

MARINWOOD COMMUNITY SERVICES DISTRICT

775 Miller Creek Road, San Rafael, CA 94903-1323

Phone: (415) 479-7751 - Fax: (415) 479-7759

July 12, 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: Marinwood CSD Grand Jury Report Response

Dear Judge Simmons and Foreperson Hamilton-Roth,

Please find the included response from Marinwood Community Services District Board of Directors to the recent Grand Jury report "*The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?*"

The included response was discussed and approved by the Marinwood Community Services District Board of Directors during open session at their regular meeting conducted July 11, 2017.

Sincerely,



Eric Dreikosen
District Manager
Marinwood Community Services District

RESPONSE TO GRAND JURY REPORT FORM

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

Report Date: May 25, 2017

Response by: Eric Dreikosen, District Manager, on behalf of the Board of Directors

By: Marinwood Community Services District

RECOMMENDATIONS

- Recommendations numbered R3, R4, R8 will not be implemented because they are not warranted or are not reasonable.

Date: 7/12/17

Signed: 

Number of pages attached: 2

Marinwood Community Services District
Response to Grand Jury Report:
“The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?”
Discussed and Approved in Open Session on: July 11, 2017

Link to Report: <https://www.marincounty.org/~media/files/departments/gj/reports-responses/2016/the-budget-squeeze.pdf?la=en>

The Marinwood Community Services District Board of Directors and management would like to thank the members of the Grand Jury for the attention given to the important issues and concerns facing Marin’s public agencies and resident taxpayers through their research and associated report “The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?” Our Board of Directors and staff have spent copious amounts of time in the past 18 months researching this topic, its impact on our District finances and engaging the Public via a regularly scheduled agenda topic appearing on nearly every monthly board agenda from January 2016 – January 2017.

In regards to this report, the District respectfully questions the methodology of the Grand Jury in which Marinwood Community Services District was categorized as a “Utility District” within the Special District classifications and comparisons? We realize Marinwood CSD to be somewhat unique amongst the Special Districts studied and referenced in the report in that our subject matter jurisdiction consists of multiple public services: Fire Protection and Emergency Services; Park Maintenance Services; Recreation Program Services; Street Lighting. However, of the twenty (20) FTE positions currently maintained at Marinwood qualifying for benefits, including pension benefits, over half (11 or 55%) are dedicated to Fire Protection and staffed by personnel in the “safety” pension classification. The remaining positions are dedicated to park maintenance (3), recreation (4) and administration (2), all falling within the “miscellaneous” pension classification. No District positions are dedicated to street lighting as all care and maintenance of this function is outsourced to a third-party company.

While we further realize Marinwood’s classification within your report does not alter the data presented, it does alter the comparability with the other agencies we are being presented amongst. Given the majority of our FTE personnel fall within the “safety” classification, the data presented for Marinwood should also be viewed through the lens of the statements made within your report: *“The primary reason that safety agencies have high pension expenses relative to other agencies is that they are inherently labor intensive, with some of the most highly compensated public employees with the highest pension benefits (in terms of percentage of compensation for each year of service) and the earliest retirement ages. ...the bulk of revenues are spent on employee compensation and benefits.”*

This statement applies to Marinwood CSD as well. While safety personnel account for 55% of the District’s workforce, safety personnel also account for approximately 80% of the District’s annual pension expenditures and over 80% of the Total Net Pension Liability. Given this, the District feels a more appropriate comparison of our agency should be made with those special districts included in your report and classified as “Safety District” as opposed to those included and classified as “Utility District.”

Finally, the District would like to note the data presented in your report for our agency in Appendix F for FY 2016 (Pg. 49) is not accurate. The *Pension Contribution* listed of \$321,909 represents employer contributions made solely for our Safety personnel. It does not include additional contributions of \$83,561 made for Miscellaneous personnel. As such, the total Pension Contribution should state \$405,470 with *Pension Contribution as % of Revenue* percentage of 6.9%. These figures can be verified in the District’s FY 2016 Audited Financial Statements, Note 6, Defined Benefit Pension Plan (Pg. 23).

Marinwood Community Services District
Response to Grand Jury Report:
“The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?”

Recommendations That Will Not Be Implemented:

- 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.**

While the District agrees this to be a worthy recommendation, the District does not have resources at this time to create detailed five-year budgets. Draft annual budgets are presented at multiple public meetings leading up to final adoption. The draft budgets are presented showing all expenditure and revenue account lines, allocations by department and District total, including anticipated pension contributions. Each presentation allows for public questions and comments in addition to scrutiny of the Board of Directors.

However, as referenced in the opening paragraph, our Board and staff recently completed a thorough analysis of the District’s current pension impact on District finances. This was a regular public agenda topic and often included projections based on past pension fund investment performance, projected future performance as well as changes in the discount rate. These materials were included as part of the public board meeting packet and remain easily accessible on the agency website.

To further these efforts and instead of creating detailed five-year budgets, Board and staff will explore the feasibility of creating a high level five-year forecast of projected revenues and the expected or forecasted annual pension obligations for the same period while illustrating the percentage of anticipated pension obligations to anticipated revenue. This model can then be updated annually as additional information and forecasts become available.

- 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.**

The District currently provides audited financial statements dating back to FY 2011/2012 through FY 2015/2016 on its website. As future audited financials are completed, these too will be posted to the website. Within the FY 2015/2016 audited financials, pension calculation data for the recently enacted GASB Statement 68 can also be found. The District also posts the most recent pension plan valuation statements provided by CalPERS on our website. Furthermore, records from years prior to those posted on our website can be obtained by the public through a request for public records.

The District would like to respectfully note to the Grand Jury that this recommendation is inconsistent with other recent Grand Jury report recommendations pertaining to web transparency (March, 2016) and OPEB liabilities (May, 2017) in which the Grand Jury recommended posting audited financial documents for the prior three (3) and then five (5) years, respectively.

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

As a member of the California Public Employee Retirement System (CalPERS), the District agrees with the statements and conclusions contained in your report regarding obstacles to transitioning from a defined benefit plan to a defined contribution plan. As stated, CalPERS member agencies such as Marinwood, “...that wishes to take better control of its financial position, this would be a counter-productive endeavor.”