



September 20, 2017

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

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

**Subject: Central Marin Sanitation Agency's Response to the May 17, 2017, Marin County Civil Grand Jury Report – Marin's Retirement Health Care Benefits: *The Money Isn't There***

Dear Honorable Judge Simmons and Foreperson Brown,

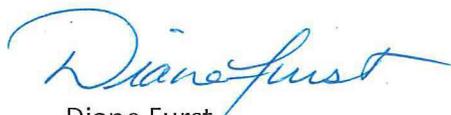
Central Marin Sanitation Agency's (CMSA) Board of Commissioners appreciates the Grand Jury's report on Marin's Retirement Health Care Benefits that presents several OPEB cost containment strategies for local agencies to reduce unfunded future OPEB liabilities.

CMSA successfully negotiated and initiated two significant OPEB cost containment measures during labor relations negotiations in 2010. First, employees hired after July 1, 2010 receive a defined contribution of 1.5% of their annual compensation for eligible retiree medical expenses, instead of a defined lifetime benefit. Second, the Board authorized establishment of a CalPERS retiree medical trust fund, called the California Employers Retirement Benefit Trust (CERBT). In the Agency's January 1, 2015 GASB 45 actuarial report, the future projected cost of all retiree medical benefits is \$4.512 million. Since 2010, the Agency has been funding the CERBT at the GASB 45 annual required contribution (ARC) level each year, and as of June 30, 2017, that fund has \$2,274,471 in assets. With that amount, CMSA's future retiree medical benefit expenses are approximately 50.4% funded.

CMSA's Board reviewed and discussed the Retirement Health Care Benefits Report at their June 13 Board meeting. At that meeting, the Board tasked its recently formed ad hoc grand jury response committee to work with staff to prepare draft responses to the Report's eight recommendations. On September 12, the CMSA Board reviewed and approved the Agency's responses, and directed us to submit them.

CMSA appreciates former Foreperson Jay Hamilton Roth granting our submittal extension request to September 30. If you would like to discuss the Agency's responses and our implementation schedule, please contact General Manager Jason Dow at 415-459-1455, extension 145, or at [jdow@cmsa.us](mailto:jdow@cmsa.us).

Sincerely,



Diane Furst  
CMSA Board Chair



Jason Dow  
General Manager

Attachments

## RESPONSE TO GRAND JURY REPORT

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

Report Date: **May 17, 2017**

Response Date: **Aug 17, 2017**

Agency Name: Central Marin Sanitation Agency

Agenda Date: September 12, 2017

Response by: Jason Dow

Title: General Manager

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

Date: 9/18/2017

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

Number of pages attached 3



**2016/2017 MARIN COUNTY CIVIL GRAND JURY**  
**Marin's Retirement Health Care Benefits: *The Money Still Isn't There***

Report Date – May 10, 2017  
Public Release Date – May 17, 2017  
CMSA Response Date – September 22, 2017

**CMSA'S RESPONSES TO RECOMMENDATIONS**

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

*Will be Implemented in the Future: Beginning in 2010, CMSA has made contributions into a special trust established by CalPERS, called the California Employers Retiree Benefit Trust (CERBT). CMSA's contributions to the CERBT are equivalent to the net Annual Required Contribution (ARC) as determined in the Agency's GASB 45 Valuation Reports.*

*CMSA does not have a policy to fund the ARC; however, its funding has been integrated into the Agency's annual budget since 2010, which is approved by the Board of Commissioners. By the end of calendar year 2017, the CMSA Board will either adopt an OPEB funding policy or amend an existing financial policy to state that the annual ARC will be fully funded.*

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

*Will be Implemented in the Future: CMSA's practice has been to fully fund the GASB 45 ARC, and as of June 30, 2017, the CMSA CERBT account balance was \$2,274,471. With that amount, CMSA's future retiree medical benefit expenses are approximately 50.4% funded.*

*After the OPEB funding policy is adopted by the CMSA Board of Commissioners, staff will ensure the GASB 75 Annual Dedicated Contribution (ADC) amount will be incorporated into the Agency's budget each fiscal year.*

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

*Will be Implemented in the Future: In early 2018, CMSA's actuary will prepare the Agency's biannual GASB 75 Valuation Report. That report will estimate the necessary annual CERBT contribution needed to fully fund future OPEB benefit payments, and that annual contribution will be incorporated into future Agency budget documents and its 10-year financial forecast.*

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

*Implemented: CMSA doesn't use special reserves to pre-fund its OPEB liabilities, and has funded the CalPERS CERBT since 2010.*

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

*Will be Implemented in Future: CMSA is a Joint Powers Agency (JPA), and has six Board members who are appointed by its four JPA member agencies. In the near future, CMSA will engage its JPA members to determine if they intend to provide a financial class to their respective Boards in response to this recommendation.*

*After the 2018 GASB 75 Valuation Report is prepared, the Agency's actuary will present the report findings to the Board and will incorporate OPEB and pension financial training elements into the presentation.*

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

*Implemented: CMSA believes its GASB 45 Valuation Reports are prepared and presented in a manner to be very readable and understandable by the general public. CMSA prepares a Comprehensive Annual Financial Report (CAFR) that is designed to meet criteria established by the Government Finance Officers Association (GFOA). The CAFR contains the Agency's audited financial statements, is comprehensive in content, and is readily understandable to stakeholders in public finance and the wastewater utility industry. For other Agency stakeholders and the general public, CMSA produces a Popular Annual Financial Report (PAFR) that includes information extracted from the CAFR, is presented in a summarized, easy to read format, and highlights key Agency and financial information.*

*The Agency submits its CAFR and PAFR to the GFOA for independent review, to determine if those financial reports go beyond the minimum requirements of generally accepted accounting principles, and evidence the spirit of transparency and full disclosure. GFOA has recognized the Agency for meeting its high standards by awarding CMSA's CAFR the GFOA Certificate of Achievement for Excellence in Financial Reporting for the past fourteen consecutive years, and the Award for Outstanding Achievement in Popular Annual Financial Reporting for the PAFR for the past six consecutive years.*

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

*Implemented: CMSA believes the presentations of its annual audit, budget, CAFR, and PAFR are understandable. These presentations are given at regularly scheduled Board of Commissioner meetings – 7pm on the second Tuesday of the month. Additionally, the meeting proceedings are available on the Agency’s website in audio and video formats.*

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

*Will be Implemented in the Future (Partially Implemented): CMSA’s website has the current GASB 45 Valuation Report on its homepage, and the last ten consecutive years CAFRs/Audits on the Financial Information page. In the near future, CMSA will add the current and prior two GASB 45 Valuation Reports to the Financial Information page.*

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

*Will be Implemented in the Future: CMSA implemented two OPEB cost containment measures in 2010. First, during labor relations negotiations with the Agency’s represented and unrepresented employee groups, was the establishment of a defined contribution retiree medical benefit for employees hired after July 1, 2010, and the second was participation in the CERBT. Both measures have reduced the Agency’s future OPEB liabilities.*

*Prior to the labor relations negotiations scheduled for 2020, the CMSA Board will consider additional OPEB cost containment measures.*

