



NOVATO UNIFIED SCHOOL DISTRICT

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Jim Hogeboom
Superintendent

August 22, 2017

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

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

Dear Judge Simmons and Mr. Hamilton-Roth:

Attached please find the response requested by the 2016-2017 Marin County Civil Grand Jury from the Novato Unified School District Board to the recommendations (R3, R4, R8) from the report "The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?" The responses were approved by the Board of Trustees on August 22, 2017.

Thank you for your continued interest in and support of our public schools.

Sincerely,

A handwritten signature in cursive script that reads "Jim Hogeboom".

Jim Hogeboom, Superintendent - NUSD

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that this is crucial for ensuring transparency and accountability in the organization's operations.

2. The second part of the document outlines the various methods and tools used to collect and analyze data. It highlights the need for consistent and reliable data collection processes to support informed decision-making.

3. The third part of the document focuses on the role of technology in data management and analysis. It discusses how modern software solutions can streamline data collection, storage, and reporting, thereby improving efficiency and accuracy.

4. The fourth part of the document addresses the challenges associated with data management, such as data quality, security, and privacy. It provides strategies to mitigate these risks and ensure that data is used responsibly and ethically.

5. The fifth part of the document concludes by summarizing the key findings and recommendations. It stresses the importance of ongoing monitoring and evaluation to ensure that data management practices remain effective and aligned with the organization's goals.

6. The sixth part of the document provides a detailed overview of the data collection process, including the identification of data sources, the design of data collection instruments, and the implementation of data collection procedures.

7. The seventh part of the document discusses the various methods used for data analysis, such as descriptive statistics, inferential statistics, and qualitative analysis. It explains how these methods are used to interpret the data and draw meaningful conclusions.

8. The eighth part of the document focuses on the presentation and communication of data. It discusses the importance of using clear and concise visualizations, such as charts and graphs, to effectively convey the results of the data analysis.

9. The ninth part of the document provides a final summary and concludes the report. It reiterates the key findings and offers final recommendations for future data management and analysis efforts.

Novato Unified School District Responses
to the 2016-17 Marin County Civil Grand Jury Report
The Budget Squeeze - How Will Marin Fund its Public Employee Pensions

RECOMMENDATION

- 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.

Response:

The recommendation has not yet been implemented.

The State of California requires all school districts submit multiyear financial projections with the periodic Standardized Account Code System (SACS) Financial Reports. The projections are prepared for the current and subsequent two fiscal years and, along with the rest of the report, are approved by the governing board of the school district three times per year.

The district will also prepare multiyear financial projections that extend the above projection timeframe an additional two years, for a total of five years, beginning for the 2018-19 fiscal year.

In addition, we address the impact of the pension system rate increases in narratives that accompany our budget reports to the governing board of the school district. We present information regarding projected rates of each pension system, the payrolls to which they apply, the total pension contribution for the fiscal year and the overall cost of pension contributions as a percentage of budgeted salary.

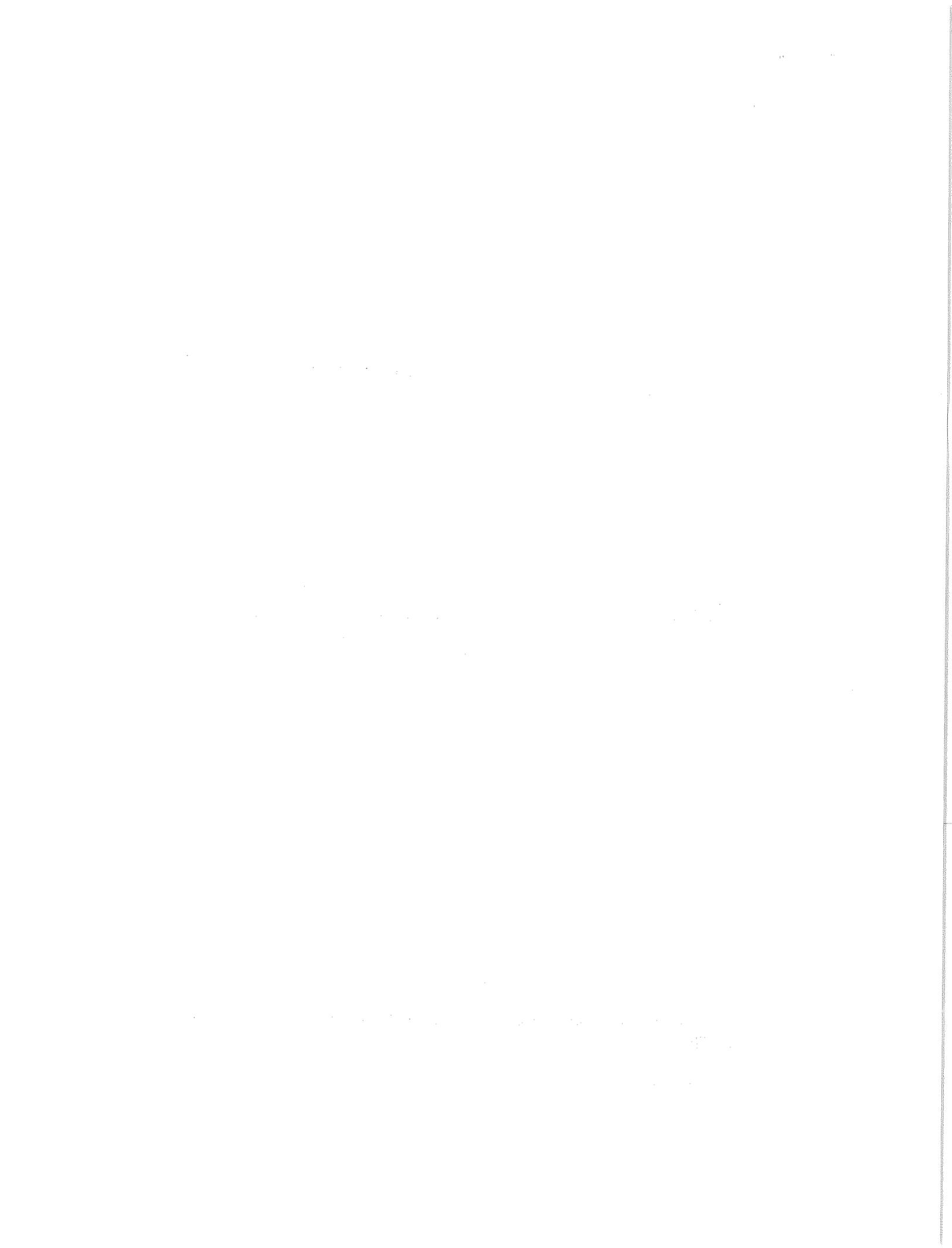
Finally, the net pension liability for each system is reported in our government wide audited financial statements, along with required footnote disclosures that provide significant detail regarding the assumptions utilized to estimate the liability.

RECOMMENDATION

- 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 recommendation has been implemented.

The district has provided 10 years of audited financial statements on the financial page of its website, which can be found at <http://nUSD.org/departments/business-services/financial-reports/>. These financial statements include footnote disclosure of pension data as required by Governmental Accounting Standards Board Statements 67 and 68.



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RECOMMENDATION

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

Response:

Option A

The recommendation will not be implemented.

As stated in the Grand Jury report, implementing defined contribution programs is precluded by existing statutes and made impractical by the imposition of termination fees by the pension funds that manage public agency retirement assets. Payment of these fees would retire the unfunded liabilities at the time of termination, but would create a significant financial burden on the school districts' budget. In addition, any such change would need to be negotiated with the relevant collective bargaining units.

In 2013, the State of California implemented the Public Employees' Pension Reform Act, or PEPRA. PEPRA is consistent with pension reform initiatives implemented by states across the nation to address defined benefit public pension system liabilities. This reform applies to both Cal PERS and Cal STRS, and will reduce the increasing rate of liability for both systems. The reform measures included raising the retirement age for new employees, increasing employee contribution rates, eliminating "spiking" of compensation and prohibiting retroactive pension increases. When fully implemented, the plan will eliminate the unfunded liabilities.

F1. All of the agencies investigated in this report had pension liabilities in excess of pension assets as of FY 2016.

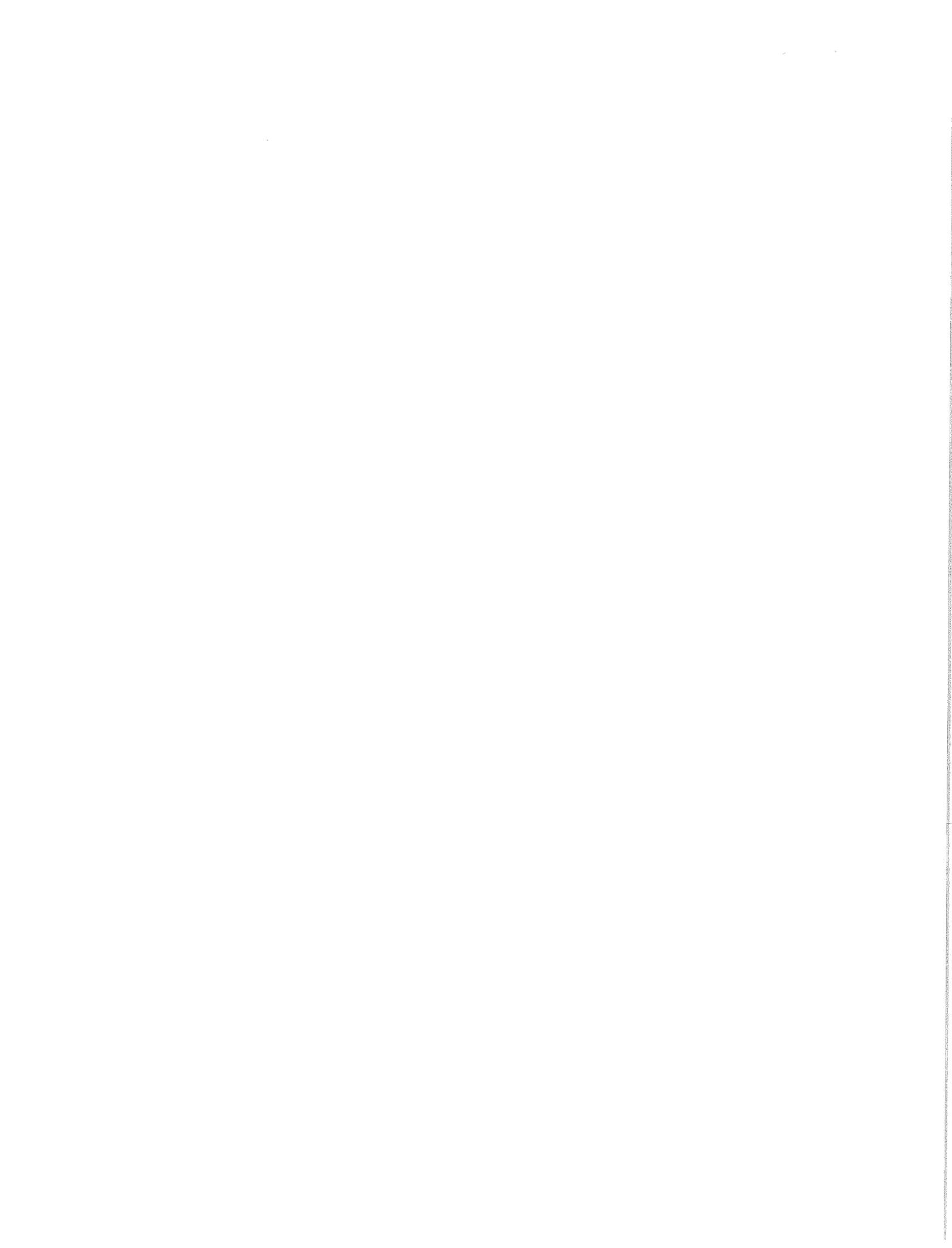
F2. A prolonged period of declining global investment returns has led pension plan assets to underperform their targeted expected returns.

F3. MCERA, CalPERS and CalSTRS have lowered their discount rates, which will result in significantly higher required contributions by Marin County agencies in the next few years.

F4. If pension plan administrators discounted net pension liabilities according to accounting rules used for the private sector, increases in required contributions would be vastly larger than those required by the recent lowering of discount rates.

F5. Most Marin County school districts have a negative net position due in part to the addition of net pension liabilities to their balance sheets.

F6. The required contributions of Marin school districts to CalSTRS and CalPERS will nearly double within the next five to six years due to legislatively (CalSTRS) and administratively (CalPERS) mandated contribution increases.



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F7. Pension contribution increases will strain Marin County agency budgets, requiring either cutbacks in services, new sources of revenue or both.

F8. The private sector has largely moved away from defined benefit plans primarily due to the risk of underfunding, offering instead defined contribution plans to its employees.

F9. Taxpayers bear most of the risk of Marin County employee pension plan assets underperforming their expected targets.

F10. Retirees' pension benefits would be reduced if an agency was unable to meet its contribution obligations.

