder [relating to items 1.a., 1.b., 1.c. and 1.d. within 60 days following the date of this agreement. Item 1.e. will completed on or before September 30, 2019.](#) The Notice to Proceed shall set forth the date of commencement of work.

6. Delays in Performance.

a. Neither Commission nor Consultant shall be considered in default of this Agreement for delays in performance caused by circumstances beyond the reasonable control of the non-performing party. For purposes of this Agreement, such circumstances include but are not limited to, abnormal weather conditions; floods; earthquakes; fire; epidemics; war; riots and other civil disturbances; strikes, lockouts, work slowdowns, and other labor disturbances; sabotage or judicial restraint.

b. Should such circumstances occur, the non-performing party shall, within a reasonable time of being prevented from performing, give written notice to the other party describing the circumstances preventing continued performance and the efforts being made to resume performance of this Agreement.

7. Compliance with Law.

a. Consultant shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local government, including Cal/OSHA requirements.

b. If required, Consultant shall assist the Commission, as requested, in obtaining and maintaining all permits required of Consultant by federal, state and local regulatory agencies.

c. If applicable, Consultant is responsible for all costs of clean up and/ or removal of hazardous and toxic substances spilled as a result of his or her services or operations performed under this Agreement.

8. Standard of Care

Consultant's services will be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions.

9. Assignment and Subconsultant

Consultant shall not assign, sublet, or transfer this Agreement or any rights under or interest in this Agreement without the written consent of the Commission, which may be withheld for any reason. Any attempt to so assign or so transfer without such consent shall be void and without legal effect and shall constitute grounds for termination. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement. Nothing contained herein shall prevent Consultant from employing independent associates, and subconsultants as Consultant may deem appropriate to assist in the performance of services hereunder.

10. Independent Contractor

Consultant is retained as an independent contractor and is not an employee of Commission. No employee or agent of Consultant shall become an employee of Commission. The work to be performed shall be in accordance with the work described in this Agreement, subject to such directions and amendments from Commission as herein provided.

11. Insurance. Consultant shall not commence work for the Commission until it has provided evidence satisfactory to the Commission it has secured all insurance required under this section. In addition, Consultant shall not allow any subcontractor to commence work on any subcontract until it has secured all insurance required under this section.

a. Commercial General Liability

(i) The Consultant shall take out and maintain, during the performance of all work under this Agreement, in amounts not less than specified herein, Commercial General Liability Insurance, in a form and with insurance companies acceptable to the Commission.

(ii) Coverage for Commercial General Liability insurance shall be at least as broad as the following:

(1) Insurance Services Office Commercial General Liability coverage (Occurrence Form CG 00 01) or exact equivalent.

(iii) Commercial General Liability Insurance must include coverage for the following:

- (1) Bodily Injury and Property Damage
- (2) Personal Injury/Advertising Injury
- (3) Premises/Operations Liability
- (4) Products/Completed Operations Liability

- (5) Aggregate Limits that Apply per Project
- (6) Explosion, Collapse and Underground (UCX) exclusion deleted
- (7) Contractual Liability with respect to this Agreement
- (8) Property Damage
- (9) Independent Consultants Coverage

(iv) The policy shall contain no endorsements or provisions limiting coverage for (1) contractual liability; (2) cross liability exclusion for claims or suits by one insured against another; (3) products/completed operations liability; or (4) contain any other exclusion contrary to the Agreement.

(v) The policy shall give Commission, its officials, officers, employees, agents and Commission designated volunteers additional insured status using ISO endorsement forms CG 20 10 10 01 and 20 37 10 01, or endorsements providing the exact same coverage.

(vi) The general liability program may utilize either deductibles or provide coverage excess of a self-insured retention, subject to written approval by the Commission, and provided that such deductibles shall not apply to the Commission as an additional insured.

b. Automobile Liability

(i) At all times during the performance of the work under this Agreement, the Consultant shall maintain Automobile Liability Insurance for bodily injury and property damage including coverage for owned, non-owned and hired vehicles, in a form and with insurance companies acceptable to the Commission.

(ii) Coverage for automobile liability insurance shall be at least as broad as Insurance Services Office Form Number CA 00 01 covering automobile liability (Coverage Symbol 1, any auto).

(iii) The policy shall give Commission, its officials, officers, employees, agents and Commission designated volunteers additional insured status.

(iv) Subject to written approval by the Commission, the automobile liability program may utilize deductibles, provided that such deductibles shall not apply to the Commission as an additional insured, but not a self-insured retention.

c. Workers' Compensation/Employer's Liability

(i) Consultant certifies that he/she is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and he/she will comply with such provisions before commencing work under this Agreement.

(ii) To the extent Consultant has employees at any time during the term of this Agreement, at all times during the performance of the work under this Agreement, the Consultant shall maintain full compensation insurance for all persons employed directly by him/her to carry out the work contemplated under this Agreement, all in accordance with the

"Workers' Compensation and Insurance Act," Division IV of the Labor Code of the State of California and any acts amendatory thereof, and Employer's Liability Coverage in amounts indicated herein. Consultant shall require all subconsultants to obtain and maintain, for the period required by this Agreement, workers' compensation coverage of the same type and limits as specified in this section.

d. Professional Liability (Errors and Omissions)

At all times during the performance of the work under this Agreement the Consultant shall maintain professional liability or Errors and Omissions insurance appropriate to its profession, in a form and with insurance companies acceptable to the Commission and in an amount indicated herein. This insurance shall be endorsed to include contractual liability applicable to this Agreement and shall be written on a policy form coverage specifically designed to protect against acts, errors or omissions of the Consultant. "Covered Professional Services" as designated in the policy must specifically include work performed under this Agreement. The policy must "pay on behalf of" the insured and must include a provision establishing the insurer's duty to defend.

e. Minimum Policy Limits Required

(i) The following insurance limits are required for the Agreement:

	<u>Combined Single Limit</u>
Commercial General Liability	\$1,000,000 per occurrence/ \$2,000,000 aggregate for bodily injury, personal injury, and property damage
Automobile Liability	\$1,000,000 per occurrence for bodily injury and property damage
Employer's Liability	\$1,000,000 per occurrence
Professional Liability	\$1,000,000 per claim and aggregate (errors and omissions)

(ii) Defense costs shall be payable in addition to the limits.

(iii) Requirements of specific coverage or limits contained in this section are not intended as a limitation on coverage, limits, or other requirement, or a waiver of any coverage normally provided by any insurance. Any available coverage shall be provided to the parties required to be named as Additional Insured pursuant to this Agreement.

f. Evidence Required

Prior to execution of the Agreement, the Consultant shall file with the Commission evidence of insurance from an insurer or insurers certifying to the coverage of all insurance required herein. Such evidence shall include original copies of the ISO CG 00 01 (or insurer's equivalent) signed by the insurer's representative and Certificate of Insurance (Acord Form 25-S or equivalent), together with required endorsements. All evidence of insurance shall be signed by a properly authorized officer, agent, or qualified representative of the insurer and shall certify the names of the insured, any additional insureds, where appropriate, the type and amount of

the insurance, the location and operations to which the insurance applies, and the expiration date of such insurance.

g. Policy Provisions Required

(i) Consultant shall provide the Commission at least thirty (30) days prior written notice of cancellation of any policy required by this Agreement, except that the Consultant shall provide at least ten (10) days prior written notice of cancellation of any such policy due to non-payment of premium. If any of the required coverage is cancelled or expires during the term of this Agreement, the Consultant shall deliver renewal certificate(s) including the General Liability Additional Insured Endorsement to the Commission at least ten (10) days prior to the effective date of cancellation or expiration.

(ii) The Commercial General Liability Policy and Automobile Policy shall each contain a provision stating that Consultant's policy is primary insurance and that any insurance, self-insurance or other coverage maintained by the Commission or any named insureds shall not be called upon to contribute to any loss.

(iii) The retroactive date (if any) of each policy is to be no later than the effective date of this Agreement. Consultant shall maintain such coverage continuously for a period of at least three years after the completion of the work under this Agreement. Consultant shall purchase a one (1) year extended reporting period A) if the retroactive date is advanced past the effective date of this Agreement; B) if the policy is cancelled or not renewed; or C) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement.

(iv) All required insurance coverages, except for the professional liability coverage, shall contain or be endorsed to waiver of subrogation in favor of the Commission, its officials, officers, employees, agents, and volunteers or shall specifically allow Consultant or others providing insurance evidence in compliance with these specifications to waive their right of recovery prior to a loss. Consultant hereby waives its own right of recovery against Commission, and shall require similar written express waivers and insurance clauses from each of its subconsultants.

(v) The limits set forth herein shall apply separately to each insured against whom claims are made or suits are brought, except with respect to the limits of liability. Further the limits set forth herein shall not be construed to relieve the Consultant from liability in excess of such coverage, nor shall it limit the Consultant's indemnification obligations to the Commission and shall not preclude the Commission from taking such other actions available to the Commission under other provisions of the Agreement or law.

h. Qualifying Insurers

(i) All policies required shall be issued by acceptable insurance companies, as determined by the Commission, which satisfy the following minimum requirements:

(1) Each such policy shall be from a company or companies with a current A.M. Best's rating of no less than A:VII and admitted to transact in the business of insurance in the State of California, or otherwise allowed to place insurance through surplus line brokers under applicable provisions of the California Insurance Code or any federal law.

i. Additional Insurance Provisions

(i) The foregoing requirements as to the types and limits of insurance coverage to be maintained by Consultant, and any approval of said insurance by the Commission, is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by the Consultant pursuant to this Agreement, including but not limited to, the provisions concerning indemnification.

(ii) If at any time during the life of the Agreement, any policy of insurance required under this Agreement does not comply with these specifications or is canceled and not replaced, Commission has the right but not the duty to obtain the insurance it deems necessary and any premium paid by Commission will be promptly reimbursed by Consultant or Commission will withhold amounts sufficient to pay premium from Consultant payments. In the alternative, Commission may cancel this Agreement.

(iii) The Commission may require the Consultant to provide complete copies of all insurance policies in effect for the duration of the Project.

(iv) Neither the Commission nor any of its officials, officers, employees, agents or volunteers shall be personally responsible for any liability arising under or by virtue of this Agreement.

j. Subconsultant Insurance Requirements. Consultant shall not allow any subcontractors or subconsultants to commence work on any subcontract until they have provided evidence satisfactory to the Commission that they have secured all insurance required under this section. Policies of commercial general liability insurance provided by such subcontractors or subconsultants shall be endorsed to name the Commission as an additional insured using ISO form CG 20 38 04 13 or an endorsement providing the exact same coverage. If requested by Consultant, Commission may approve different scopes or minimum limits of insurance for particular subcontractors or subconsultants.

12. Indemnification.

a. To the fullest extent permitted by law, Consultant shall defend (with counsel of Commission's choosing), indemnify and hold the Commission, its officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to any acts, errors or omissions, or willful misconduct of Consultant, its officials, officers, employees, subcontractors, consultants or agents in connection with the performance of the Consultant's services, the Project or this Agreement, including without limitation the payment of all damages, expert witness fees and attorney's fees and other related costs and expenses. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by Consultant, the Commission, its officials, officers, employees, agents, or volunteers.

b. If Consultant's obligation to defend, indemnify, and/or hold harmless arises out of Consultant's performance of "design professional" services (as that term is defined under Civil Code section 2782.8), then, and only to the extent required by Civil Code section 2782.8, which is fully incorporated herein, Consultant's indemnification obligation shall be limited to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant, and, upon Consultant obtaining a final adjudication by a court of competent

jurisdiction, Consultant's liability for such claim, including the cost to defend, shall not exceed the Consultant's proportionate percentage of fault.

13. California Labor Code Requirements.

a. Consultant is aware of the requirements of California Labor Code Sections 1720 et seq. and 1770 et seq., which require the payment of prevailing wage rates and the performance of other requirements on certain "public works" and "maintenance" projects ("Prevailing Wage Laws"). If the services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Consultant agrees to fully comply with such Prevailing Wage Laws. Consultant shall defend, indemnify and hold the Commission, its officials, officers, employees and agents free and harmless from any claims, liabilities, costs, penalties or interest arising out of any failure or alleged failure to comply with the Prevailing Wage Laws. It shall be mandatory upon the Consultant and all subconsultants to comply with all California Labor Code provisions, which include but are not limited to prevailing wages (Labor Code Sections 1771, 1774 and 1775), employment of apprentices (Labor Code Section 1777.5), certified payroll records (Labor Code Sections 1771.4 and 1776), hours of labor (Labor Code Sections 1813 and 1815) and debarment of contractors and subcontractors (Labor Code Section 1777.1). The requirement to submit certified payroll records directly to the Labor Commissioner under Labor Code section 1771.4 shall not apply to work performed on a public works project that is exempt pursuant to the small project exemption specified in Labor Code Section 1771.4.

b. If the services are being performed as part of an applicable "public works" or "maintenance" project, then pursuant to Labor Code Sections 1725.5 and 1771.1, the Consultant and all subconsultants performing such services must be registered with the Department of Industrial Relations. Consultant shall maintain registration for the duration of the Project and require the same of any subconsultants, as applicable. Notwithstanding the foregoing, the contractor registration requirements mandated by Labor Code Sections 1725.5 and 1771.1 shall not apply to work performed on a public works project that is exempt pursuant to the small project exemption specified in Labor Code Sections 1725.5 and 1771.1.

c. This Agreement may also be subject to compliance monitoring and enforcement by the Department of Industrial Relations. It shall be Consultant's sole responsibility to comply with all applicable registration and labor compliance requirements. Any stop orders issued by the Department of Industrial Relations against Consultant or any subcontractor that affect Consultant's performance of services, including any delay, shall be Consultant's sole responsibility. Any delay arising out of or resulting from such stop orders shall be considered Consultant caused delay and shall not be compensable by the Commission. Consultant shall defend, indemnify and hold the Commission, its officials, officers, employees and agents free and harmless from any claim or liability arising out of stop orders issued by the Department of Industrial Relations against Consultant or any subcontractor.

14. Verification of Employment Eligibility.

By executing this Agreement, Consultant verifies that it fully complies with all requirements and restrictions of state and federal law respecting the employment of undocumented aliens, including, but not limited to, the Immigration Reform and Control Act of 1986, as may be amended from time to time, and shall require all subconsultants and sub-subconsultants to comply with the same.

15. Laws and Venue.

This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in a state or federal court situated in the County of Marin, State of California.

16. Termination or Abandonment

a. Commission has the right to terminate or abandon any portion or all of the work under this Agreement by giving ten (10) calendar days written notice to Consultant. In such event, Commission shall be immediately given title and possession to all original field notes, drawings and specifications, written reports and other documents produced or developed for that portion of the work completed and/or being abandoned. Commission shall pay Consultant the reasonable value of services rendered for any portion of the work completed prior to termination. If said termination occurs prior to completion of any task for the Project for which a payment request has not been received, the charge for services performed during such task shall be the reasonable value of such services, based on an amount mutually agreed to by Commission and Consultant of the portion of such task completed but not paid prior to said termination. Commission shall not be liable for any costs other than the charges or portions thereof which are specified herein. Consultant shall not be entitled to payment for unperformed services, and shall not be entitled to damages or compensation for termination of work.

b. Consultant may terminate its obligation to provide further services under this Agreement upon thirty (30) calendar days' written notice to Commission only in the event of substantial failure by Commission to perform in accordance with the terms of this Agreement through no fault of Consultant.

17 Documents. Except as otherwise provided in "Termination or Abandonment," above, all original field notes, written reports, Drawings and Specifications and other documents, produced or developed for the Project shall, upon payment in full for the services described in this Agreement, be furnished to and become the property of the Commission.

18. Organization

Consultant shall assign Catherine MacLeod as Project Manager. The Project Manager shall not be removed from the Project or reassigned without the prior written consent of the Commission.

19. Limitation of Agreement.

This Agreement is limited to and includes only the work included in the Project described above.

20. Notice

Any notice or instrument required to be given or delivered by this Agreement may be given or delivered by depositing the same in any United States Post Office, certified mail, return receipt requested, postage prepaid, addressed to:

COMMISSION:

CONSULTANT:

Marin Local Agency Formation Commission
1401 Los Gatos Drive
San Rafael, CA 94903
Attn: Jason Fried, Interim Executive Officer

MacLeod Watts
5200 SW Macadam, Suite 310
Portland OR 97239
Attn: Kevin Watts, President

and shall be effective upon receipt thereof.

21. Third Party Rights

Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than the Commission and the Consultant.

22. Equal Opportunity Employment.

Consultant represents that it is an equal opportunity employer and that it shall not discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, sex, age or other interests protected by the State or Federal Constitutions. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination.

23. Entire Agreement

This Agreement, with its exhibits, represents the entire understanding of Commission and Consultant as to those matters contained herein, and supersedes and cancels any prior or contemporaneous oral or written understanding, promises or representations with respect to those matters covered hereunder. Each Party acknowledges that no representations, inducements, promises or agreements have been made by any person which are not incorporated herein, and that any other agreements shall be void. This Agreement may not be modified or altered except in writing signed by both Parties hereto. This is an integrated Agreement.

24. Severability

The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the remaining provisions unenforceable, invalid or illegal.

25. Successors and Assigns

This Agreement shall be binding upon and shall inure to the benefit of the successors in interest, executors, administrators and assigns of each Party to this Agreement. However, Consultant shall not assign or transfer by operation of law or otherwise any or all of its rights, burdens, duties or obligations without the prior written consent of Commission. Any attempted assignment without such consent shall be invalid and void.

26. Non-Waiver

None of the provisions of this Agreement shall be considered waived by either Party, unless such waiver is specifically specified in writing.

27. Time of Essence

Time is of the essence for each and every provision of this Agreement.

28. Commission's Right to Employ Other Consultants

Commission reserves its right to employ other consultants, including engineers, in connection with this Project or other projects.

29. Prohibited Interests

Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, Commission shall have the right to rescind this Agreement without liability. For the term of this Agreement, no director, official, officer or employee of Commission, during the term of his or her service with Commission, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.


[SIGNATURES ON FOLLOWING PAGE]

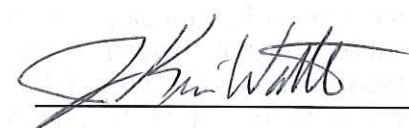
**SIGNATURE PAGE FOR PROFESSIONAL SERVICES AGREEMENT
BETWEEN THE MARIN LOCAL AGENCY FORMATION COMMISSION
AND MACLEOD WATTS**

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

MARIN LOCAL AGENCY FORMATION
COMMISSION

MacLeod Watts

By: 
[INSERT NAME] Jason Fried
[INSERT TITLE] Interim E.O.

By: 
Its: President

Printed Name: Kevin Watts

ATTEST:

By: 
Board Clerk

EXHIBIT A
Scope of Services

EXHIBIT B

Schedule of Charges/Payments

Consultant will invoice Commission on a monthly cycle. Consultant will include with each invoice a detailed progress report that indicates the amount of budget spent on each task. Consultant will inform Commission regarding any out-of-scope work being performed by Consultant. This is a time-and-materials contract.

EXHIBIT C
Activity Schedule

EXHIBIT D
Federal Requirements

MacLeod Watts

July 30, 2018

Jason Fried
Interim Executive Officer
Marin Local Agency Formation Commission
1401 Los Gamos, Suite 220
San Rafael, CA 94903

Re: GASB 75 Actuarial Report for the Fiscal Year Ending June 30, 2018

Dear Mr. Fried:

We are pleased to enclose our report providing information for the June 30, 2018 accounting of other post-employment benefit (OPEB) liabilities for Marin Local Agency Formation Commission (the Commission). The report's text describes our analysis and assumptions in detail.

The primary purpose of this report is to provide information required by GASB 75 ("Accounting and Financial Reporting for Postemployment Benefits Other Than Pension") to be reported in the Commission's financial statements for the fiscal year ending June 30, 2018. The information included in this report is based on the results of our actuarial valuation prepared as of June 30, 2017. A key assumption in making our calculations is the assumption that the Commission will continue contributing 100% or more of the Actuarially Determined Contributions each year, as developed in the June 2017 OPEB Funding Valuation report.

This report reflects the employee data and details on plan benefits provided by the Commission. Please review our summary of this information shown in the report to be comfortable that we have captured this correctly. As with any analysis, the soundness of the report is dependent on the inputs. If contributions and covered-employee payroll provided for FYE 2018 were estimates, this information should be updated once actual values are available.

We appreciate the opportunity to work on this analysis. Thank you for your help in providing information and assistance to enable us to prepare this report. Please let us know if we can be of further assistance.

Sincerely,



Catherine L. MacLeod, FSA, FCA, EA, MAAA
Principal and Consulting Actuary

Enclosure



Marin Local Agency Formation Commission

GASB 75 Actuarial Report
Measured as of June 30, 2017
For Fiscal Year End June 30, 2018 Financial Reporting

Submitted July 2018

MacLeod Watts

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A. Executive Summary

This report presents the accounting results of the Marin Local Agency Formation Commission (the Commission) other post-employment benefit (OPEB) programs required by Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for the fiscal year ending June 30, 2018.

Important background information regarding the valuation process can be found in Addendum 1. We recommend users of the report read this information to familiarize themselves with the process and context of actuarial valuations, including the requirements of GASB 75. The pages following this Executive Summary discuss in detail the valuation results and present various exhibits appropriate for disclosures under GASB 75. The date of the next actuarial valuation should be no later than June 30, 2019. If there are any significant changes in the employee population, benefits provided under the plan, or the Authority's funding policy, please contact us to discuss whether an earlier valuation might be required.

OPEB Obligations of the Commission

The Commission provides continuation of medical and dental coverage to its retiring employees. These benefits create the following types of OPEB liabilities:

- **Explicit subsidy liabilities:** An "explicit subsidy" exists when the employer contributes directly toward the cost of retiree healthcare. In this program, the Commission contributes a portion of retiree medical and dental premiums for qualifying retirees. These benefits are described in Section 2.
- **Implicit subsidy liabilities:** An "implicit subsidy" exists when the premiums charged for retiree coverage are lower than the expected retiree claims for that coverage. It is possible, even likely, that the claims experience of active employees and retirees not covered by Medicare is commingled in setting premium rates for some members which would typically give rise to an implicit subsidy. However, there is currently only one plan member who is a retiree covered by a separately rated Medicare supplement plan. Thus, no implicit subsidy liability exists at the time of this actuarial valuation.
- **Excise tax liability for "high cost" plans:** The Patient Protection and Affordable Care Act (ACA) includes a 40% excise tax on high-cost employer-sponsored health coverage. The tax applies to the aggregate annual cost of an employee's applicable coverage that exceeds a dollar limit. Implementation of this tax has been delayed by subsequent legislation to 2022; while there are discussions in Congress of eliminating or again delaying the tax, this report assumes that it will take effect as current law provides. As with the implicit subsidy liability above, however, no excise tax liability is projected to occur with respect to the sole plan participant.

Commission Funding Policy

The Commission's funding policy affects the calculation of liabilities by impacting the discount rate that is used to develop the plan liability and expense. "Prefunding" is the term used when an agency consistently contributes an amount based on an actuarially determined contribution (ADC) each year. GASB 75 allows prefunded plans to use a discount rate that reflects the expected earnings on trust assets. Pay-as-you-go, or "PAYGO", is the term used when an agency only contributes the required retiree benefits when due. When an agency finances retiree benefits on a pay-as-you-go basis, GASB 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate.



Executive Summary

(Continued)

The Commission has been and continues to prefund its OPEB liability, contributing 100% or more of the Actuarially Determined Contributions each year. Plan assets are currently invested in the California Employers' Retiree Benefit Trust (CERBT) using Asset Allocation Strategy 2. CalPERS most recent projected annual returns for CERBT Allocation Strategy 2 anticipate 5.12% for the next 10 years and about 7.4% for the following 50 years, net of investment-related expenses. Volatility in returns may lessen this average and the remaining benefit period for the current plan member was also considered in setting the expected long term return on plan assets.

With the Commission's approval, the discount rate used in this valuation is 5.75%, the assumed long term return on trust assets.

Actuarial Assumptions

The actuarial "demographic" assumptions used in this report were chosen, for the most part, to be the same as the actuarial demographic assumptions used for the most recent valuation of the retirement plan(s) covering Commission employees. Other assumptions, such as age-related healthcare claims, healthcare trend, retiree participation rates and spouse coverage, were selected based on demonstrated plan experience and/or our best estimate of expected future experience. All these assumptions, and more, impact expected future benefits. Please note that this valuation has been prepared on a closed group basis. This means that only employees and retirees present as of the valuation date are considered. We do not consider replacement employees for those we project to leave the current population of plan participants until the valuation date following their employment.

We emphasize that this actuarial valuation provides a projection of future results based on many assumptions. Actual results are likely to vary to some extent and we will continue to monitor these assumptions in future valuations. See Section 3 for a description of assumptions used in this valuation.

Important Dates Used in the Valuation

GASB75 allows reporting liabilities as of any fiscal year end based on: (1) a *valuation date* no more than 30 months plus 1 day prior to the close of the fiscal year end; and (2) a *measurement date* up to one year prior to the close of the fiscal year. The following dates were used for this report:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 to June 30, 2017
Fiscal Year	June 30, 2018

Significant Results and Differences from the Prior Valuation

We understand that the Commission intends to implement GASB 75 for the fiscal year ending June 30, 2018. No benefit changes were reported to MacLeod Watts relative to those in place at the time the July 2015 AMM report was prepared. However, some assumptions were changed in the June 2017 valuation. For additional discussion, refer to the end of Section 3 in the Supporting Information. For purposes of this report, we assumed that all assumption and methodology changes would have been



Executive Summary

(Concluded)

made on June 30, 2016 had a new valuation been prepared on that date. To develop the liability at the beginning of the Measurement Period on June 30, 2016, we rolled back the results of the June 30, 2017 valuation. Using this approach, no plan experience (difference between assumed and actual results) is recognized.

Impact on Statement of Net Position and OPEB Expense for Fiscal 2018

The accounting impact of the plan as of the Commission’s fiscal year end June 30, 2018 is shown below.

Items	For Reporting At Fiscal Year Ending June 30, 2018
Total OPEB Liability	\$ 62,089
Fiduciary Net Position	<u>41,103</u>
Net OPEB Liability (Asset)	20,986
Deferred (Outflows) of Resources	(21,071)
Deferred Inflows of Resources	<u>159</u>
Impact on Statement of Net Position	<u>\$ 74</u>
OPEB Expense, FYE 2018	<u><u>\$ 1,809</u></u>

Recognition Period for Deferred Resources

Liability changes 1) due to plan experience that differs from what was assumed in the prior year and 2) due to assumption changes during the year are recognized over the EARSL period. However, changes in the Fiduciary Net Position due to investment performance different from the assumed earnings rate is always recognized over 5 years. This five-year period is a GASB 75 requirement.

The plan’s Expected Average Remaining Service Life (“EARSL”) is 0 years for deferred resources arising in this fiscal year (i.e., immediate recognition) because there are no active employees eligible for the plan.

Important Notices

This report is intended to be used only to present the actuarial information relating to other postemployment benefits for the Commission’s financial statements. The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable. We note that various issues in this report may involve legal analysis of applicable law or regulations. The Commission should consult counsel on these matters; MacLeod Watts does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend the Commission consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.



B. Accounting Information (GASB 75)

The following exhibits are designed to satisfy the reporting and disclosure requirements of GASB 75 for the fiscal year end June 30, 2018. The Commission is classified for GASB 75 purposes as a single employer.

Components of Net Position and Expense

The exhibit below shows the development of Net Position and Expense as of the Measurement Date.

Plan Summary Information <i>Measurement Date is June 30, 2017</i>	Marin Local Agency Formation Commission
Items Impacting Net Position:	
Total OPEB Liability	\$ 62,089
Fiduciary Net Position	41,103
Net OPEB Liability (Asset)	20,986
<i>Deferred (Outflows) Inflows of Resources Due to:</i>	
Assumption Changes	-
Plan Experience	-
Investment Experience	159
Contributions Subsequent to Measurement Date	(21,071)
Net Deferred (Outflows) Inflows of Resources	(20,912)
Impact on Statement of Net Position, FYE 6/30/2018	\$ 74
Items Impacting OPEB Expense:	
Service Cost	\$ -
Cost of Plan Changes	-
Interest Cost	3,529
Expected Earnings on Assets	(1,695)
Administrative Expenses	15
<i>Recognized Deferred Resource items:</i>	
Assumption Changes	-
Plan Experience	-
Investment Experience	(40)
OPEB Expense, FYE 6/30/2018	\$ 1,809



Accounting Information
 (Continued)

Change in Net Position During the Fiscal Year

The exhibit below shows the year-to-year changes in the components of Net Position.

Marin Local Agency Formation Commission			
For Reporting at Fiscal Year End	6/30/2017	6/30/2018	Change
<i>Measurement Date</i>	<i>6/30/2016</i>	<i>6/30/2017</i>	<i>During Period</i>
Total OPEB Liability	\$ 64,175	\$ 62,089	\$ (2,086)
Fiduciary Net Position	19,737	41,103	21,366
Net OPEB Liability (Asset)	44,438	20,986	(23,452)
<i>Deferred Resource (Outflows) Inflows Due to:</i>			
Assumption Changes	-	-	-
Plan Experience	-	-	-
Investment Experience	-	159	159
Contributions Made Subsequent to the Measurement Date	(25,102)	(21,071)	4,031
Net Deferred (Outflows) Inflows	(25,102)	(20,912)	4,190
Impact on Statement of Net Position	\$ 19,336	\$ 74	\$ (19,262)

Change in Net Position During the Fiscal Year

Impact on Statement of Net Position, FYE 2017	\$ 19,336
OPEB Expense (Income)	1,809
Employer Contributions During Fiscal Year	(21,071)
Impact on Statement of Net Position, FYE 2018	<u>\$ 74</u>

OPEB Expense

Employer Contributions During Fiscal Year	\$ 21,071
Deterioration (Improvement) in Net Position	(19,262)
OPEB Expense (Income), FYE 2018	<u>\$ 1,809</u>



Accounting Information

(Continued)

Change in Fiduciary Net Position During the Measurement Period

		Marin Local Agency Formation Commission
Fiduciary Net Position at Fiscal Year Ending 6/30/2017	\$	19,737
<i>Measurement Date 6/30/2016</i>		
Changes During the Period:		
Investment Income		1,894
Employer Contributions		25,102
Administrative Expenses		(15)
Benefit Payments		(5,615)
		21,366
Net Changes in Fiscal Year 2017-2018		21,366
Fiduciary Net Position at Fiscal Year Ending 6/30/2018	\$	41,103
<i>Measurement Date 6/30/2017</i>		
<i>Estimated Asset Return - Assumes all inflows and outflows occur on average mid-year.</i>		6.4%



Accounting Information

(Continued)

Deferred Resources as of Fiscal Year End and Expected Future Recognition

The exhibit below shows deferred resources as of the fiscal year end June 30, 2018.

Marin Local Agency Formation Commission	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$ -
Differences Between Expected and Actual Experience	-	-
Net Difference Between Projected and Actual Earnings on Investments	-	159
Contributions Made Subsequent to the Measurement Date	21,071	-
Total	\$ 21,071	\$ 159

The Commission will recognize the Contributions Made Subsequent to the Measurement Date in the next fiscal year. In addition, future recognition of these deferred resources is shown below.

For the Fiscal Year Ending June 30	Recognized Net Deferred Outflows (Inflows) of Resources
2019	\$ (40)
2020	(40)
2021	(40)
2022	(39)
2023	-
Thereafter	-



Accounting Information

(Continued)

Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The discount rate used for the fiscal year end 2018 is 5.75%. Healthcare Cost Trend Rate was assumed to start at 7.5% on January 2019 and grade down to 5% for years 2024 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

Sensitivity to:			
Change in Discount Rate	Current - 1% 4.75%	Current 5.75%	Current + 1% 6.75%
Total OPEB Liability	67,351	62,089	57,504
Increase (Decrease)	5,262		(4,585)
% Increase (Decrease)	8.5%		-7.4%
Net OPEB Liability (Asset)	26,248	20,986	16,401
Increase (Decrease)	5,262		(4,585)
% Increase (Decrease)	25.1%		-21.8%
Change in Healthcare Cost Trend Rate	Current Trend - 1%	Current Trend	Current Trend + 1%
Total OPEB Liability	62,039	62,089	62,104
Increase (Decrease)	(50)		15
% Increase (Decrease)	-0.1%		0.0%
Net OPEB Liability (Asset)	20,936	20,986	21,001
Increase (Decrease)	(50)		15
% Increase (Decrease)	-0.2%		0.1%

OPEB liabilities are typically more sensitive to changes in healthcare trend than suggested by the results above. In this plan, benefits are limited to a fixed dollar amount per year of service for the Commission. Benefits for the plan's current retiree are virtually at the maximum dollar amount and thus changes in healthcare trend have virtually no impact on the Total OPEB Liability.



Accounting Information

(Continued)

Schedule of Changes in the Commission's Net OPEB Liability and Related Ratios

GASB75 requires presentation of the 10-year history of changes in the Net OPEB Liability. However, since this is the initial year of implementation, only one year is currently available.

Fiscal Year Ending 2018	Marin Local Agency Formation Commission
Total OPEB liability	
Service Cost	\$ -
Interest	3,529
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(5,615)
Total OPEB liability - beginning	<u>64,175</u>
Total OPEB liability - ending (a)	<u>\$ 62,089</u>
Plan fiduciary net position	
Contributions - employer	\$ 25,102
Net investment income	1,894
Benefit payments	(5,615)
Administrative Expenses	(15)
Net change in plan fiduciary net position	21,366
Plan fiduciary net position - beginning	<u>19,737</u>
Plan fiduciary net position - ending (b)	<u>\$ 41,103</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 20,986</u>
Covered-employee payroll	\$ 217,782
Net OPEB liability as a percentage of covered-employee payroll	9.64%



Accounting Information
 (Continued)

Detail of Changes to Net Position

The chart below details changes to all components of Net Position.

Marin Local Agency Formation Commission	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)	(d) Deferred Outflows (Inflows) Due to:				Impact on Statement of Net Position (e) = (c) - (d)
				Assumption Changes	Plan Experience	Investment Experience	Contributions Subsequent to Measurement Date	
Balance at Fiscal Year Ending 6/30/2017 <i>Measurement Date 6/30/2016</i>	\$ 64,175	\$ 19,737	\$ 44,438	\$ -	\$ -	\$ -	\$ 25,102	\$ 19,336
Changes During the Period:								
Service Cost	-		-					-
Interest Cost	3,529		3,529					3,529
Expected Investment Income		1,695	(1,695)					(1,695)
Employer Contributions		25,102	(25,102)					(25,102)
Changes of Benefit Terms	-		-					-
Administrative Expenses		(15)	15					15
Benefit Payments	(5,615)	(5,615)	-					-
Assumption Changes	-		-	-				-
Plan Experience	-		-		-			-
Investment Experience		199	(199)			(199)		-
Recognized Deferred Resources				-	-	40	(25,102)	25,062
Employer Contributions Subsequent to Measurement date							21,071	(21,071)
Net Changes in Fiscal Year 2017-2018	(2,086)	21,366	(23,452)	-	-	(159)	(4,031)	(19,262)
Balance at Fiscal Year Ending 6/30/2018 <i>Measurement Date 6/30/2017</i>	\$ 62,089	\$ 41,103	\$ 20,986	\$ -	\$ -	\$ (159)	\$ 21,071	\$ 74



Accounting Information
 (Continued)

Schedule of Deferred Outflows and Inflows of Resources

A listing of all deferred resource bases used to develop the Net Position and OPEB Expense is shown below. Contributions subsequent to the measurement date are not shown.

Measurement Date: June 30, 2017

Date Created	Plan	Cause of Deferred Resource	Initial Amount	Annual Recognition	Balance as of Jun 30, 2017	Recognition of Deferred Outflow or Deferred (Inflow) in Measurement Period:						
						2016-17 (FYE 2018)	2017-18 (FYE 2019)	2018-19 (FYE 2020)	2019-20 (FYE 2021)	2020-21 (FYE 2022)	2021-22 (FYE 2023)	Thereafter
6/30/2017	Marin Local Agency Formation Commission	Investment Earnings Greater than Expected	\$ (199)	\$ (40)	\$ (159)	\$ (40)	\$ (40)	\$ (40)	\$ (40)	\$ (39)	\$ -	\$ -

Liability changes due to plan experience that differs from what was assumed in the prior year and/or due to assumption changes during the year are recognized over the Expected Average Remaining Service Life ("EARSL"). The EARSL is 0 in this fiscal year (immediate recognition), however, there are no assumption changes or experience differences to be recognized. Changes in the Fiduciary Net Position due to investment performance different from the assumed earnings rate are always recognized over 5 years.



Accounting Information

(Continued)

Commission Contributions to the Plan

Commission contributions to the Plan occur as benefits are paid to retirees and/or to the OPEB trust. Benefit payments may occur in the form of direct payments for premiums and taxes (“explicit subsidies”) and/or indirect payments to retirees in the form of higher premiums for active employees (“implicit subsidies”). For details, see Addendum 1 – Important Background Information.

Benefits and other contributions paid by the Commission during the measurement period and those made in the year following the measurement period prior to the end of the fiscal year are shown below.

Benefit Payments During the Measurement Period, Jul 1, 2016 thru Jun 30, 2017	Marin Local Agency Formation Commission
Benefits Paid by Trust	\$ -
Benefits Paid by Employer (not reimbursed by trust)	5,615
Implicit benefit payments	-
Total Benefit Payments During the Measurement Period	\$ 5,615

Employer Contributions During the Measurement Period, Jul 1, 2016 thru Jun 30, 2017	Marin Local Agency Formation Commission
Employer Contributions to the Trust	\$ 19,487
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)	5,615
Implicit contributions	-
Total Employer Contributions During the Measurement Period	\$ 25,102

Employer Contributions Subsequent to the Measurement Date, Jul 1, 2017 thru Jun 30, 2018	Marin Local Agency Formation Commission
Employer Contributions to the Trust	\$ 15,615
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)	5,456
Implicit contributions	-
Total Employer Contributions Subsequent to the Measurement Date	\$ 21,071



Accounting Information

(Continued)

Projected Benefit Payments (15-year projection)

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the Commission. Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Section 3.

These projections do not include any benefits expected to be paid on behalf of current active employees *prior to* retirement, nor do they include any benefits for potential *future employees* (i.e., those who might be hired in future years).

Projected Annual Benefit Payments	
Fiscal Year Ending June 30	Total
2018	\$ 5,456
2019	5,663
2020	5,597
2021	5,508
2022	5,411
2023	5,307
2024	5,196
2025	5,077
2026	4,950
2027	4,814
2028	4,668
2029	4,510
2030	4,339
2031	4,155
2032	3,958

The amounts shown above reflect the expected payment by the Commission toward retiree medical and dental premiums in each of the years shown.



Accounting Information
 (Concluded)

Sample Journal Entries

Beginning Account Balances As of the fiscal year beginning 7/1/2017	<i>Marin LAFCO</i>	
	Debit	Credit
Net OPEB Liability		44,438
Deferred Resource -- Assumption Changes	-	
Deferred Resource -- Plan experience	-	
Deferred Resource -- Investment Experience	-	
Deferred Resource -- Contributions	25,102	
Net Position	19,336	

** The entries above assume nothing is on the books at the beginning of the year. So to the extent that values already exist in, for example, the Net OPEB Liability account, then only the difference should be adjusted. The entries above represent the values assumed to exist at the start of the fiscal year.*

Journal entries to record retiree premium (or other benefit) payments that were not reimbursed by a trust, and contributions to the trust during the fiscal year	<i>Marin LAFCO</i>	
	Debit	Credit
OPEB Expense	21,071	
Employer Contributions for Retiree Benefits During Fiscal Year		21,071

** This entry assumes that when cash is used to pay retiree premiums directly (and not reimbursed by a trust), or when cash is used to contribute to an OPEB trust, then an account called "Employer Contributions for Retiree Benefits During Fiscal Year" was debited (increased). This entry reassigns these premium payments to OPEB Expense. If OPEB Expense was originally debited, then this entry is unnecessary.*

Journal entries to record implicit subsidies during the fiscal year	<i>Marin LAFCO</i>	
	Debit	Credit
OPEB Expense	-	
Premium Expense During Fiscal Year		-

** This entry assumes that when premiums for active employees are paid, then an account called "Premium Expense During Fiscal Year" is debited (increased). This entry reverses the portion of premium payments that represent implicit subsidies and assigns that value to OPEB Expense.*

Journal entries to record other account activity during the fiscal year	<i>Marin LAFCO</i>	
	Debit	Credit
Net OPEB Liability	23,452	
Deferred Resource -- Assumption Changes	-	
Deferred Resource -- Plan experience	-	
Deferred Resource -- Investment Experience		159
Deferred Resource -- Contributions		4,031
OPEB Expense		19,262



C. Funding Information

Prefunding (setting aside funds to accumulate in an irrevocable OPEB trust) has certain advantages, one of which is the ability to (potentially) use a higher discount rate in the determination of liabilities for GASB 75 reporting purposes. It is our understanding that the Commission has been and intends to continue prefunding its OPEB liability by contributing 100% or more of the Actuarially Determined Contribution (ADC) each year.

The ADC developed for the Commission consists of two basic components, which have been adjusted with interest to fiscal year end:

- The amounts attributed to service performed in the current fiscal year (the normal cost) and
- Amortization of the unfunded actuarial accrued liability (UAAL).

The ADC calculated for the Commission's fiscal year ending June 30, 2018 was determined and presented in the July 2015 AMM report. The ADC for the fiscal year ending June 30, 2019 was determined from the results of the June 30, 2017 actuarial valuation and is presented in Appendix 2 in this report.

The ADC for each of these two year and expected contributions, relative to each ADC, are shown below.

Fiscal Year ending	FYE 2018	FYE 2019
Report applied	2015 AMM	2017 Valuation
Discount rate	6.37%	5.75%
Actuarial Accrued Liability (AAL)	\$ 132,725	\$ 62,089
Plan Assets	-	41,103
Unfunded AAL (UAAL)	132,725	20,986
Amortization Factor	19.1771	14.3265
Contribution Development	ARC (GASB 45)	ADC (GASB 75)
Amortization of UAAL	\$ 6,921	\$ 1,443
Normal Cost	8,694	-
Interest to fiscal year end	Not applied	83
Total ARC or ADC	\$ 15,615	\$ 1,526

Contributions in relation to the ADC	\$ 21,071	<i>est</i>	5,663
Contribution deficiency (excess)	(5,456)	<i>est</i>	(4,137)
Covered employee payroll during fiscal year	144,601		
Contributions as % of covered payroll	14.57%		



D. Certification

The purpose of this report is to provide actuarial information in compliance with Statement 75 of the Governmental Accounting Standards Board (GASB 75) for other postemployment benefits provided by the Marin Local Agency Formation Commission (the Commission). We summarized the benefits in this report and our calculations were based on our understanding of the benefits as described herein.

In preparing this report we relied without audit on information provided by the Agency. Information includes, but is not limited to, plan provisions, census data, and financial information. We performed a limited review of this data and found the information to be reasonably consistent. The accuracy of this report is dependent on this information and if any of the information we relied on is incomplete or inaccurate, then the results reported herein will be different from any report relying on more accurate information.

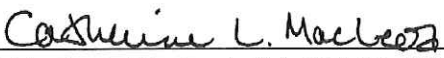
We consider the actuarial assumptions and methods used in this report to be individually reasonable under the requirements imposed by GASB 75 and taking into consideration reasonable expectations of plan experience. The results provide an estimate of the plan's financial condition at one point in time. Future actuarial results may be significantly different due to a variety of reasons including, but not limited to, demographic and economic assumptions differing from future plan experience, changes in plan provisions, changes in applicable law, or changes in the value of plan benefits relative to other alternatives available to plan members.

Alternative assumptions may also be reasonable; however, demonstrating the range of potential plan results based on alternative assumptions was beyond the scope of our assignment except to the limited extent required by GASB 75. Plan results for accounting purposes may be materially different than results obtained for other purposes such as plan termination, liability settlement, or underlying economic value of the promises made by the plan.

This report is prepared solely for the use and benefit of the Agency and may not be provided to third parties without prior written consent of MacLeod Watts. Exceptions are: The Agency may provide copies of this report to their professional accounting and legal advisors who are subject to a duty of confidentiality, and the Agency may provide this work to any party if required by law or court order. No part of this report should be used as the basis for any representations or warranties in any contract or agreement without the written consent of MacLeod Watts.

The undersigned actuaries are unaware of any relationship that might impair the objectivity of this work. Nothing within this report is intended to be a substitute for qualified legal or accounting counsel. Both actuaries are members of the American Academy of Actuaries and meet the qualification standards for rendering this opinion.

Signed: July 30, 2018


Catherine L. MacLeod, FSA, FCA, EA, MAAA


J. Kevin Watts, FSA, FCA, MAAA



E. Supporting Information

Section 1 - Summary of Employee Data

Active employees: While there were 2 active members as of the June 2017 valuation date, neither was vested and neither was expected to retire from the Commission to receive benefits under this plan.¹

Retirees: There is 1 retired employee receiving benefits under this program. This former employee retired about 5 years ago at age 63 with 13 years of service for the Commission.

Section 2 - Summary of Retiree Benefit Provisions

OPEB provided: The Commission provides medical and dental plan coverage for qualifying retirees, with certain limits described further below. It is our understanding that medical and dental plan coverage and the portion of premiums paid by the Commission, if any, are the same as the coverage and benefits provided by Marin County.

Access to coverage: To be eligible for retiree health coverage through the Commission (other than any temporary coverage available through COBRA), an employee must retire from the Commission.

Benefits provided by the Commission: The Commission pays the single-coverage retiree medical and dental premiums up to but not exceeding an annual dollar maximum (cap). The cap is based tied to years of service for the Commission and varies based on the date of employment. Specifically,

- *For employees hired between October 1993 and December 31, 2007*, the dollar cap is currently \$442.65 per year of Commission service, up to a maximum 20 years or a \$8,853 maximum annual benefit.

While the County Board of Supervisors has the option to increase the benefit cap by up to 3% per year, no increases have been adopted since January 2009.

There is only one plan member (the current retiree), who will ever qualify for benefits at this level.

- *For employees hired on or after January 1, 2008*, the dollar cap is currently \$150 per year of Commission service, up to a maximum 20 years or a \$3,000 maximum annual benefit.

There are no current plan members in this benefit category.

¹ In fact, both employees ended their employment with the Commission prior to June 30, 2018 and no new active employees are yet eligible.



Supporting Information

(Continued)

Section 3 - Actuarial Methods and Assumptions

Valuation Date	June 30, 2017
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of trust assets
Long Term Return on Assets	5.75% as of June 30, 2017 and June 30, 2016, net of plan investment fees and including inflation
Discount Rates	5.75% as of June 30, 2017 and June 30, 2016
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation. <i>Note: there are no current actives.</i>
Salary Increase	Not applicable; there are no active plan members
Assumed Wage inflation	Not applicable; amortization payments were developed on a level dollar basis since there is no active payroll.
General Inflation Rate	2.75% per year
Post-retirement Mortality	As published by CalPERS, adjusted to back out 20 years of Scale BB to central year 2008, then projected as described below.
Mortality Improvement	MacLeod Watts Scale 2017 applied generationally.
Employee Separation Prior to retirement	Based on age and service information provided to us, we assumed that neither of the 2 employees active on June 30, 2017 would retire from the Commission (0% chance).
Healthcare Trend	Medical plan premiums and claims costs by age are assumed to increase once each year. Increases over the prior year's levels are assumed to be effective on the dates shown below:

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2018	Actual	2022	6.00%
2019	7.50%	2023	5.50%
2020	7.00%	2024	5.00%
2021	6.50%	2025 & later	5.00%

Dental plan premiums are assumed to increase by 3.0% per year.



Supporting Information

(Continued)

Section 3 - Actuarial Methods and Assumptions

Assumed Increases in Fixed dollar benefit caps We assumed the maximum benefit per year of service would remain level in all future years (0% increases).

Participation Rate *Active employees:* Not currently applicable
Retired participants: Existing medical plan elections are assumed to be continued until the retiree’s death.

Spouse Coverage *Active employees:* Not currently applicable
Retired participants: Existing elections for spouse coverage are assumed to continue until the spouse’s death.

Medicare Eligibility Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Excise tax on high-cost plans The expected value of excise taxes for high cost plan coverage for retirees, assumed to be effective in the year 2020, was included in this valuation. Annual threshold amounts for 2018 under the Affordable Care Act (ACA) were assumed to increase at the General Inflation Rate. A 40% excise tax rate was applied to the portion of premiums projected to exceed the threshold.

2018 Thresholds	Ages 55-64	All Other Ages
Single	11,850	10,200
Other than Single	30,950	27,500

Note: Thresholds for disability retirements are assumed to be set at a level high enough to prevent taxation on disabled retiree benefits.

Actual limits may be higher, depending on cost increases prior to the effective date. These thresholds are scheduled to increase by CPI plus 1% in 2019 and by CPI annually thereafter.

Development of Age-related Medical Premiums Not currently applicable since the only current plan member is covered by a Medicare supplement plan rated separately from active employees.

Changes reflected during this Measurement Period:

None.



Supporting Information

(Continued)

Section 3 - Actuarial Methods and Assumptions

Assumption changes since the 2015 AMM report:

Discount Rate	Changed from 6.37% to 5.75%.
Mortality (including improvement)	Mortality rates were updated to the 2008 rates (midpoint year) of CalPERS' 2014 experience study, then projected on a generational basis by MacLeod Watts Scale 2017 (see Addendum 3).
Healthcare trend	Medical plan premium rates are assumed to increase somewhat higher rates than were assumed in the prior valuation, most notably, to increase by 5.0% per year over the long term, as opposed to 4.0% assumed in the prior valuation. Dental premium trend was set to 3.0% per year, based on our experience with other similar plans.
Excise Tax Impact	We considered the potential impact of the excise tax attributable to retirees for high cost healthcare plans for retirees, as provided by the Affordable Care Act. No excise liability is projected to occur with respect to the current plan member's medical coverage.



Appendix 1: Comparison of 2015 AMM and 2017 Valuation Results

The chart below compares the basic results of the July 2015 GASB 45 AMM report to the GASB 75 results as of the June 30, 2017 measurement date.

Measurement Date	7/1/2015	6/30/2017
Applicable Accounting Standard	GASB 45	GASB 75
Discount rate	6.37%	5.75%
Number of Covered Employees		
Actives	3	-
Retirees	1	1
Total Participants	4	1
Actuarial Present Value of Projected Benefits		
Actives	\$ 110,273	\$ -
Retirees	84,289	62,089
Total APVPB	194,562	62,089
Total OPEB Liability		
Actives	48,436	-
Retirees	84,289	62,089
TOL	132,725	62,089
Fiduciary Net Position	19,339	41,103
Net OPEB Liability	113,386	20,986
Service Cost	8,694	-

The following compares terminology for several key OPEB cost components:

<u>GASB 75 Term</u>	<u>Equivalent GASB 45 Term</u>
Total OPEB Liability (TOL)	Actuarial Accrued Liability (AAL)
Fiduciary net Position (FNP)	Market Value of Assets
Net OPEB Liability (NOL)	Unfunded Actuarial Accrued Liability (UAAL)
Service Cost	Normal Cost (applies only for active employees)

The primary cause of the significant reduction in the OPEB liability (TOL or AAL) were the separations (terminations) of 2 active plan members prior to retirement and a 3rd employee moving to disability status at the time of the valuation. Other assumption changes described on the preceding page and plan experience (differences between actual and expected results) accounts for the remainder of the difference. Should the disabled member resume employment and/or if new employees are hired, an appropriate liability will be established for them on the next valuation date.

For timing reasons, the Commission applied the results of the 2015 AMM report to determine the applicable OPEB contribution level for its fiscal year ended June 30, 2018. On the following page, the 2017 valuation results shown above are used to develop the Actuarially Determined Contributions (ADC) for the fiscal years ending June 30, 2019 and June 30, 2020.



Appendix 2
Development of ADC for Fiscal Years Ending 2019 & 2020

This table develops Actuarially Determined Contributions for the Commission's fiscal years ending June 30, 2019 and 2020, based on the June 30, 2017 valuation results.

Funding Policy	Prefunding Basis	
Valuation date	6/30/2017	
For fiscal year ending	6/30/2019	6/30/2020
Expected long-term return on assets	5.75%	5.75%
Discount rate	5.75%	5.75%
Number of Covered Employees		
Actives	-	-
Retirees	1	1
Total Participants	1	1
Actuarial Present Value of Projected Benefits		
Actives	\$ -	\$ -
Retirees	59,965	57,587
Total APVPB	59,965	57,587
Actuarial Accrued Liability (AAL)		
Actives	-	-
Retirees	59,965	57,587
Total AAL	59,965	57,587
Actuarial Value of Assets	59,530	62,953
Unfunded AAL (UAAL)	435	(5,366)
UAAL Amortization method	Level Dollar	Level Dollar
Remaining amortization period (years)	27	26
Amortization Factor	14.3265	14.0927
Actuarially Determined Contribution (ADC)		
Normal Cost	\$ -	\$ -
Amortization of UAAL	30	(381)
Interest to fiscal year end	2	(22)
Total ADC (sum of the above but not less than	32	-
Expected Employer OPEB Contributions		
Estimated payments on behalf of retirees	\$ 5,663	\$ 5,597
Estimated contribution to OPEB trust	-	-
Total Expected Employer Contribution	5,663	5,597

Based on the calculations above, it would be reasonable for the Commission to request disbursement from the OPEB trust (CERBT) as reimbursement for retiree benefits paid in excess of the ADC each year. However, if it is expected that active employees will be hired and join the plan, it may be prudent to leave the funds in the trust in anticipation of an increase in the OPEB liability when the next actuarial valuation is prepared.



Addendum 1: Important Background Information

General Types of Other Post-Employment Benefits (OPEB)

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are medical, prescription drug, dental, vision, and/or life insurance coverage. Other OPEB may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include COBRA, vacation, sick leave (unless converted to defined benefit OPEB), or other direct retiree payments.

A direct employer payment toward the cost of OPEB benefits is referred to as an “explicit subsidy”. Upcoming excise taxes under the Affordable Care Act for retirees covered by high cost plans is another potential source of explicit subsidies.

In addition, if claims experience of employees and retirees are pooled when determining premiums, retiree premiums are based on a pool of members which, on average, are younger and healthier. For certain types of coverage such as medical insurance, this results in an “implicit subsidy” of retiree premiums by active employee premiums since the retiree premiums are lower than they would have been if retirees were insured separately. GASB 75 and Actuarial Standards of Practice generally require that an implicit subsidy of retiree premium rates be valued as an OPEB liability.

Expected retiree claims		
Premium charged for retiree coverage		<i>Covered by higher active premiums</i>
Retiree portion of premium	Agency portion of premium Explicit subsidy	Implicit subsidy

This chart shows the sources of funds needed to cover expected medical claims for pre-Medicare retirees. The portion of the premium paid by the Agency does not impact the amount of the implicit subsidy.

Under GASB 45, for actuarial valuations dated prior to March 31, 2015, an exception allowed plan employers with a very small membership in a large “community-rated” healthcare program to avoid reporting of implicit subsidy liability. Following a change in Actuarial Standards of Practice and in accordance with GASB 75 requirements, this exception is no longer available.

Valuation Process

The valuation was based on employee census data and benefits provided by the Commission. A summary of the employee data is provided in Section 1 and a summary of the benefits provided under the Plan is provided in Section 2. While individual employee records have been reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on the Commission as to its accuracy. The valuation was also based on the actuarial methods and assumptions described in Section 3.

In developing the projected benefit values and liabilities, we first determine an expected premium or benefit stream over the employee’s future retirement. Benefits may include both direct employer payments (explicit subsidies) and/or an implicit subsidy, arising when retiree premiums are expected to be subsidized by active employee premiums. The projected benefit streams reflect assumed trends



Important Background Information (Continued)

in the cost of those benefits and assumptions as to the expected date(s) when benefits will end. We then apply assumptions regarding:

- The probability that each individual employee will or will not continue in service to receive benefits.
- The probability of when such retirement will occur for each retiree, based on current age, service and employee type; and
- The likelihood that future retirees will or will not elect retiree coverage (and benefits) for themselves and/or their dependents.

We then calculate a present value of these benefits by discounting the value of each future expected benefit payment, multiplied by the assumed expectation that it will be paid, back to the valuation date using the discount rate. These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for many decades.

The resulting present value for each employee is allocated as a level percent of payroll each year over the employee's career using the entry age normal cost method and the amounts for each individual are then summed to get the results for the entire plan. This creates a cost expected to increase each year as payroll increases. Amounts attributed to prior fiscal years form the "Total OPEB Liability". The OPEB cost allocated for active employees in the current year is referred to as "Service Cost".

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets ("Fiduciary Net Position") is applied to offset the "Total OPEB Liability", resulting in the "Net OPEB Liability". If a plan is not being funded, then the Net OPEB Liability is equal to the Total OPEB Liability.

It is important to remember that an actuarial valuation is, by its nature, a projection of one possible future outcome based on many assumptions. To the extent that actual experience is not what we assumed, future results will differ. Some possible sources of future differences may include:

- A significant change in the number of covered or eligible plan members;
- A significant increase or decrease in the future premium rates;
- A change in the subsidy provided by the Agency toward retiree premiums;
- Longer life expectancies of retirees;
- Significant changes in expected retiree healthcare claims by age, relative to healthcare claims for active employees and their dependents;
- Higher or lower returns on plan assets or contribution levels other than were assumed; and/or
- Changes in the discount rate used to value the OPEB liability



Important Background Information

(Continued)

Requirements of GASB 75

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and disclosure of OPEB expense and related liabilities (assets), note disclosures, and, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Important Dates

GASB 75 requires that the information used for financial reporting falls within prescribed timeframes. Actuarial valuations of the total OPEB liability are generally required at least every two years. If a valuation is not performed as of the Measurement Date, then liabilities are required to be based on roll forward procedures from a prior valuation performed no more than 30 months and 1 day prior to the most recent year-end. In addition, the net OPEB liability is required to be measured as of a date no earlier than the end of the prior fiscal year (the "Measurement Date").

Recognition of Plan Changes and Gains and Losses

Under GASB 75, gains and losses related to changes in Total OPEB Liability and Fiduciary Net Position are recognized in OPEB expense systematically over time.

- *Timing of recognition:* Changes in the Total OPEB Liability relating to changes in plan benefits are recognized immediately (fully expensed) in the year in which the change occurs. Gains and Losses are amortized, with the applicable period based on the type of gain or loss. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.
- *Deferred recognition periods:* These periods differ depending on the source of the gain or loss.

Difference between projected
and actual trust earnings:

5 year straight-line recognition

All other amounts:

Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years.



Important Background Information

(Continued)

Implicit Subsidy Plan Contributions

An implicit subsidy liability is created when expected retiree claims exceed the premiums charged for retiree coverage. This typically occurs when the same premium rates are charged for active and retired members prior to coverage under Medicare. In practical terms, when premiums for active employees each year exceed active employee claims, their premiums include an amount expected to be transferred to cover a portion of the retirees' claims not covered by the premiums charged for retiree coverage. This transfer represents the current year's implicit subsidy. GASB 75 allows for recognition of payments to an irrevocable trust *or directly to the insurer* as an employer's contribution. Therefore, each year's implicit subsidy is a contribution toward the payment of retiree benefits.

The following hypothetical example illustrates this treatment:

Hypothetical Illustration of Implicit Subsidy Recognition	For Active Employees	For Retired Employees
<i>Prior to Implicit Subsidy Adjustment</i>		
Premiums Paid by Agency During Fiscal Year	\$ 411,000	\$ 48,000
Accounting Treatment	Compensation Cost for Active	Contribution to Plan & Benefits Paid from
<i>After Implicit Subsidy Adjustment</i>		
Premiums Paid by Agency During Fiscal Year	\$ 411,000	\$ 48,000
Implicit Subsidy Adjustment	(23,000)	23,000
Accounting Cost of Premiums Paid	\$ 388,000	\$ 71,000
Accounting Treatment Impact	Reduces Compensation Cost for Active Employees	Increases Contributions to Plan & Benefits Paid from Plan

In this example, while total contributions paid toward active and retired employee healthcare premiums is the same, by shifting the recognition of the current year's implicit subsidy from actives to retirees, this amount is recognized as an OPEB contribution and at the same time reduces premium expense for active employees.



Important Background Information

(Continued)

Discount Rate

When the financing of OPEB liabilities is on a pay-as-you-go basis, GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When a plan sponsor makes regular, sufficient contributions to a trust in order to prefund the OPEB liabilities, GASB 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an advantage of potentially being able to report overall lower liabilities due to future expected benefits being discounted at a higher rate.

Actuarial Funding Method and Assumptions

The “ultimate real cost” of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These expenditures are dependent only on the terms of the plan and the administrative arrangements adopted, and as such are not affected by the actuarial funding method.

The actuarial funding method attempts to spread recognition of these expected costs on a level basis over the life of the plan, and as such sets the “incidence of cost”. GASB 75 specifically requires that the actuarial present value of projected benefit payments be attributed to periods of employee service using the Entry Age Actuarial Cost Method, with each period’s service cost determined as a level percentage of pay.

The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable.



Addendum 2: MacLeod Watts Age Rating Methodology

Both accounting standards (e.g. GASB 75) and actuarial standards (e.g. ASOP 6) require that expected retiree claims, not just premiums paid, be reflected in most situations where an actuary is calculating retiree healthcare liabilities. Unfortunately the actuary is often required to perform these calculations without any underlying claims information. In most situations, the information is not available, but even when available, the information may not be credible due to the size of the group being considered.

Actuaries have developed methodologies to approximate healthcare claims from the premiums being paid by the plan sponsor. Any methodology requires adopting certain assumptions and using general studies of healthcare costs as substitutes when there is a lack of credible claims information for the specific plan being reviewed.

Premiums paid by sponsors are often uniform for all employee and retiree ages and genders, with a drop in premiums for those participants who are Medicare-eligible. While the total premiums are expected to pay for the total claims for the insured group, on average, the premiums charged would not be sufficient to pay for the claims of older insureds, and would be expected to exceed the expected claims of younger insureds. An age-rating methodology takes the typically uniform premiums paid by plan sponsors and spreads the total premium dollars to each age and gender intended to better approximate what the insurer might be expecting in actual claims costs at each age and gender.

The process of translating premiums into expected claims by age and gender generally follows the steps below.

1. *Obtain or Develop Relative Medical Claims Costs by Age, Gender, or other categories that are deemed significant.* For example, a claims cost curve might show that, if a 50 year old male has \$1 in claims, then on average a 50 year old female has claims of \$1.25, a 30 year male has claims of \$0.40, and an 8 year old female has claims of \$0.20. The claims cost curve provides such relative costs for each age, gender, or any other significant factor the curve might have been developed to reflect. Section 3 provides the source of information used to develop such a curve and shows sample relative claims costs developed for the plan under consideration.
2. *Obtain a census of participants, their chosen medical coverage, and the premium charged for their coverage.* An attempt is made to find the group of participants that the insurer considered in setting the premiums they charge for coverage. That group includes the participant and any covered spouses and children. When information about dependents is unavailable, assumptions must be made about spouse age and the number and age of children represented in the population. These assumptions are provided in Section 3.
3. *Spread the total premium paid by the group to each covered participant or dependent based on expected claims.* The medical claims cost curve is used to spread the total premium dollars paid by the group to each participant reflecting their age, gender, or other relevant category. After this step, the actuary has a schedule of expected claims costs for each age and gender for the current premium year. It is these claims costs that are projected into the future by medical cost inflation assumptions when valuing expected future retiree claims.

The methodology described above is dependent on the data and methodologies used in whatever study might be used to develop claims cost curves for any given plan sponsor. These methodologies and assumptions can be found in the referenced paper cited as a source in the valuation report.



Addendum 3: MacLeod Watts Mortality Projection Methodology

Actuarial standards of practice (e.g., ASOP 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, and ASOP 6, Measuring Retiree Group Benefits Obligations) indicate that the actuary should reflect the effect of mortality improvement (i.e., longer life expectancies in the future), both before and after the measurement date. The development of credible mortality improvement rates requires the analysis of large quantities of data over long periods of time. Because it would be extremely difficult for an individual actuary or firm to acquire and process such extensive amounts of data, actuaries typically rely on large studies published periodically by organizations such as the Society of Actuaries or Social Security Administration.

As noted in a recent actuarial study on mortality improvement, key principles in developing a credible mortality improvement model would include the following:

- (1) Short-term mortality improvement rates should be based on recent experience.
- (2) Long-term mortality improvement rates should be based on expert opinion.
- (3) Short-term mortality improvement rates should blend smoothly into the assumed long-term rates over an appropriate transition period.

The **MacLeod Watts Scale 2017** was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2016 Report, published in October 2016 and (2) the demographic assumptions used in the 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published June 2016.

MacLeod Watts Scale 2017 is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2016 which has two segments – (1) historical improvement rates for the period 1951-2012 and (2) an estimate of future mortality improvement for years 2013-2015 using the Scale MP-2016 methodology but utilizing the assumptions obtained from Scale MP-2015. The MacLeod Watts scale then transitions from the 2015 improvement rate to the Social Security Administration (SSA) Intermediate Scale linearly over the 10 year period 2016-2025. After this transition period, the MacLeod Watts Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2025-2039. The SSA's Intermediate Scale has a final step down in 2040 which is reflected in the MacLeod Watts scale for years 2040 and thereafter. Over the ages 100 to 115, the SSA improvement rate is graded to zero.

Scale MP-2016 can be found at the SOA website and the projection scales used in the 2016 Social Security Administrations Trustees Report at the Social Security Administration website.



Glossary

Actuarial Funding Method – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

Actuarial Present Value of Projected Benefits (APVPB) – The amount presently required to fund all projected plan benefits in the future. This value is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

CalPERS – Many state governments maintain a public employee retirement system; CalPERS is the California program, covering all eligible state government employees as well as other employees of other governments within California who have elected to join the system

Defined Benefit (DB) – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

Defined Contribution (DC) – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member's account are determined and the terms of distribution of the account after separation from employment

Discount Rate - Interest rate used to discount future potential benefit payments to the valuation date. Under GASB 75, if a plan is prefunded, then the discount rate is equal to the expected trust return. If a plan is not prefunded (pay-as-you-go), then the rate of return is based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Expected Average Remaining Service Lifetime (EARSL) – Average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period

Entry Age Actuarial Cost Method – An actuarial funding method where, for each individual, the actuarial present value of benefits is levelly spread over the individual's projected earnings or service from entry age to the last age at which benefits can be paid

Excise Tax – The Affordable Care Act created an excise tax on the value of employer sponsored coverage which exceeds certain thresholds ("Cadillac Plans"). The tax is first effective in 2022.

Explicit Subsidy – The projected dollar value of future retiree healthcare costs expected to be paid directly by the Employer, e.g., the Employer's payment of all or a portion of the monthly retiree premium billed by the insurer for the retiree's coverage

Fiduciary Net Position – The value of trust assets used to offset the Total OPEB Liability to determine the Net OPEB Liability.

Government Accounting Standards Board (GASB) – A private, not-for-profit organization which develops generally accepted accounting principles (GAAP) for U.S. state and local governments; like FASB, it is part of the Financial Accounting Foundation (FAF), which funds each organization and selects the members of each board

Health Care Trend – The assumed rate(s) of increase in future dollar values of premiums or healthcare claims, attributable to increases in the cost of healthcare; contributing factors include medical inflation, frequency or extent of utilization of services and technological developments.



Glossary
(Continued)

Implicit Subsidy – The projected difference between future retiree claims and the premiums to be charged for retiree coverage; this difference results when the claims experience of active and retired employees are pooled together and a ‘blended’ group premium rate is charged for both actives and retirees; a portion of the active employee premiums subsidizes the retiree premiums.

Net OPEB Liability (NOL) – The liability to employees for benefits provided through a defined benefit OPEB. Only assets administered through a trust that meet certain criteria may be used to reduce the Total OPEB Liability.

Net Position – The Impact on Statement of Net Position is the Net OPEB Liability adjusted for deferred resource items

OPEB Expense – The OPEB expense reported in the Agency’s financial statement. OPEB expense is the annual cost of the plan recognized in the financial statements.

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan

Pay-As-You-Go (PAYGO) – Contributions to the plan are made at about the same time and in about the same amount as benefit payments and expenses coming due

PEMHCA – The Public Employees’ Medical and Hospital Care Act, established by the California legislature in 1961, provides community-rated medical benefits to participating public employers. Among its extensive regulations are the requirements that a contracting Agency contribute toward medical insurance premiums for retired annuitants and that a contracting Agency file a resolution, adopted by its governing body, with the CalPERS Board establishing any new contribution.

Plan Assets – The value of cash and investments considered as ‘belonging’ to the plan and permitted to be used to offset the AAL for valuation purposes. To be considered a plan asset, GASB 75 requires (a) contributions to the OPEB plan be irrevocable, (b) OPEB assets to dedicated to providing OPEB benefit to plan members in accordance with the benefit terms of the plan, and (c) plan assets be legally protected from creditors, the OPEB plan administrator and the plan members.

Public Agency Miscellaneous (PAM) – Non-safety public employees.

Select and Ultimate – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

Service Cost – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the actuarial funding method; also called normal cost

Total OPEB Liability (TOL) – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date for current plan members and vested prior plan members; a subset of “Actuarial Present Value”

Vesting – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility





Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

AGENDA REPORT

August 9, 2018

Item No. 11 (Business)

TO: Local Agency Formation Commission

FROM: Jason Fried, Interim Executive Officer

SUBJECT: **CALAFCo Conference**
Appointment of voting delegate and alternate delegate to 2018 CALAFCo conference.

Background

As discussed at the July Marin LAFCo (LAFCo) meeting, California Association of Local Agency Formation Commission (CALAFCo) sponsors a three-day annual conference towards the end of the calendar year. The program is typically theme-based with sessions oriented accordingly with content generally geared towards commissioners and executive staff. The 2018 CALAFCo Annual Conference is set for October 3rd-5th, at the Tenaya Lodge, in Yosemite. At the July meeting, LAFCo made nominations for a CALAFCo award and nominated Commissioner Craig Murray for a seat on the CALAFCo Board of Directors.

One outstanding item for LAFCo to consider is nominating its conference voting delegate and alternate. Each LAFCo is responsible, under CALAFCo bylaws, to appoint one delegate and one alternate delegate to participate in the board elections, and the subsequent business meeting held on the second day of the Annual Conference. The board elections will be conducted by region while the business meeting provides an opportunity for the entire membership to hear from and ask questions regarding CALAFCo organization activities. Voting delegates may be an alternate or staff. Based on previous LAFCo actions since 2007, LAFCo has traditionally chosen the Commission Chair to serve as the voting delegate. The alternate voting delegate has been given to another Commissioner in attendance. In past years, when fewer than two Commissioners are in attendance, the Executive Officer is made the voting delegate or alternate delegate.

At the time of this writing of this staff report Chair McEntee, Vice Chair Murray, and Interim Executive Officer Fried have all indicated they plan to attend.

Staff Recommendation for Action

- 1) Staff recommendation – Appoint the delegate and alternate delegate at tonight’s meeting, and give the Chair the authority to make changes should either delegate not be able to attend. This would be prudent given the amount of time between this meeting and the conference, given that people schedules may change and no other regular scheduled meeting will occur prior to the CALAFCo Conference.
- 2) Alternative option – Take no action today and send no voting delegates to conference.

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Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

AGENDA REPORT

August 9, 2018

Item No. 12 (Business)

TO: Local Agency Formation Commission

FROM: Jason Fried, Interim Executive Officer

SUBJECT: **Banking options for Marin LAFCo**

Marin LAFCo currently uses Wells Fargo to fill some of its banking needs. This is a review of current situation and look to see if changes should be made.

Background

At the August 2016 meeting, Marin LAFCo (LAFCo) approved Wells Fargo as the preferred bank to pay bills. Currently, LAFCo uses Wells Fargo for checking and credit card services. On-boarding staff found system log-in issues when using Wells Fargo online banking. Limitations using the Wells Fargo system include one log in account per person. This ties all Wells Fargo accounts together; personal and business banking. An individual with a personal account with Wells Fargo who works for an employer with a Wells Fargo business account is only allowed one user name to log into all accounts. It would appear (but never tested by staff) that one could potentially transfer money between personal accounts and organizational accounts.

When current staff was setting up log in for Wells Fargo it was done at a local branch where for about 90 minutes attempts were made with Wells Fargo staff, both at the branch and tech support via phone, to figure out if there was a way to separate accounts information. The basic answer is, all log ins are tied to an individual user, and only one log in per individual is offered. Staff informed the Chair, Vice Chair, legal counsel, and bookkeeper of this issue and the fact that current staff has a personal account with Wells Fargo Bank.

The Chair, Vice Chair and staff all agreed to the immediate need to find other banking institutions. Staff reached out to Bank of Marin, First Republic Bank, Redwood Credit Union, and Westamerica banks to ascertain if they have proper insurance to support services for a government agency. In addition, staff did an on-line search of a few other local banking institutions, but did not pursue based on service limitations or branch locations.

Only two of the four researched banks, Bank of Marin and Redwood Credit Union (RCU), have the ability to work with local agencies such as LAFCo. Both institutions provide similar services with similar cost structures that allow separate log in accounts should a user have both a personal and a professional

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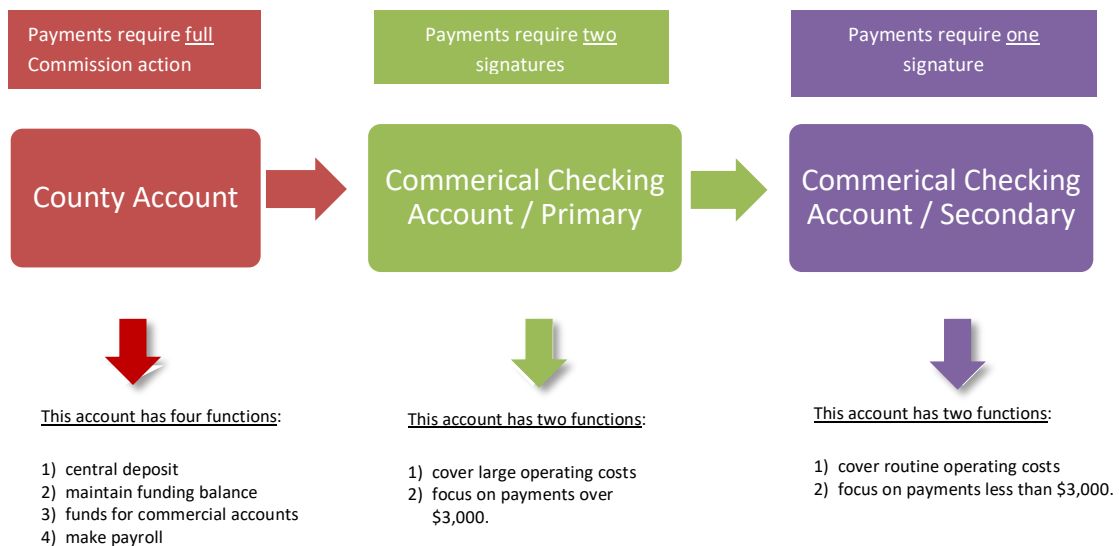
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Chris Skelton, Alternate
Public Member

account. There is one issue with RCU in that while you can have checks with 2 signatures on it, which is current LAFCo policy, RCU does not do 2 signature verification.

Should the Commission decide to change banking services, it will take time to establish the new accounts. During this period staff will continue to pay outstanding bills from Wells Fargo account. Once our new system is established, the Wells Fargo account would remain open for 90 days to allow any outstanding checks to be cashed. At which point the account would be closed with any remaining funds transferred to the new bank account.

Currently our money flow starts with the County of Marin, (shown in red below left,) and money is then transferred to Wells Fargo, (shown in the green section, center.) We then have two different checking accounts with Wells Fargo. The first is our primary account which covers larger operating costs over \$3,000. We use this account to pay off our Wells Fargo credit card (not part of the graphic.) For smaller operating costs, those less than \$3,000, money is transferred to a secondary account for payment (purple section, right).



Staff is not looking to change LAFCo processes in regards to policy and procedures used for these activities. Staff is simply suggesting we change the banking institution as pictured in the green and purple sections, along with the credit card. Staff suggests following the same processes with the new account(s).

Staff Recommendation for Action

- 1) Staff recommendation – Switch banking services to Bank of Marin, following our current policy and procedures established by the Commission. Once the new system is in place, transfer all checks to the new system leaving the Wells Fargo account open for at least 90 days or until all

checks have been cleared. At that point, all accounts with Wells Fargo Bank will be closed. Any remaining balance would be transferred to Bank of Marin. Furthermore, authorize staff to transfer up to \$300,000 from the Marin County account to the new bank account once set-up of new account is complete.

- 2) Alternative option – Make no decision at this time and give further instructions to staff
- 3) Alternative option – Stay with Wells Fargo and file this item.

Attachment:

- 1) None



Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

AGENDA REPORT

August 9, 2018

Item No. 13 (Business)

TO: Local Agency Formation Commission

FROM: Jason Fried, Interim Executive Officer

SUBJECT: **Computer Server options for Marin LAFCo**

Marin LAFCo currently has a computer server that is getting old and uses an outdated version of Windows. This is a review of options available to Marin LAFCo.

Background

Marin LAFCo's (LAFCo) current computer server is a Windows-based system. It relies on an outdated version of Windows which Microsoft no longer updates. Staff looked at four different options for your consideration. Staff worked with Travis Woods with Marin MacTech to work through each option. Some of the work that would need to be done to change to a new server is not covered by our current agreement with Marin MacTech so estimated hours is for any work not included in our current contract.

Server System Options:

1. Update Windows – One option is to simply update the software to a newer version of Windows. This still leaves us with a computer that itself is also several years old, and will likely need to be replaced within a year or two. Staff has determined this as a none viable option. Additional staff time was not calculated in this option.
2. New PC – Currently LAFCo uses what Marin MacTech referred to as an over powered PC server for our needs. If we used this option, they suggest buying a smaller PC server. The hardware would cost about \$6,500 with an additional 30 hours of non-contract work to set-up. Any work beyond set-up would then be covered by our contract with Marin MacTech. Total estimated costs for option 2 is \$11,679.67 (see attachment for full breakdown).
3. New Dedicated Server - Instead of using a regular computer, there are computer systems whose sole purpose is as a server. The cost of the hardware for this system, through Marin MacTech, would be about \$800 with an estimated 8 hours of non-contract work needed for set-up. Any work past the set-up would then be covered by our contract with Marin MacTech. Total estimated costs of \$1,925.37 (see attachment for full breakdown).
4. Cloud-Based Server - Instead of hardware, LAFCo could pay a monthly fee for a cloud-based service provider. While a little more research is needed on the best cloud-based service, we can use for cost comparison purposes "Box", which is different company then "DropBox," since they

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are a well know service that has the type of encryption service LAFCo requires. The monthly fee for a service like “Box” is \$25 for the level of service that best fits our current needs. To set-up this service it would require 5-8 hours of non-contract work. After set-up, some work with this type of system is included with our contract with Marin MacTech but some work may fall outside of that. In some cases Marin MacTech may not be able to perform the work if it is with the cloud server system itself. This system typical cost runs about \$25 a month with a one-time cost of \$ 625 - \$1000. for Marin MacTech to help us set-up and transferring of our system.

As a cost comparison, assuming the cloud server does not increase its monthly service fees, it would take 32-months (about 2 years 8 months) of payments to a cloud provider to cover the costs of having the dedicated server (Option 3) in house. A new server should easily last longer then 32-months and is likely to still be good for 60-months (5 years.)

Staff recommends that an in-house system gives us more stability, and has cost savings in the long run rather than using a monthly cloud-based fee service. Staff is not opposed to using a cloud-based system.

Staff Recommendation for Action

- 1) Staff recommendation – Move forward with option 3, buying a new dedicated server. Authorize staff to purchase through Marin MacTech a new server and services for an estimated amount of \$1,925.37.
- 2) Alternative option – Move forward with option 4 of using a cloud-based server. Work with Marin MacTech to determine the best service that does not exceed \$25 a month and transfer our data to the new server system.
- 3) Alternative option – Take no action at this time and give staff further instructions

Attachment:

- 1) Estimates for new servers from Marin Mac Tech.

926A Diablo Ave, #402
Novato, CA 94947
MarinMacTech.com
(415) 413-0495



Marin LAFCO
1401 Los Gamos Drive Suite 220
San Rafael, CA 94903

Estimate # 19
Estimate Date 07-24-18
Total \$11,679.67

Item	Description	Unit Cost	Quantity	Line Total
Hardware	PowerEdge R230 Rack Server	\$6,478.96	1.0	\$6,478.96
Consulting TW Hourly	Consulting Hourly for Travis Woods	\$155.00	16.0	\$2,480.00
Consulting TW Hourly	Consulting Hourly for Travis Woods	\$155.00	14.0	\$2,170.00

Subtotal \$11,128.96
Tax \$550.71
Estimate Total \$11,679.67

THIS IS AN ESTIMATE

Disclaimer

These are default ticket receipt terms, you can find them at /templates/ticket

Signed: _____

Date: _____



926A Diablo Ave, #402
Novato, CA 94947
MarinMacTech.com
(415) 413-0495



Marin LAFCO
1401 Los Gamos Drive Suite 220
San Rafael, CA 94903

Estimate # 22
Estimate Date 07-25-18
Total \$1,925.37

Item	Description	Unit Cost	Quantity	Line Total
Hardware	Synology DS718+ 2Bay x 4TB NAS/Server	\$774.53	1.0	\$774.53
Consulting TW Retainer	Discounted Support Service Rate	\$125.00	8.0	\$1,000.00

Subtotal \$1,774.53
Tax \$150.84
Estimate Total \$1,925.37

THIS IS AN ESTIMATE

Disclaimer

These are default ticket receipt terms, you can find them at </templates/ticket>

Signed: _____

Date: _____





Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

AGENDA REPORT

August 9, 2018

Executive Officer Report – Section A

TO: Local Agency Formation Commission

FROM: Jason Fried, Interim Executive Officer

SUBJECT: Budget Update for FY 2017-2018 and Year End Projections

The Commission will review a report comparing budgeted and actual transactions for FY 2017-2018 through June 30, 2018. Marin LAFCo, as projected is on pace to finish the fiscal year with an operating net of \$130,896. The report is being presented to the Commission to provide direction as needed.

Background

Marin LAFCo's (LAFCo) adopted a final budget for FY 2017-2018 totaling \$556,781. This amount represents the total approved operating expenditures for the fiscal year divided between three active expense units: salaries and benefits; administrative activities; and services and supplies. A purposeful operating deficit of (\$10,000) was budgeted with setting annual revenues at \$546,781 in step with the phasing of corresponding contribution increases among the funding agencies in recent years. Budgeted revenues are divided between three active units: intergovernmental contributions, service charges, and investments. The Commission's estimated available unaudited fund balance as of June 30, 2018 is \$130,896.

In response to the Commission looking for streamline reports, staff prepared a one-page summary of each bookkeeping line items, comparing actual spent to budgeted spending. It should be noted that based on how LAFCo does its line items and how the County does its reporting on payroll, totals for those sections are more relevant than each sub-line. It is staff's desire that once LAFCo has held its workshop and the chair has made committee assignments, the Budget and Work Plan Committee and our bookkeeper to get our line-items not to have a \$0 balance when money will be spent in that field by better reflecting how items are broken down. Also, staff will work with Budget and Work Plan Committee to make adjustments to FY 18-19 line items between the staff salary section and professional services to account for how current workload is being accomplished.

Attachment:

- 1) FY 2017-2018 Accrual as of 6/30/18

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Marin Local Agency Formation Commission

2017/18

07/31/18

July 2017 through June 2018

Accrual Basis

	Jul '17 - Jun 18	Budget	\$ Over Budget	% of Budget
Income				
4410125 · Interest Earnings	2,095.57	2,000.00	95.57	104.8%
4640333 · Application Fees	17,243.31	30,000.00	-12,756.69	57.5%
4710310 · Oth Canclld Warrnts	0.00	0.00	0.00	0.0%
4710510 · Agency Contributions	514,780.60	514,781.10	-0.50	100.0%
Total Income	534,119.48	546,781.10	-12,661.62	97.7%
Expense				
5111000 · Salary and Benefit Costs				
5110110 · Sal - Regular Staff	99,139.49	265,913.14	-166,773.65	37.3%
5110210 · Salaries - Extra Hire	13,325.97	0.00	13,325.97	100.0%
5110313 · Holiday Pay	2,148.64	0.00	2,148.64	100.0%
5110323 · Sick Leave	1,511.81	0.00	1,511.81	100.0%
5110324 · Vacation Leave	6,302.28	0.00	6,302.28	100.0%
5110328 · Personal Leave	3,145.84	0.00	3,145.84	100.0%
5110330 · Jury Duty	0.00	0.00	0.00	0.0%
5110335 · VacationPayout	21,743.05	0.00	21,743.05	100.0%
Total 5111000 · Salary and Benefit Costs	147,317.08	265,913.14	-118,596.06	55.4%
5130120 · County of Marin - Group Health				
5130110 · Ben-Med-GrpLifelnstur	22.76	0.00	22.76	100.0%
5130210 · Dental Insurance	525.16	0.00	525.16	100.0%
5130310 · Vision Service Plan	58.83	0.00	58.83	100.0%
5130410 · Benefits - Disability Plan	212.45	0.00	212.45	100.0%
5130524 · Benefits - Fringe Retirement	1,165.87	0.00	1,165.87	100.0%
5130640 · Unused Fringe Ben	0.00	0.00	0.00	0.0%
5130120 · County of Marin - Group Health - Other	10,419.25	32,312.65	-21,893.40	32.2%
Total 5130120 · County of Marin - Group Health	12,404.32	32,312.65	-19,908.33	38.4%
5130500 · MCERA / Pension				
5130520 · Co Ret Cont Tier III	5,186.38	0.00	5,186.38	100.0%
5130521 · Co Ret Cont Tier IV	7,352.92	0.00	7,352.92	100.0%
5130500 · MCERA / Pension - Other	0.00	37,561.07	-37,561.07	0.0%
Total 5130500 · MCERA / Pension	12,539.30	37,561.07	-25,021.77	33.4%
5130525 · CalPERS - Retiree Health				
5130530 · Retire Pob - Misc	0.00	0.00	0.00	0.0%
5140115 · Workers Compensation	7,780.98	1,744.21	6,036.77	446.1%
5140140 · Payroll Tax	3,186.97	3,887.46	-700.49	82.0%
5140145 · Unemployment Insurance	172.77	3,605.00	-3,432.23	4.8%
5210110 · Professional Services	54,161.39	30,680.00	23,481.39	176.5%
5210129 · Graphic Design	22,701.51	11,613.00	11,088.51	195.5%
5210131 · Legal Services	9,229.40	35,880.00	-26,650.60	25.7%
5210230 · Support Services	0.00	0.00	0.00	0.0%
5210525 · General Insurance	3,993.39	3,993.39	0.00	100.0%
5210710 · Communications Services	12,115.13	8,236.00	3,879.13	147.1%
5210715 · Com Srvc - Broadband	0.00	0.00	0.00	0.0%
5210935 · Office Equipment Purchases	20,215.83	23,066.00	-2,850.17	87.6%
5211215 · Rent - Storage	387.09	400.94	-13.85	96.5%
5211270 · Office Lease/Rent	31,794.58	31,252.75	541.83	101.7%
5211325 · Conferences	3,424.67	2,965.00	459.67	115.5%
5211330 · Memberships & Dues	26,830.00	14,556.00	12,274.00	184.3%
5211340 · Training	1,350.00	1,250.00	100.00	108.0%
5211440 · Travel - Mileage	773.39	4,538.50	-3,765.11	17.0%
5211510 · Misc Services	972.75	1,961.00	-988.25	49.6%
5211516 · Mapping Services - County	0.00	0.00	0.00	0.0%
5211520 · Publications/Notices	3,025.10	5,000.00	-1,974.90	60.5%
5211533 · Commissioner Per Diems	11,125.00	11,000.00	125.00	101.1%
5220110 · Office Supplies	2,469.08	4,200.00	-1,730.92	58.8%
5220146 · Postage	0.00	0.00	0.00	0.0%
Total Expense	407,673.06	551,231.11	-143,558.05	74.0%
Net Income	126,446.42	-4,450.01	130,896.43	-2,841.5%



Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

AGENDA REPORT

August 9, 2018

Executive Officer Report – Section B

TO: Local Agency Formation Commission

FROM: Jason Fried, Interim Executive Officer

SUBJECT: Progress Report on 2017-2018 Work Plan

The Commission will receive a progress report on accomplishing specific projects established as part of the adopted work plan for 2017-2018. This includes projects completed to date while highlighting the dozen-plus activities substantively underway. The report notes ongoing reductions in staffing levels and related matters have slowed agency efficiencies in addressing certain projects, and most notably, as it relates to scheduled municipal services reviews. The report is being presented to the Commission to provide direction to staff as needed.

Background

Marin LAFCo's (LAFCo) current fiscal year work plan was adopted at a noticed public hearing held on June 8, 2017. The work plan is divided into two distinct categories – statutory and administrative – with one of three priority rankings: high; moderate; or low. The underlying intent of the work plan is to serve as a management tool to allocate LAFCo resources in an accountable and transparent manner over the corresponding 12-month period. Further, while it is a stand-alone document, the work plan should be reviewed in relationship to the adopted operating budget, given the planned goals, and activities facilitated, and/or limited accordingly. The commission has completed the following projects from the plan: commission council appointment; new website design and implementation; contract bookkeeping services; preparing informational report on JPAs; E-Agenda packets; 2016 – 2017 audit; host 2018 CALAFCo staff workshop; and social media policies and protocols.

As previously noted in recent status reports, the ongoing leave of the Commission Clerk, the departure of both the Executive Officer and Administrative Analyst positions and associated administrative matters therein continue to lessen the efficiency of LAFCo. The impacts are most notable with respect to staff proceeding forward with the scheduled municipal services reviews, given the need for staff to redirect focus away from assisting in preparing these documents, in need to address operational and other administrative assignments.

Next month the LAFCo will be holding a workshop to establish its work plan for the remainder of the current fiscal year (2018-2019) and the next fiscal year (2019-2020).

Attachment:

- 1) 2017-2018 Work Plan with Notations

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Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

2017-2018 Work Plan

Introduction:

Local Agency Formation Commissions (LAFCOs) operate under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (“CKH”) and are delegated broad regulatory and planning responsibilities by the Legislature to oversee the formation and subsequent development of local government agencies and their municipal service areas. Common regulatory functions include approving boundary change and outside service requests. Common planning functions include preparing studies to independently evaluate the availability, performance, and need for urban services and establishing spheres of influence – which are the Legislature’s version of urban growth boundaries and gatekeepers to future boundary changes – for all cities and special districts. All regulatory and planning activities undertaken by LAFCOs may be conditioned and must be consistent with administrative policies and procedures.

Objective:

This document represents Marin LAFCO’s (“Commission”) formal 2017-2018 Work Plan. The Workplan draws on the Commission’s existing strategic plan and other germane and time-demanding projects identified by the Executive Officer and vetted with the Budget Committee (McEntee, Murray, and Rodoni) in the course of developing an operating budget for the fiscal year. The Workplan is divided into two distinct categories – statutory and administrative – with one of three priority rankings: high, moderate, or low. The underlying intent of the Workplan is to serve as a management tool to allocate Commission resources in an accountable and transparent manner over the 12 month period. Further, while it is a stand-alone document, the Workplan should be reviewed in relationship to the adopted operating budget given the planned goals and activities are facilitated and or limited accordingly.

Executive Summary:

The 2017-2018 Workplan continues to guide the Commission to prioritize resources in addressing statutory duties and responsibilities. Most notably this includes two comprehensive municipal service reviews involving the San Rafael/Lucas Valley and Novato regions. Commission initiated reorganizations involving Murray Park and San Quentin Village Sewer Maintenance Districts are also scheduled. Notable new administrative projects include filling staff positions, performing policy updates, and establishing long-term bookkeeping and payroll protocols instep with the Commission’s recent transition to a stand-alone accounting system. A limited number of projects have also been identified as low priorities with the policy intention therein for the Commission to address – such as updating the application packet and establishing social media polices and protocols – as resources allow.

Priority	Urgency	Type	Status	Project	Key Issues	Status
1	High	Statutory	New	Commission Counsel Appointment	Statutory Need for Commission to Appoint Counsel RFP Process	C
2	High	Statutory	Rollover	New Website Design and Implementation	Required to Maintain Website; Serves as Main Communicative Tool Focus on Branding	C
3	High	Administrative	New	Contract Bookkeeping Services	Need Long-Term Bookkeeping Solution in Step with New Finance System	C
4	High	Statutory	Rollover	General MSR on San Rafael/Lucas Valley Region	First MSR for Region since 2005 Community Outreach in Islands	U
5	High	Statutory	Rollover	General MSR on Novato Region	First MSR for Region since 2002 Community Outreach and UGB Compatibility	U
6	High	Statutory	New	Policy Review: Personnel Procedures	Existing Policies Tie LAFCO to County; Need to Scaledown	U
7	High	Administrative	New	MPSMD and SQVSMD Reorganization	Discretionary; Consistent with Recommendation of Central Marin Wastewater Study	U
8	High	Administrative	New	Recruit and Hire New Staff Member	Fill and/or Supplement Commission Clerk Position	C
9	High	Statutory	New	Sphere Updates for Central Marin WW Agencies	First SOI Updates for Most Agencies Since 2005 RVSD; CMSD; SRSD; and LGVSD	U
10	High	Administrative	New	Evaluate Pension Contract with CalPERS	Explore Cost-Savings Opportunity; Potential Synch with OPEB Relationship	P
11	Moderate	Administrative	New	Prepare Informational Report on JPAs	Post Enactment of SB 1266; Enhance Repository on Local Governmental Services	C
12	Moderate	Administrative	New	Policy Review: Dual Annexation Policy	Follows San Rafael and Novato Region MSRs; Define Substantially Surrounded	P
13	Moderate	Administrative	New	Establish Contract Payroll Services	County Desiring Separation with Outside Users; Address Benefits and Holdings	U
14	Moderate	Administrative	New	2016-2017 Audit	Best Practice First Audit of QuickBooks System	C
15	Moderate	Administrative	New	E-Agenda Packets	Simplify Agenda Packet Production through E-Tablets Purchase and Training	C
16	Moderate	Administrative	New	Host 2018 CALAFCO Staff Workshop	April 2018 Expected 120 Plus Attendees	C
17	Moderate	Administrative	New	Memorialize Employer Benefit Contracts	Potential MOU with County or Other to Memorialize Benefit Services	P
18	Moderate	Administrative	New	Evaluate Contract Human Resource Services	Reconcile Government Agency with Scale	P
19	Low	Statutory	Rollover	Mutual Water Companies	AB 54 Implementation; Onus on Mutual to Cooperate	P
20	Low	Statutory	Rollover	Disadvantaged Unincorporated Communities	SB 244 Implementation; Coordinate with CALAFCO	P
21	Low	Administrative	Rollover	Update Application Packet	Current Application Dated; Need to Address New Requirements; Make User Friendly	P
22	Low	Administrative	Rollover	Social Media Policies and Protocols	Expand Outreach to Capture Alternate Media Forums	C
23	Low	Administrative	Rollover	Local Agency Directory	Current Directory Out of Date and Limited to Browser Opportunity to Show Value	P
24	Low	Administrative	New	Review GIS Needs and Options	Existing Benefit of MarinMap Relative to Cost Merits Review; Address Data Limitations	P
25	Low	Administrative	Rollover	Special District Selection Committee	Assist in Re-establishing Special Selection Committee in Marin County	P

Status Notations:

C: Completed

U: Underway

P: Pending



Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

AGENDA REPORT

August 9, 2018

Executive Officer Report – Section C

TO: Local Agency Formation Commission

FROM: Jason Fried, Interim Executive Officer

SUBJECT: Current and Pending Proposals

The Commission will receive a report identifying active proposals on file with Marin LAFCo as required under statute. The report also identifies pending local agency proposals to help telegraph future workload.

Background

As part of staff streamline and reorganization process, staff has created a chart that has each proposal with details on each item. The staff memo will highlight any changes that have happened in any proposals since the last meeting. The Commission is invited to discuss the item and provide direction to staff on any related matter as needed for future discussion and or action.

Current Proposals -Approved and Awaiting Term Completions

Proposals previously approved by Marin LAFCO (LAFCo) but remains active given not all approval terms established by the membership have been met. CKH provides applicants one calendar year to complete approval terms or receive extension approvals before the proposals are automatically terminated.

Since the last meeting 2 files have completed all terms and sent to the Board of Equalization. These are file # 1322 (Annexation of 700 and 726 Sequoia Valley Road - Homestead Valley Sanitary District) and file #1336 (Reorganization of Summit Drive – County Sanitary District #2 and Ross Valley Sanitary Districts).

In addition, earlier in this meeting LAFCo had an agenda item to give a year extension to file # 1337 (Reorganization of Mesa Road - Bolinas Community Public Utility District). Should this be granted staff will update the worksheet.

Current Proposals – Under Review and Awaiting Hearing

No updates

Pending Proposals

No updates

Attachment:

- 1) Chart of Current and Pending Proposals

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Current and Pending Proposals

LAFCo File #	Status	Proposal	Description	Government agency	Latest Update
1337	Approved by Commission and Awaiting Terms Completion	Reorganization of Mesa Road	Landowner (Brad Drury) requesting annexation approval of 276 Mesa Road (188-170-54) in the unincorporated coastal community of Bolinas to the Bolinas Community Public Utility District. The affected territory is approximately 20.6 acres in size and is currently undeveloped. The stated purpose of the proposal is to provide water service to the affected territory in order for the development of a single-family residence. The Commission approved the proposal with amendments to include the entire public right-of-way extending to 276 Mesa Road on October 12, 2017 with additional terms. Terms remain outstanding as of date and therefore the proposal remains active.	Bolinas Community Public Utility District	On August Agenda to get one year extension
1324	Approved by Commission and Awaiting Terms Completion	Annexation of 1501 Lucas Valley Road	Landowner (Andre Souang) requesting approval to annex approximately 61.3 acres of unincorporated/improved territory (164-280-35) located at 1501 Lucas Valley Road to Marin Municipal Water District (MMWD). The applicant requested annexation to MMWD to provide a reliable source of domestic water service given concerns regarding the continued use of an onsite well. The Commission approved the proposal without amendments and additional terms at its December 14, 2017 meeting. Terms remain outstanding as of date and therefore the proposal remains active.	Marin Municipal Water District	Terms remain outstanding
1322	Completed	Annexation of 700 and 726 Sequoia Valley Road	Filed by the Homestead Valley Sanitary District requesting approval to annex approximately 1.1 acres of unincorporated territory. The stated purpose of the proposal is to align HVSD's existing jurisdictional boundary with its existing service area given the affected territory and its two developed residential parcels at 700 (046-231-07) and 726 (046-301-01) Sequoia Valley Road connected to the District through non-conforming connections in the early 1990s. The Commission approved the proposal with amendments to include adjacent portions of the public right-of-way along Sequoia Valley Road and Panoramic Highway on June 9, 2016 with standard terms. Terms remain outstanding as of date and therefore the proposal remains active. The Commission separately approved a one-year extension to complete the terms in June 2017.	Homestead Valley Sanitary District	Filed and received back from County Recorder Certificate of Completion; Sent Statement of Boundary Change Filing to Board of Equalization; put into completed files

Current and Pending Proposals

LAFCo File #	Status	Proposal	Description	Government agency	Latest Update
1328	Under Review and Awaiting Hearing	Annexation of 255 Margarita Drive	Landowner (Paul Thompson) requesting annexation approval of 255 Margarita Drive (016-011-29) in the unincorporated island community of Country Club to the San Rafael Sanitation District. The affected territory is approximately 1.1 acres in size and currently developed with a single-family residence. It has also recently established service with the San Rafael Sanitation District as part of a LAFCO approved outside service extension due to evidence of a failing septic system. The outside service extension was conditioned – among other items – on the applicant applying to LAFCO to annex the affected territory to the San Rafael Sanitation District as a permanent means to public wastewater service. The application remains incomplete at this time and awaits consent determination by SRSD.	San Rafael Sanitation District	Waiting for consent determination by SRSD.
1336	Completed	Reorganization of 238 Summit Drive et al	This proposal was filed by Sanitary District No. 2 (Corte Madera) requesting approval to annex four incorporated parcels in the Town of Corte Madera totaling 4.5 acres to Sanitary District No. 2 and Ross Valley Sanitary District. The proposal's purpose is to formalize and rationalize current public wastewater services provided in the affected territory through earlier actions outside of Marin LAFCO. The Commission approved the proposal with amendments to include an adjacent public right-of-way along Summit Drive on June 8, 2017 with standard terms. Terms remain outstanding as of date and therefore the proposal remains active.	Corte Madera Sanitary District and Ross Valley Sanitary District	Prior to sending do to Board of Equalization (BOE) staff noticed issue with requirements of BOE; Worked with districts to address problem and sent Statement of Boundary Change Filing to BOE; put into completed files.

Current and Pending Proposals

LAFCo File #	Status	Proposal	Description	Government agency	Latest Update
	Pending	Police Power Activation	The Muir Beach Community Services District – which presently provides water, fire, and recreation services – has conveyed interest on a potential proposal to activate the District’s latent police powers. This interest is borne from the District’s desire to establish and maintain more effective traffic / parking control either directly or by contract with an existing law enforcement agency. The interest – which has been effectuated in areas like Pebble Beach (Monterey County) – responds to an increasing problem with visitors to Muir Beach where illegal / haphazard parking has become a public nuisance to community residents.	Muir Beach Community Services District	
	Pending	Conditions, Covenants and Restrictions Service Power Activation	The Bel Marin Community Services District, which presently provides park and recreation, reclamation and lighting services, received special legislation through Assembly Bill 1995 (Levine) to add enforcement of conditions, covenants and restrictions (CCRs) as a latent power under its principal act. The special legislation became effective January 1, 2015 with the intent the District will proceed to apply for formal activation approval with Marin LAFCO as part of an agreement with the local home owner associations.	Bel Marin Community Services District	
	Pending	Boundary Adjustment	The County Service Area No. 29, which provides dredging for properties located within the District, has conveyed interest on a potential proposal to detach at least six parcels that do not benefit from the municipal service and the addition of one parcel that is currently outside of CSA 29’s jurisdictional boundary and does benefit from the dredging. The proposal would essentially match public services to the appropriate service area.	County Service Area No. 29 - Paradise Cay	