



DISTRICT BOARD

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Mark R. Williams,
General Manager
Michael Cortez,
District Engineer
Mel Liebmann,
Plant Manager
Susan McGuire,
Administrative Services Manager
Greg Pease,
Collection System/Safety Manager

July 17, 2017

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

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

Re: Las Gallinas Valley Sanitary District Response to the Marin County Civil Grand Jury Report: *The Budget Squeeze: How will Marin Fund its Public Employee Pensions?*

Dear Honorable Kelly and Mr. Hamilton Roth,

The Las Gallinas Valley Sanitary District's (District) response to the Marin County Civil Grand Jury Report: *The Budget Squeeze: How will Marin Fund its Public Employee Pensions?* is enclosed.

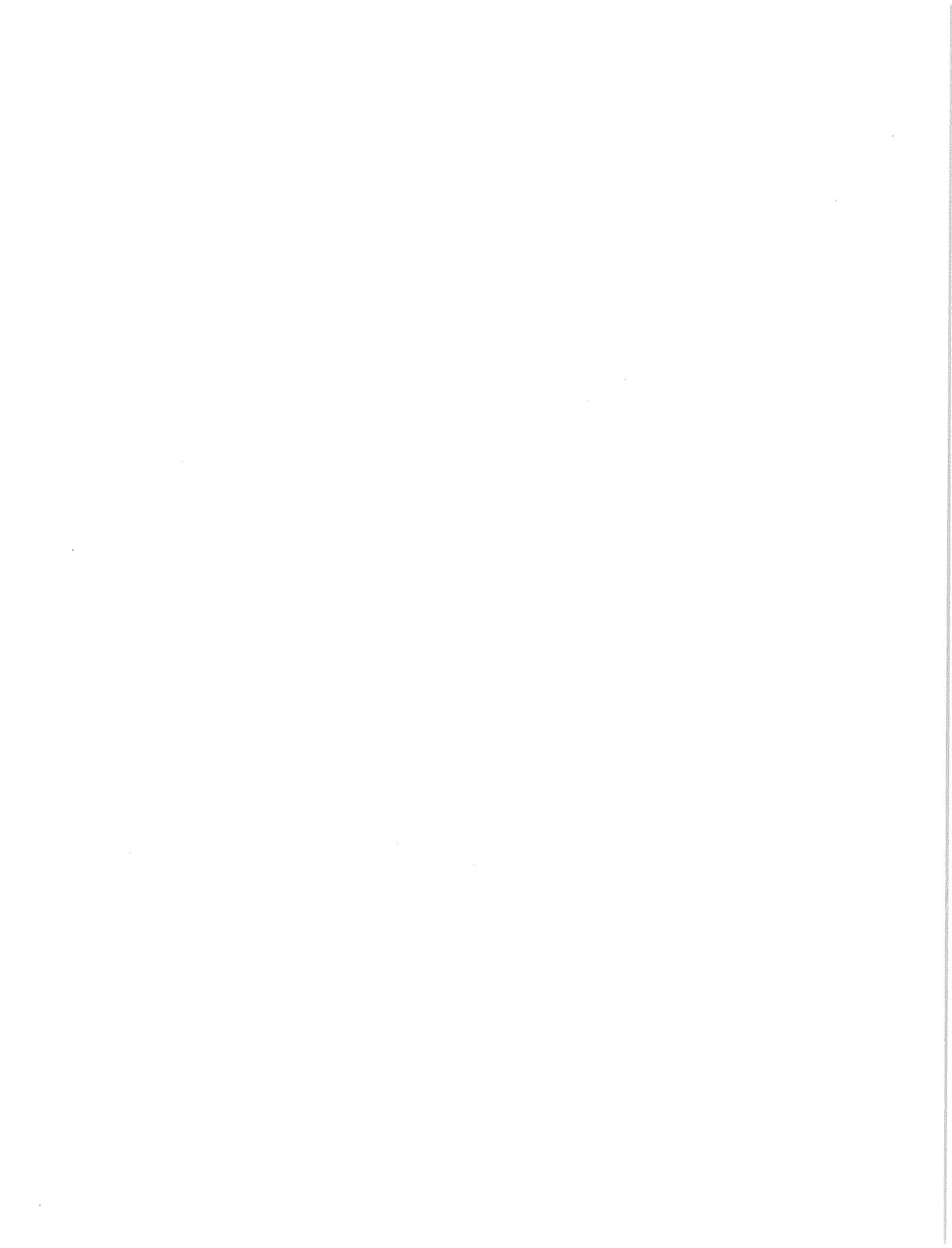
Sincerely,

Mark R. Williams
General Manager

Enclosure

Cc: Russ Greenfield, Board President
LGVSD Board members
Dave Byers, District Counsel

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Las Gallinas Valley Sanitary District response to the recommendations of the Marin County Civil Grand Jury Report *The Budget Squeeze: How will Marin Fund its Public Employee Pensions?* issued on June 5, 2017.

R3. Agencies should publish long-term budgets (i.e., covering at least five years), update them at least every other year and report what percent of total revenue they anticipate spending on pension contributions.

LGVSD adopted a five year rate plan in 2015 for fiscal years 2016-2020 which includes maximum rates that can be charged by the District. While the rate plan does not include a separate line item for pension funding it does have a projection for the operations expense portion of the rate per sanitary sewer unit. The District adopts an annual budget which includes the projected pension contribution amount for that year based on available information supplied by CalPERS.

In addition, CalPERS has adopted a plan to reduce the discount rate over the next three years which is expected to increase the normal cost and unfunded actuarial liabilities. Unfortunately, CalPERS has not provided long-term i.e. more than one year projections of how these changes will impact employer rates other than general amounts. CalPERS has also adopted other policies to slowly reduce the discount rate in future years based on investment asset return amounts that exceed the projected discount rate. These additional proposals, while working towards a more sustainable funding mechanism, introduce even more volatility into projecting future rates. Both of these actions make it difficult for agencies that participate in pooled plans to determine the impact without hiring an outside consultant to prepare long-term projections.

R4. Each agency should provide 10 years of audited financial statements and summary pension data for the same period (or links to them) on the financial page of its public website.

LGVSD currently has nine years of audited financial statements on its website which contain disclosures regarding pension funding and guidance on how to obtain full pension data from CalPERS. The 10th year will be added once the June 30, 2017 statements are prepared in the early fall.

R8. Public agencies and public employee unions should begin to explore how introduction of defined contribution programs can reduce unfunded liabilities for public pensions.

Las Gallinas Valley Sanitary District response to the recommendations of the Marin County Civil Grand Jury Report *Marin's Retirement Health Care Benefits: The Money Still Isn't There* issued on May 17, 2017.

The Grand Jury in the findings of their own report stated that public agencies like LGVSD, which are members of CalPERS; do not have the ability to create a new defined contribution or hybrid type plans without incurring significant immediate liabilities for a frozen or terminating plan. Without state wide legislative action to allow the creation of new defined contribution or hybrid plans, it would futile to discuss these options with public employee unions. In addition, without state wide provision of such plans, LGVSD would be at a significant disadvantage in recruiting future staff if it is competing with other agencies which continue to offer traditional defined benefit pension plans while it has a defined contribution or hybrid plan. After the passage of PEPRRA, all agencies were on equal footing in recruiting new employees since they were required to offer a similar level of benefits.