

# Novato Area Municipal Service Review and Sphere of Influence Study

Prepared by Marin LAFCo



NOVATO AREA

MSR & SPHERE OF INFLUENCE STUDY

# Table of Contents

- ABOUT LAFCO ..... 6
  - Authority and Objectives ..... 6
    - Regulatory Responsibilities ..... 6
  - Planning Responsibilities..... 6
    - Sphere of Influence ..... 7
    - Disadvantaged Unincorporated Communities..... 8
    - Sphere of Influence Updates and LAFCo Policy ..... 8
    - Municipal Service Review Requirements..... 9
- LAFCo Decision Making..... 10
- Marin LAFCo..... 11
  - Regular Commissioners..... 11
  - Alternate Commissioners..... 11
  - Staff ..... 11
  - Contact Information ..... 12
- MSR AND SPHERE STUDY ..... 12
  - Overview ..... 12
  - Methodology..... 13
    - Data Collection ..... 13
    - Agency Profiles..... 13
- KEY FINDINGS/RECOMMENDATIONS..... 14
- CITY OF NOVATO ..... 16
  - AGENCY AT A GLANCE ..... 16
  - Agency Profile – City of Novato..... 18
  - CURRENT AND PROPOSED SPHERE OF INFLUENCE ..... 19
  - EXTRATERRITORIAL SERVICES..... 20
  - GOVERNANCE AND STAFFING ..... 20
  - ACCOUNTABILITY..... 21
  - DISADVANTAGED UNINCORPORATED COMMUNITIES..... 22



**NOVATO AREA**

**MSR & SPHERE OF INFLUENCE STUDY**

SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST IN THE AREA ..... 22

PRESENT AND PLANNED LAND USE ..... 25

SERVICES PROVIDED..... 29

FISCAL HEALTH ..... 35

PERFORMANCE STANDARDS..... 39

Sustainability..... 43

DETERMINATIONS ..... 45

NOVATO SANITARY DISTRICT ..... 59

    AGENCY AT A GLANCE ..... 59

    Agency Profile – Novato Sanitary District ..... 61

    CURRENT AND PROPOSED SPHERE OF INFLUENCE ..... 62

    EXTRATERRITORIAL SERVICES..... 62

    GOVERNANCE AND STAFFING ..... 62

    ACCOUNTABILITY..... 63

    DISADVANTAGED UNINCORPORATED COMMUNITIES..... 65

    SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST IN THE AREA ..... 65

    PRESENT AND PLANNED LAND USE ..... 65

    SERVICES PROVIDED..... 66

    FISCAL HEALTH ..... 71

    PERFORMANCE STANDARDS..... 74

    DETERMINATIONS ..... 77

NOVATO FIRE PROTECTION DISTRICT ..... 88

    AGENCY AT A GLANCE ..... 88

    Agency Profile – Novato Fire Protection District..... 90

    CURRENT AND PROPOSED SPHERE OF INFLUENCE ..... 91

    EXTRATERRITORIAL SERVICES..... 91

    GOVERNANCE AND STAFFING ..... 91

    ACCOUNTABILITY..... 92

    DISADVANTAGED UNINCORPORATED COMMUNITIES..... 93

    SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST IN THE AREA ..... 93



**NOVATO AREA**

**MSR & SPHERE OF INFLUENCE STUDY**

PRESENT AND PLANNED LAND USE ..... 94

SERVICES PROVIDED..... 95

FISCAL HEALTH ..... 99

PERFORMANCE STANDARDS ..... 100

DETERMINATIONS ..... 104

BEL MARIN KEYS COMMUNITY SERVICES DISTRICT ..... 115

    AGENCY AT A GLANCE ..... 115

    Agency Profile – Bel Marin Keys Community Services District ..... 117

    CURRENT AND PROPOSED SPHERE OF INFLUENCE ..... 118

    EXTRATERRITORIAL SERVICES..... 118

    GOVERNANCE AND STAFFING ..... 118

    ACCOUNTABILITY..... 119

    DISADVANTAGED UNINCORPORATED COMMUNITIES..... 120

    SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST IN THE AREA ..... 121

    PRESENT AND PLANNED LAND USE ..... 121

    SERVICES PROVIDED..... 122

    FISCAL HEALTH ..... 128

    PERFORMANCE STANDARDS ..... 130

    DETERMINATIONS ..... 132

**Table of Figures**

Figure 1 City of Novato Sphere of Influence & Jurisdictional Lands ..... 17

Figure 2 City of Novato Organization Chart ..... 21

Figure 3 Novato General Tax Revenues as Compared to All California Cities ..... 38

Figure 4 Budgeted Departmental Expenditures (Personnel and Operational) by Fiscal Year ..... 38

Figure 5 Novato Sanitary District Sphere of Influence & Jurisdictional Lands ..... 60

Figure 6 Novato Fire Protection District Sphere of Influence & Jurisdictional Lands ..... 89

Figure 7 Demographic and Land Use Profile of NFPD Compared to Marin County ..... 90

Figure 8 Bel Marin Keys CSD Sphere of Influence & Jurisdictional Lands ..... 116



**NOVATO AREA**

**MSR & SPHERE OF INFLUENCE STUDY**

**Table of Tables**

Table 1 Demographic and Land Use Comparison of Novato to Marin County ..... 18

Table 2 Novato City Council ..... 20

Table 3 Acreage Breakdown of Major Land Use Categories Within City Limits..... 27

Table 4 Summary of RHNA Unit Capacity, Rezoning Outcomes, and Surplus by Income Group .. 29

Table 5 Municipal Services Provided and Associated Service Providers Within Novato ..... 29

Table 6 Historical General Fund Revenues and Expenditures by Fiscal Year ..... 36

Table 7 Demographic and Land Use Profile of NSD Compared to Marin County ..... 61

Table 8 Novato Sanitary District Board Members ..... 63

Table 9 Summary of Website Compliance with SB 929 and SDLF Transparency Requirements... 64

Table 10 Municipal Services Provided by the District and Associated Service Providers in NSD . 67

Table 11 Design Criteria for the NTP ..... 68

Table 12 2024 Influent Flows and Loading Summary ..... 69

Table 13 2024 Plant Performance Summary ..... 69

Table 14 Novato Sanitary District General Fund Revenues and Expenditures by Fiscal Year ..... 72

Table 15 Novato Fire Protection District Board Members ..... 91

Table 16 Summary of Website Compliance with SB 929 and SDLF Transparency Requirements 92

Table 17 Municipal Services Provided by the District & Associated Service Providers in NFPD... 95

Table 18 Novato Fire Protection District Station, Apparatus and Staffing Summary ..... 97

Table 19 Historical General Fund Revenues and Expenditures by Fiscal Year ..... 99

Table 20 Demographic and Land Use Profile of BMKCSD Compared to Marin County ..... 117

Table 21 Bel Marin Keys CSD Board Members ..... 118

Table 22 Summary of Website Compliance with SB 929 & SDLF Transparency Requirements .. 119

Table 23 Municipal Services Provided by the District and Associated Service Providers in Bel  
Marin Keys CSD ..... 123

Table 24 Historical General Fund Revenues and Expenditures by Fiscal Year ..... 129



## ABOUT LAFCO

### Authority and Objectives

Local Agency Formation Commissions (LAFCOs) were established in 1963 and are considered regional subdivisions of the State of California responsible for providing regional growth management services in all 58 counties. LAFCo's authority is currently codified under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH), with principal oversight provided by the Assembly Committee on Local Government.

### Regulatory Responsibilities

LAFCOs' principal regulatory responsibility involves approving or disapproving all jurisdictional changes involving the establishment, expansion, and reorganization of cities and most special districts. CKH defines "special district" to mean any agency of the State formed pursuant to general law or special act for the local performance of governmental or proprietary functions within limited boundaries. All special districts in California are subject to LAFCo oversight, with the following exceptions: school districts, community college districts, assessment districts, improvement districts, community facilities districts, and air pollution control districts. LAFCOs are also tasked with overseeing the approval process for cities, towns, and special districts to provide new or extended services beyond their jurisdictional boundaries by contracts, agreements, or annexation. LAFCOs also oversee special district actions to either activate new service functions and service classes or divest existing services. LAFCOs generally exercise their regulatory authority in response to applications submitted by affected agencies, landowners, or registered voters. Recent amendments to CKH also authorize and encourage LAFCOs to initiate jurisdictional changes to form, consolidate, and dissolve special districts consistent with community needs.

### Planning Responsibilities

LAFCOs inform their regulatory actions through two central planning responsibilities: (a) making sphere of influence (SOI) determinations and (b) preparing municipal service reviews. Sphere determinations have been a core planning function of LAFCOs since 1971 and effectively serve as the Legislature's version of "urban growth boundaries" with regard to cumulatively delineating the appropriate interface between urban and non-urban uses within each county.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

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Municipal service reviews, in contrast, are a relatively new planning responsibility enacted as part of CKH and are intended to inform, among other activities, sphere determinations. The Legislature mandates, notably, that all sphere changes as of 2001 be accompanied by preceding municipal service reviews to help ensure LAFCoS are effectively aligning governmental services with current and anticipated community needs.

### Sphere of Influence

Since 1972, LAFCoS in California have been responsible for determining and overseeing the sphere of influence for local government agencies. An SOI is defined as “a plan for probable physical boundaries and service area of a local agency, as determined by the Commission.” Consistent with Commission SOI policies, an SOI can be: a) coterminous to agency boundaries as the ultimate foreseen configuration of the agency in anticipation of no future growth, b) extended beyond the agency boundaries in anticipation of future growth, c) be smaller, indicating the need to detach areas from the agency boundaries, d) be designated a “zero sphere”, which indicates a potential dissolution of the agency, or e) sphere of influence “in common” to designate two or more contiguous single-service special districts that the Commission believes should be combined through consolidation or another reorganization process. In order to amend the sphere of influence boundaries, formal approval from the Commission is required. Factors considered in an SOI include current and future land use, capacity needs, and any relevant areas of interest, such as geographical terrain, location, and any other aspects that would influence the level of service.

Per Government Code Section 56425, an SOI shall consider and prepare a written statement of its determinations of the following factors:

1. Present and planned land use in the area, including agricultural and open space lands;
2. Present and probable need for public facilities and services in the area;
3. Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide;
4. Existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency; and
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1,

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

The purpose of an SOI is to ensure efficient services while discouraging urban sprawl and the premature conversion of agricultural and open space lands by preventing overlapping jurisdictions and duplication of services. On a regional level, LAFCo considers the orderly development of a community by reconciling differences between different agency plans. This is intended to ensure that the most efficient urban service arrangements are created for the benefit of area residents and property owners.

### Disadvantaged Unincorporated Communities

As part of the municipal service review (MSR) process, Marin LAFCo considers the impact of the SOI related to disadvantaged unincorporated communities. A disadvantaged unincorporated community (DUC) is defined by Government Code Section 56033.5 as an area of inhabited territory located within an unincorporated area of a county within a “disadvantaged community”. A disadvantaged community is defined in Water Code Section 79505.5(a) as a community with an annual median household income that is less than 80 percent of the statewide median household income. Government Code Section 56046 defines “inhabited” as territory within which there are 12 or more registered voters.

Marin LAFCo designated the DUCs in the County using 2019 – 2023 American Community Survey Census data, meaning any unincorporated area wherein the median household income is less than \$76,417.

### Sphere of Influence Updates and LAFCo Policy

From time to time, an SOI may be modified as determined by LAFCo; the procedures for making sphere amendments are outlined in CKH, and in some cases, further refined by a commission’s own guidelines. Pursuant to Government Code Section 56430, a commission must first conduct a municipal services review prior to updating or amending an SOI. Marin LAFCo has adopted sphere of influence policies, which provide a framework for SOI updates considered after an MSR is completed. The policies define four types of SOIs for cities and special Districts:

1. **Larger or Smaller Sphere of Influence**: Such a designation will be accompanied by a map showing the agency’s present boundary. The areas between the present and planned boundaries define the territory in which Marin LAFCo anticipates the territory to be annexed or detached.
2. **Coterminous sphere of influence**: This designation indicates that Marin LAFCo does not anticipate any change to the agency’s boundary (annexations or detachments) or organization (consolidation, dissolution) in the next 5-10 years.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

3. **Zero Sphere of Influence:** This designation indicates Marin LAFCo's determination that, after consideration of all factors in Government Code 56425, that the agency should cease to exist and that its public service responsibilities should be reallocated to another unit of local government through consolidation, dissolution, or establishment as a subsidiary district. This designation encompasses no territory.
4. **Sphere of Influence In Common:** Where two or more single-purpose special districts providing the same service are contiguous, those districts may be allocated sphere of influence in common to include the areas served by both districts. This designation may be assigned where Marin LAFCo believes that the particular service would be most efficiently provided to multiple communities by a single special district. This designation indicates Marin LAFCo's determination that two or more districts should be combined through a consolidation or reorganization process.

The spheres for each of the agencies involved in this study are analyzed and discussed within each agency's profile.

### Municipal Service Review Requirements

Section 56425(g) of CKH requires that LAFCos evaluate a given SOI every five years, as necessary; the vehicle for doing this is known as a Municipal Service Review (MSR). Prior to or in conjunction with SOI reviews, an MSR must be prepared pursuant to Government Code section 56430. MSRs are conducted to assist in the SOI review process by providing information regarding the ability of agencies to provide public services. Pursuant to Government Code Section 56430, MSRs are to make determinations considering the seven required topics based on CKH. These seven areas include:

1. Growth and population projections for the affected area;
2. Location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence(s);
3. Present and planned capacity of public facilities and adequacy of public services, adequacy of public services, infrastructure needs, or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence;
4. Financial ability of agencies to provide services;
5. Status of, and opportunities for, shared facilities;

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

6. Accountability for community service needs, including government structure and operational efficiencies; and
7. Any other matter related to effective or efficient service delivery, as required by LAFCo policy.

The focus of an MSR is to describe how public services are being carried out and to determine if the residents of the communities are receiving the highest level of service possible, while also discouraging urban sprawl and the premature conversion of agricultural lands. If an MSR determines that certain services are not being carried out to an adequate standard, LAFCo can recommend changes such as sphere changes, as well as consolidation or dissolution of service providers to provide the best service possible to the population.

### LAFCo Decision Making

LAFCo decisions are legislative in nature and, therefore, are not subject to an outside appeal process; only courts can overturn LAFCo decisions. LAFCos also have broad powers with respect to conditioning regulatory and planning approvals, so long as not establishing any terms that directly affect land use density or intensity, property development, or subdivision requirements.

LAFCos are generally governed by a board comprised of county supervisors, city council members, independent special district members<sup>1</sup>, and representatives of the general public, with an alternate member for each category. Marin LAFCo is governed by a 7-member board comprising of two county supervisors, two city council members, two independent special district members, one representative of the general public, and an alternate member for each category. All members serve four-year terms and must exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. LAFCo members are subject to standard disclosure requirements and must file annual statements of economic interests. LAFCos are independent of local government with their own staff. All LAFCos, nevertheless, must appoint their own Executive Officers to manage agency activities and provide written recommendations on all regulatory and planning actions before the Commission. In addition, all LAFCos must also appoint their own legal counsel.

<sup>1</sup> Just over 50% of LAFCos have special district members on the Commission, while the remaining do not.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

## Marin LAFCo

### Regular Commissioners

Barbara Coler (Chair)	City Member
Dennis Rodoni (Vice-Chair)	County Member
Lew Kious	Special District Member
Steve Burdo	City Member
Eric Lucan	County Member
Craig Murray	Special District Member
Larry Chu	Public Member

### Alternate Commissioners

Stefanie Moulton-Peters	County Member
Cathryn Hilliard	Special District Member
Roger Smith	Public Member
Rachel Farac	City Member

### Staff

Jason Fried	Executive Officer
Jeren Batchelder-Seibel	Deputy Executive Officer
Claire Devereux	Clerk/Jr. Analyst
Mala Subramanian	Legal Counsel



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

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#### Contact Information

Marin LAFCo's office is located at 1401 Los Gamos Drive, Suite 220 in the City of San Rafael. The LAFCo office is open for drop-ins during regular business hours on Wednesdays, and open by appointment on Mondays, Tuesdays, Thursdays, and Fridays to discuss proposals or other matters, and can be scheduled by calling (415)-448-5877, or by emailing [staff@marinlafco.org](mailto:staff@marinlafco.org). Additional information is also available online by visiting [marinlafco.org](http://marinlafco.org).

## MSR AND SPHERE STUDY

### Overview

This report represents Marin LAFCo's scheduled municipal service review for the City of Novato (City), the Novato Sanitary District (NSD), the Novato Fire Protection District (NFPD), and the Bel Marin Keys Community Services District (MBKCSD), located on the eastern side of Marin County's northern Highway 101 Corridor. The report has been prepared by staff consistent with the requirements of the CKH Act. The purpose of this report is to produce an independent assessment of the municipal services in this area over the past five years relative to the Commission's regional growth management duties and responsibilities as established by the State Legislature. This includes evaluating the current and future relationship between the availability, demand, and adequacy of municipal services within the service areas of each of the agencies, as subject to the Commission's oversight. The information generated as part of this report will be used by the Commission in (a) guiding subsequent sphere of influence updates, (b) informing future boundary changes, and – if merited – (c) initiating government reorganizations, such as special district formations, consolidations, and/or dissolutions.

The period for collecting data to inform the Commission's analysis and related projections on population growth and service demands has been set to cover any major updates and changes since the last time the MSR was updated in 2019. The financial analysis has been set to cover the last five-year audited fiscal year period. The timeframe for the report has been generally oriented to cover the next five to six-year period, with the former serving as the analysis anchor.

The document outline serves to inform all the state-mandated requirements in government code sections 56430 and 56425. Written determinations for each agency have been included within their respective agency profile.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

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## Methodology

Marin LAFCo worked with staff from each of the included agencies throughout this MSR. Key tasks and activities in completing this MSR include data collection, interviews with agency staff, agency profile development, determination analysis, public review of the MSR, and the adoption of the final MSR.

## Data Collection

To fully understand key factors and current issues involving the agencies, Marin LAFCo staff conducted initial interviews with agency staff members to establish the project scope and formalize the overall MSR objectives, schedules, policy and fiscal criteria, service standards, and roles and responsibilities. The MSR began with a complete and thorough review of available data and documents, including adopted budgets, comprehensive financial reports, capital improvement plans, strategic plans, and the General Plan. These documents were assessed to develop a comprehensive overview of the agencies. In addition, various reports and documents were utilized from the Association of Bay Area Governments (ABAG), the California Department of Finance, the California Department of Tax and Fee Administration, the California State Auditor, the United States Census Bureau, and ESRI.

## Agency Profiles

Following interviews and data collection, Marin LAFCo staff developed agency profiles based on the criteria noted previously and required for the completion of the MSR per CKH. The profiles include key characteristics such as services offered, staffing levels, population growth, service providers, infrastructure, financial condition, boundary/sphere of influence areas, and other related maps.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

# KEY FINDINGS/RECOMMENDATIONS

1. Marin LAFCo recommends that the Novato Fire Protection District and the Marinwood Community Services District engage in discussions to determine each agency's willingness to enter into a joint feasibility study to explore the possibility of consolidating Marinwood Community Services District's fire and emergency medical services provision into the Novato Fire Protection District.
2. Marin LAFCo recommends that the Novato Sanitary District's sphere of influence be amended to remove an area along the southern portion that overlaps the jurisdictional lands of the Las Gallinas Valley Sanitary District.
3. Marin LAFCo recommends that the Novato Sanitary District's sphere of influence be amended to include two parcels that are currently outside of the district's SOI and jurisdiction, but are contiguous to both. Assessor parcel numbers 125-180-85 and 125-180-79 have been identified in the Marin County Housing Element as a potential Regional Housing Needs Allocation (RHNA) development site. The two parcels, totaling approximately 233.8 acres, have been designated for a potential 249 above moderate income units that, if developed, would require wastewater services from the district.
4. Marin LAFCo recommends that the City of Novato's sphere of influence be amended to be coterminous with its jurisdictional boundary and urban growth boundary.
5. Marin LAFCo recommends that the City of Novato proactively explore the possibility of shared services agreements with the other local agencies providing large-scale municipal services within its jurisdictional boundary in order to address the long-standing staffing issues faced in areas such as administrative support, among others.
6. Marin LAFCo recommends that the Bel Marin Keys Community Services District communicate to Marin LAFCo staff upon the launch of the district's updated website, in order for LAFCo staff to confirm that the currently missing items that have been noted within this study that are legally required of local agencies have been rectified.
7. Marin LAFCo recommends that the Bel Marin Keys Community Services District communicate directly with the County of Marin regarding storm drainage services within its boundary to ensure there is no confusion regarding the responsibility of this critical service provision.

**NOVATO AREA**  
**MSR & SPHERE OF INFLUENCE STUDY**

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## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

# CITY OF NOVATO

## AGENCY AT A GLANCE

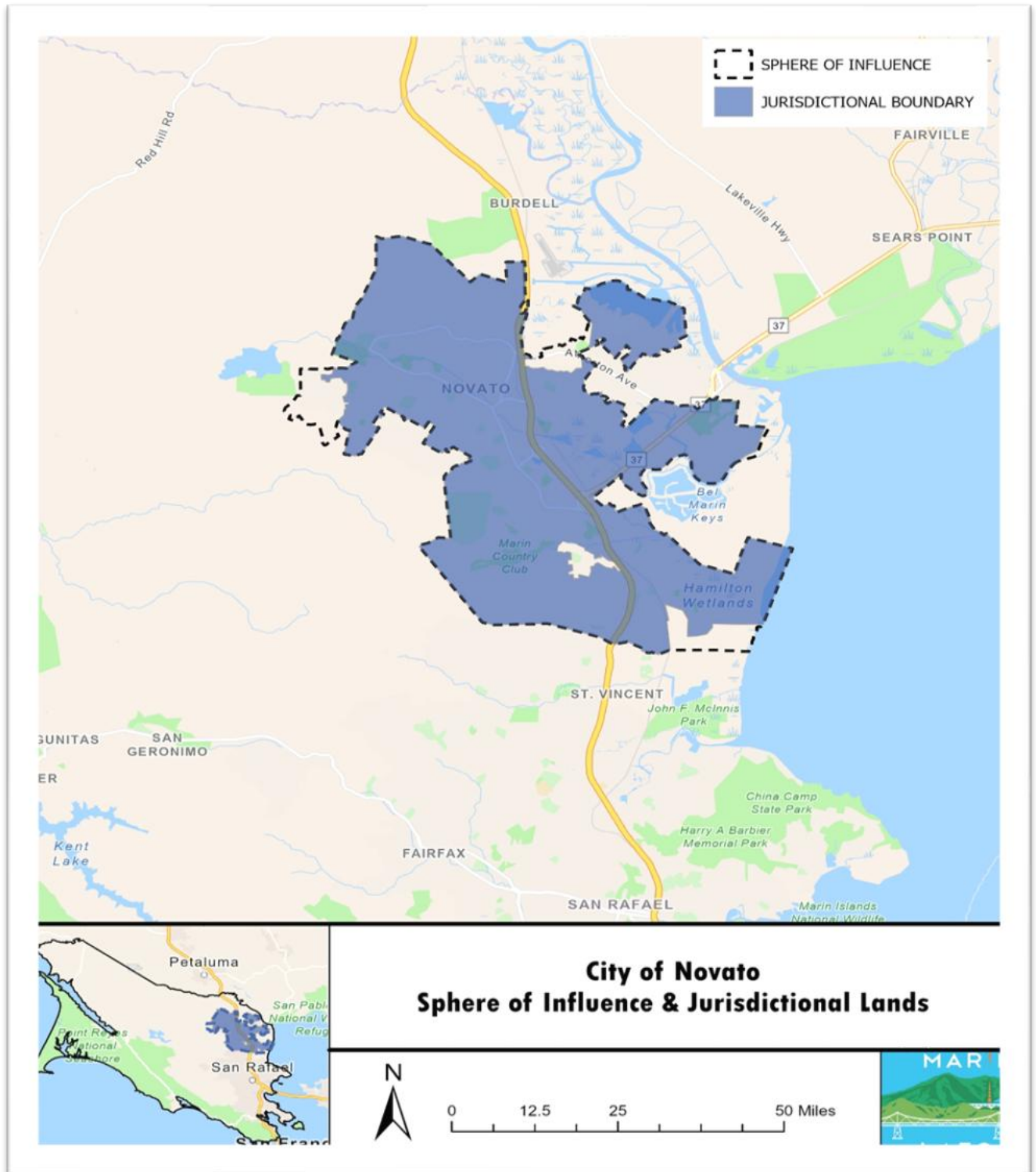
Agency Name	City of Novato
Formation Date	January 20, 1960
Administrative Office Location	922 Machin Avenue, Novato, CA
Website	<a href="http://www.novato.gov">www.novato.gov</a>
City Manager	Amy Cunningham
Employees	194
Public Meetings	The Novato City Council meets on the 2 <sup>nd</sup> and 4 <sup>th</sup> Tuesdays of each month at 6:00 p.m., with special meetings scheduled on an as-needed basis.
Governing Body	Five City Council members, each elected to four-year terms
Municipal Services Provided	Law Enforcement, Building/Planning, Code Enforcement, Parks and Recreation, Landscape Maintenance, Streets/Road Maintenance, Stormwater Drainage
Jurisdictional Area Size	28 Square Miles
Population Estimate	51,690 <sup>2</sup>

<sup>2</sup> [California Department of Finance 2025 Estimate](#)

# NOVATO AREA

## MSR & SPHERE OF INFLUENCE STUDY

Figure 1 City of Novato Sphere of Influence & Jurisdictional Lands



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

## Agency Profile – City of Novato

The City of Novato is located on the eastern side of Marin County, adjacent to Highway 101, and is the northernmost city in Marin County. The majority of the City is situated within Marin County supervisorial District 5, with an area of west Novato residing in District 4. The City's boundary is surrounded by unincorporated lands and shares no boundary with any other incorporated spaces. Novato is home to 51,690 residents<sup>3</sup>, making it Marin County's second-largest city. The City was incorporated as a general law city on January 20, 1960.

Novato's jurisdictional boundary encompasses an area of approximately 17,850 acres (28 square miles), with the City's sphere of influence (SOI) moderately larger at 19,240 acres (30 square miles). Novato's sphere of influence was originally established by Marin LAFCo in 1982 and was most recently reaffirmed in June of 2020<sup>4</sup>.

The table below presents a demographic and land use profile<sup>5</sup> of City of Novato in comparison to Marin County as a whole.

*Table 1 Demographic and Land Use Comparison of Novato to Marin County*

	<b>Novato</b>	<b>Marin County</b>
Population as of 2010	51,904	252,409
Population as of 2025	51,690	252,074
Annual Pop. Growth Since 2010	-0.03%	-0.0089%
Total Housing Units	21,756	113,062
Persons Per Housing Unit	2.38	2.35
Land Area (Square Miles)	28	520
Single-Family Units <sup>6</sup>	16,309	80,639
Multi-Family Units	4,931	30,532
Mobile Homes	516	1,891
Persons Per Square Mile	1,846	490
Median Household Income	\$112,193	\$142,785
Projected Population in 2035	50,465	246,101
Annual Proj. Growth 2025-2035	-0.24%	-0.24%
Projected Population in 2045	50,480	246,218
Annual Proj. Growth 2025-2045	-0.12%	-0.12%

<sup>3</sup> [California Department of Finance](#)

<sup>4</sup> Marin LAFCo Resolution No. 20-10

<sup>5</sup> All population data points, including projections, are sourced from the California Department of Finance

<sup>6</sup> Includes both detached and attached



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Between 2010 and 2025, Novato experienced a total estimated population decrease of 0.4%. According to the California Department of Finance Growth Forecast, the population of the City is expected to experience an approximate total decline of 2.7% over the next 20 years. This is based upon a mirrored population growth rate in that same time frame as what is anticipated for the County as a whole.

Both the State of California and the County of Marin<sup>7</sup> have seen an overall decrease in population over the course of the past decade, brought about by a variety of factors, including an aging population, declining birth rates, impacts of Covid-19, high costs of living, and an increase in domestic migration to other areas.

While the City of Novato is largely urbanized, as far as total land use designations are concerned, nearly half of the City's jurisdictional lands (49%) are actually designated as Planned District (PD), which allows the City a significant amount of flexibility in land use designations. Further discussion of this can be found in the Present and Planned Land Use section of this Agency Profile. The PD designation accounts for approximately 7,900 acres within the City's jurisdiction. Open Space/Restricted Open Space/Parkland/Conservation designations make up approximately 27.2% (4,372 acres), followed by Low Density Residential at 13.5%

### CURRENT AND PROPOSED SPHERE OF INFLUENCE

The City of Novato's sphere of influence (SOI) is primarily coterminous with its jurisdictional boundary except for the inclusions of the unincorporated areas of Loma Verde, Vineyard Road, North St. Vincent's, and Atherton Avenue/Rush Creek. The SOI was originally established by Marin LAFCo in 1982 and was subsequently updated in 2002, which removed a significant amount of land to the west of the City's jurisdictional boundary and to the northeast of the boundary from the SOI. This SOI was most recently reaffirmed in 2020. Staff for the City did not provide any identified areas that they desire to add to the SOI at this time, so none are specifically being studied.

Under the Cortese-Knox-Hertzberg (CKH) Act, the SOI is the legal and planning expression of where a city is expected to grow and deliver services. If a city's urban growth boundary (UGB), adopted by ordinance or voters, says that growth and services will not extend beyond the existing city limit, then the "probable" future boundary and service area is defaulted to the existing city boundary itself, making a coterminous SOI the only configuration that is consistent with state law's definition of a sphere, LAFCo policies recognizing UGBs, and the city's own growth limits. As the City of Novato has an urban growth boundary in place through at least 2042 that is coterminous with the City's jurisdictional boundary, Marin LAFCo staff recommends

<sup>7</sup> [Marin County has seen a total population decline of approximately 4,574 residents over the course of the past decade, seeing its peak in 2020 of 261,306.](#)

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

the Commission amend the City's current sphere of influence to be coterminous with the jurisdictional boundary and UGB.

### EXTRATERRITORIAL SERVICES

Government Code Sections 56133 and 56134 set forth LAFCo's out-of-agency services oversight role. While the City has numerous contracts and memoranda of understanding (MOU) with surrounding agencies, at this time, there are no agreements that would meet the standard of an outside service agreement requiring LAFCo approval.

### GOVERNANCE AND STAFFING

The City of Novato operates under a council-manager system with five district-based council members overseeing policy direction. The City changed from at-large-based elections to district-based elections in 2019<sup>8</sup>. Councilmembers are required to live in the district they represent and are elected only by the registered voters of that district. Councilmembers serve staggered four-year terms, with elections for Districts 1 and 3 next held in 2028, and Districts 2, 4, and 5 next held in 2026. The Mayor and Mayor Pro-Tem are annually selected by the members of the Council. The current City Council members can be seen in the table below.

*Table 2 Novato City Council*

Novato City Council		
District 2 - Mayor	Rachel Farac	Term Exp. – December 2026
District 1 – Mayor Pro-Tem	Kevin Jacobs	Term Exp. – December 2028
District 4	Pat Eklund	Term Exp. – December 2026
District 3	Tim O'Connor	Term Exp. – December 2028
District 5	Sandeep Karkal	Term Exp. – December 2026

City Council duties include establishing legislation and policies governing the City; adopting all ordinances, resolutions, and major contracts; approving and modifying annual budgets; making appointments to advisory boards, commissions, and committees; and appointing the City Manager and City Attorney. Novato City Council meetings are scheduled on the second and fourth Tuesdays of each month at 6:00 p.m. at the Novato City Hall at 901 Sherman Avenue, in Novato.

The City Council appoints a City Manager to serve as the administrative head of the City government, responsible for the day-to-day operations of the City. The City Manager is an at-will employee and administers the City of Novato's departments. The City is organized into several departments operating under the direction of the City manager, including Community

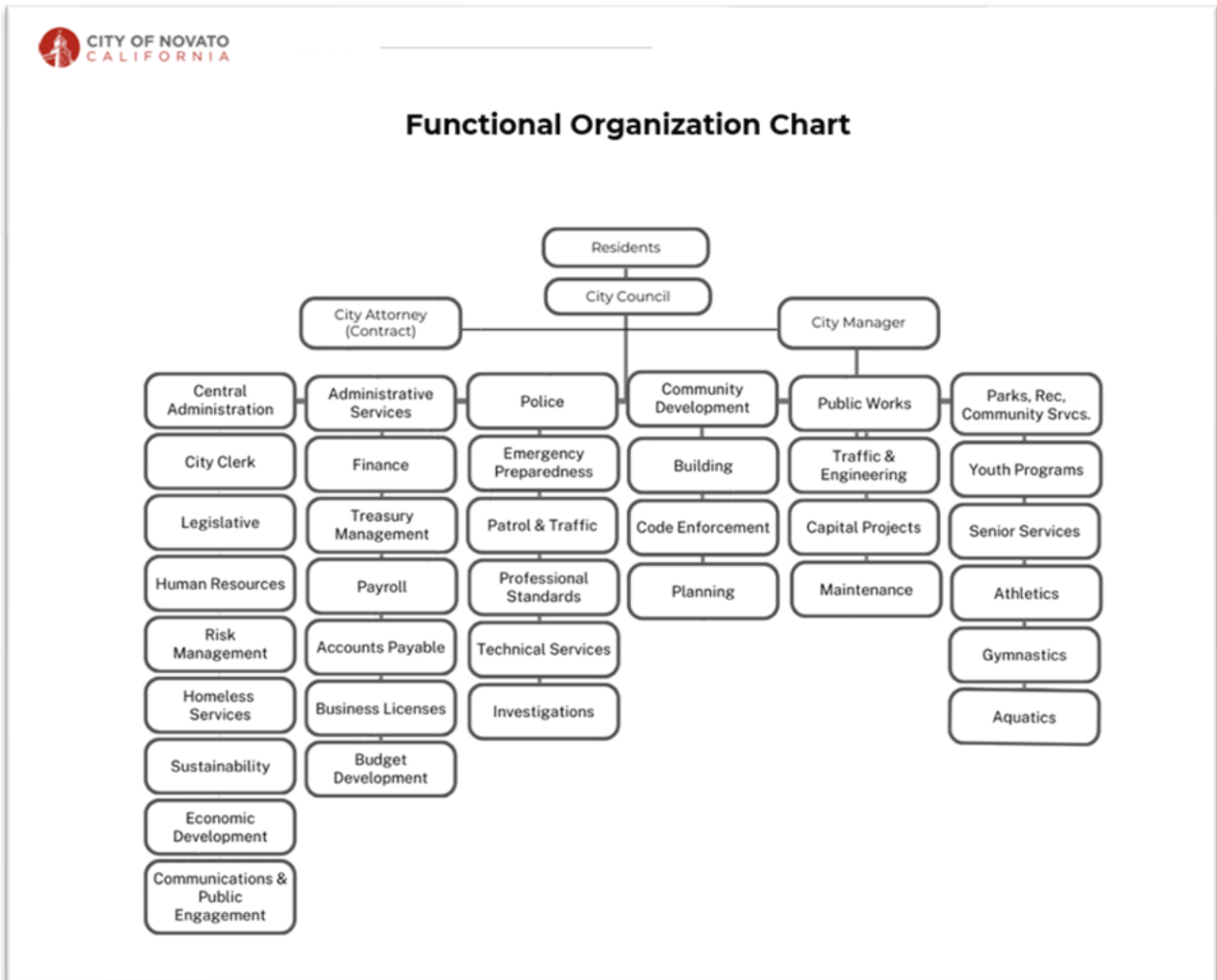
<sup>8</sup> City of Novato Ordinance 1650

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Development, Administrative Services, Central Administration, Public Works, Fire, and Parks/Recreation/Community Services. Two Assistant City Managers oversee the City's branches of Economic Development, Human Resources, Sustainability, Information Technology, and Homelessness, among others. As of November 2025, the City employed a total of 203.5<sup>9</sup> full-time equivalent (FTE) employees. The City's organizational chart can be seen below.

Figure 2 City of Novato Organization Chart



## ACCOUNTABILITY

As of the writing of this study, all Form 700 financial disclosures are current for each of the required participants within the City. Additionally, all required participants within the City have

<sup>9</sup> Novato City Staff correspondence

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

current certifications for Assembly Bill 1234 (AB 1234) and Assembly Bill 1661 (AB 1661)<sup>10</sup>. The City maintains an up-to-date website that contains contact information for City officials and departments, Council records/agendas/minutes, financial transaction reports, compensation reports, and a wealth of other information. At this time, the City is in compliance with Senate Bill 272 (SB 272), and, while not directly applicable to cities, is also in compliance with Senate Bill 929 (SB 929). The City is also in compliance with Assembly Bill 1637.

### DISADVANTAGED UNINCORPORATED COMMUNITIES

In 2011, Senate Bill 244 (SB 244) made changes to the Cortese-Knox-Hertzberg (CKH) Act related to “disadvantaged unincorporated communities,” including the addition of SOI determination number five listed above in the Planning Responsibilities section. Disadvantaged unincorporated communities, or “DUCS,” are inhabited territories (containing 12 or more registered voters) where the annual median household income (MHI) is less than 80 percent of the statewide annual median household income.

CKH Act Section 56375(a)(8)(A) prohibits LAFCo from approving a city annexation of more than 10 acres if a DUC is contiguous to the annexation territory but not included in the proposal, unless an application to annex the DUC has been filed with LAFCo<sup>11</sup>. The legislative intent is to prohibit selective annexations by cities of tax-generating land uses while leaving out underserved, inhabited areas with infrastructure deficiencies and a lack of access to reliable potable water and wastewater services.

According to the California Department of Housing and Community Development, the median household income in California in 2025 is \$118,100, with 80% of that amount being \$94,480. At this time, there are no recognized disadvantaged unincorporated communities within or contiguous to the sphere of influence of the City of Novato.

### SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST IN THE AREA

A community of interest (COI) is a geographically contiguous population that shares common social, cultural, economic, or historical interests relevant to public policy and fair political representation. This concept is central to redistricting under California’s FAIR MAPS Act and the State Constitution. Within and contiguous to the sphere of influence of the City of Novato, there are a number of communities that Marin LAFCo classifies as unincorporated islands. An unincorporated island is an unincorporated area that is substantially surrounded by a municipality and, in many cases, can only be accessed by way of that municipality's streets. These areas can create governance and service delivery inefficiencies and deficiencies. Marin

<sup>10</sup> The newly enacted SB 827 requires local agency officials to complete a new fiscal training, among other things, by January 1, 2028. While the City has been made aware of this updated requirement, this item has not been added to this section due to the significant amount of time remaining for it to be completed.

<sup>11</sup> CKH Act Section 56375(a)(8)(B) does allow for exemptions for a DUC to be annexed.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

LAFCo's Unincorporated Island policy encourages annexations of islands to cities, where supported by the island community, to further reduce and/or eliminate islands to provide more orderly local governmental boundaries and cost-efficiencies. However, Marin LAFCo will not independently proceed with an entire island annexation to the City of Novato (or any other municipality) where local residents have voiced opposition. In addition, the City of Novato has a voter-approved Urban Growth Boundary (UGB) that limits the growth of the City. A City voter-supported UGB amendment would be required before any annexation of areas outside that boundary could take place.

For the City of Novato, these unincorporated islands represent social and/or economic communities of interest, as many of the residents are working, socializing, recreating, and traversing within the City's jurisdiction as part of their daily lives. In addition, the City's emergency response staff are the first responders to calls for service in these areas. Below is a summary of the communities of interest within or contiguous to the City's SOI:

- **Black Point** – The Black Point planning area, along with its immediate neighbor, Green Point, is an island of unincorporated territory along the Marin and Sonoma County line, bordered by the City of Novato on one side and San Pablo Bay on the other. The unincorporated Black Point neighborhood abuts the unincorporated Green Point neighborhood, the Petaluma River, and the northeast jurisdictional limits of Novato. The area is primarily rural-residential, surrounded by open space.

Zoning in the area is primarily Agricultural Limited and Open Area which allows for the rural residential nature of the community. Basic services in the area include water and fire protection. The community is within the Novato Sanitary District SOI, but does not currently receive service from them. Instead, residents rely on onsite wastewater treatment systems. The Community, through the Black Point Improvement Club, has previously expressed that they do not wish to be annexed into the City of Novato in order to limit development and maintain the rural community setting. This is also the reason why Novato Sanitary District wastewater service has not been extended to the area. Onsite water treatment systems limit the development of higher occupancy residential areas due to their limited capacity.

- **Green Point** – The unincorporated community of Green Point is adjacent to the Black Point neighborhood. Paralleling the Petaluma River, it is bounded on the south by the flat uninhabited bay plans, which separated the community from the City of Novato. Principal access to Green Point is via State Route 37, which separates Green Point and Black Point. Green Point largely developed within the last forty years with large residential lots interspersed with agriculture and large swaths of open space. According to Marin County's Green Point Community Plan, the neighborhood has historically

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

retained a rural sense of place, with an absence of urban services and amenities.

The Black Point Improvement Club, a local community group that is, in part, made of people who live in this unincorporated island of Green Point, has previously expressed that they do not want to be incorporated to the City of Novato.

- Bel Marin Keys** – The unincorporated community of Bel Marin Keys is located in the southeast Novato region between Highway 37 and Highway 101 and is primarily served by the Bel Marin Keys Community Services District and the County of Marin. The Community is estimated to cover approximately one square mile and has an estimated 700 housing units. In 1982 Marin LAFCo excluded the Bel Marin Keys area from the City of Novato’s SOI. The 2002 LAFCo Municipal Service Review for the region noted that the Bel Marin Key’s residents desire for the exclusive use of its waterways and the City’s desire to avoid the cost liability and service responsibility associated with Bel Marin Keys’ waterways fostered a mutual interest in maintaining the community separate from the City.

While the 2002 MSR mentioned “exclusive use” of the waterways, this is not an accurate depiction of what occurs under the Clean Water Act. The Clean Water Act allows the general public passage through the locks if they desire use of the lagoons. The Bel Marin Keys residents’ desire is to maintain local control and limited access to the waterways in accordance with all government regulations and ordinances. The Bel Marin Keys CSD Board of Directors, on behalf of its membership, has informed Marin LAFCo that they do not want to be annexed into the City of Novato.

- Loma Verde** – The Loma Verde neighborhood is located in the southern portion of Novato. Made up of primarily single-family homes with some apartments and townhomes, the neighborhood’s developed residential area is unincorporated but completely surrounded by the City of Novato, and within the City’s SOI. Adjacent to and associated with the neighborhood is the Loma Verde Open Space Preserve. The preserve itself is within Novato city limits. Both the preserve and unincorporated neighborhood are within the boundaries of Marin County Service Area 1. While there is no official neighborhood group for the Loma Verde area, residents have previously expressed they do not want their island annexed into the City of Novato.
- Indian Valley** – As defined in the Marin Countywide Plan and Indian Valley Specific Plan, Indian Valley is comprised of the approximately 630-acre unincorporated portion of the Novato Area lying south of Mill Road between Pacheco Avenue and Trumbull Avenue, extending to the boundary of the agricultural and open space preserves to the south.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Land ownership in Indian Valley is principally single-family housing with parcel sizes ranging from one to nearly 45 acres. Other uses include equestrian activity, orchards, livestock pasture, and grazing. There is no multi-family use, no institutional use, and no commercial use other than home-office oriented businesses, several horse stables, and plant nurseries.

The Indian Valley Association is a local community group made up of people who live in this unincorporated island. The IVA leadership, on behalf of its membership, has previously expressed that they do not want to be annexed into the City of Novato.

### PRESENT AND PLANNED LAND USE

The City of Novato's land use is guided by General Plan 2035, which strives to emphasize managed growth, protection of environmental and open space resources, and preservation of Novato's small-town character while accommodating needed housing, jobs, and transportation improvements. As mentioned earlier in this Agency Profile, nearly half of the City's land use designations within its jurisdictional boundary are Planned District (PD). The PD designation covering so much of the City's jurisdiction is the result of several interrelated historical, practical, and policy-driven factors. This zoning designation is a special-purpose district that differs fundamentally from conventional zoning categories. According to the City's Housing Element, "The PD district is intended to enable the long-term development of large parcels and requires the adoption of a Master Plan or Precise Development Plan by the City Council".

Critically, the Zoning Ordinance does not specify development standards for parcels zoned PD. Instead, the Housing Element states that "standards shall be determined as part of the approval process based on General Plan density, proposed housing type, City and developer objectives, opportunities to increase density and affordability, neighborhood considerations, and environmental constraints". Where a Master Plan or Precise Development Plan is silent on a specific use or standard, the standards from the most compatible base zoning district apply.

A significant portion of Novato's PD-zoned land traces back to the redevelopment of the Hamilton Army Airfield (Hamilton Field), which was decommissioned in 1974 and gradually converted to civilian use over the following decades. As the General Plan 2035 explains, "In the last decade, the re-use of the Hamilton Army Airfield added over 2,100 new homes to Novato. It is unlikely that Novato will see redevelopment of that size and scope again." Hamilton Field was originally constructed in 1932 on over 900 acres of bayshore land and grew into a full military installation with housing, hangars, offices, and infrastructure. When this massive complex was transferred to civilian use, conventional zoning categories were inadequate for guiding its comprehensive redevelopment. The PD designation allowed the City to manage the transformation through tailored Master Plans and Precise Development Plans that could

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

account for the area's unique characteristics, such as historic Spanish Revival architecture requiring preservation, environmental constraints including wetlands and remediation needs, the need for a mix of housing types (including over 600 affordable units), and the reuse of hangars for commercial purposes.

The Hamilton Central Design Concepts and Design Guidelines, adopted in 1994, were created specifically for the New Hamilton Partnership (NHP) Master Plan area. The Housing Element notes that "the parcels identified as being subject to the Hamilton Guidelines are built-out", indicating how this major PD area was developed through the master-planning process.

Beyond Hamilton, the PD designation has been systematically applied to large parcels throughout Novato that present unique development challenges. The General Plan 2035 identifies several focus areas, such as the North Redwood Corridor, the Downtown, and the Northwest Quadrant Neighborhood, many of which contain PD-zoned parcels. The PD process is used in two primary contexts, as described in the Housing Element:

1. For projects on sites already designated/zoned for residential uses, where the typical development standards of a base zone may not adequately address site-specific conditions; and
2. Frequently for sites requesting a zone change, General Plan amendment, or annexation into the City for the purposes of residential development.

This dual application means that PD zoning has accumulated over decades as property owners and the City worked through complex development proposals — whether they involved hillside parcels with significant slope constraints, environmentally sensitive areas near wetlands or creeks, large-scale master-planned communities, mixed-use or institutional developments like the Buck Institute for Research on Aging (REI zone), or former military/industrial properties requiring comprehensive reuse plans.

The Housing Element explicitly recognizes PD zoning as a mechanism that has enabled the City to achieve higher densities and more affordable housing than conventional zoning would have allowed. As stated in Appendix C's analysis of the Planned PD Zoning District, "The City has been able to approve developments with higher overall densities, exceptions to certain development standards, and include a greater number of affordable housing units through the PD District than would have been possible with conventional zoning, especially when combined with the Affordable Housing Overlay (AHO) District."

Novato's voter-approved Urban Growth Boundary (UGB), first enacted in 1997 and extended through 2042, restricts urban development from expanding beyond the City limits into surrounding rural and natural areas. The UGB is coterminous with the City's jurisdictional boundary. This boundary concentrates all future development within the existing urbanized area, placing a premium on how existing large parcels are developed. The PD designation

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

supports the UGB strategy by allowing complex infill development on sites within the boundary that might otherwise be difficult to develop under rigid zoning. General Plan Policy CC 6 explicitly states: "In order to minimize the need for expansion of the Urban Growth Boundary, focus new residential and commercial growth at appropriate infill sites near transit and retail services."

However, the City has recently recognized that the prevalence of PD zoning creates processing bottlenecks<sup>12</sup> for housing production and is actively pursuing reforms, such as the Housing Element Program 3.1<sup>13</sup>, to allow PD-zoned parcels to alternatively use the development standards of their closest matching base zoning district, thereby reducing entitlement timelines while preserving the General Plan's density and land use objectives.

The table below displays the acreage breakdown for major land use categories within city limits (excluding water and undesignated areas):

*Table 3 Acreage Breakdown of Major Land Use Categories Within City Limits*

Land Use Category	Acres	% of Total Land
Planned District	7878	49.05%
Open Space	2368	14.75%
Restricted Open Space	1555	9.7%
Low Density Residential	1342	8.4%
Community Facilities	664	4.13%
Low Density Residential (R1-10)	554	3.45%
Parkland	237	1.48%
Conservation (CON-60)	213	1.32%
Research/Education-Institutional	180	1.12%
Conservation Areas	171	1.9%
Low Density Residential (R1-40)	169	1.05%
Very Low Density Residential (RVL-40)	136	0.85%
Low Density Residential (R1-20)	108	0.67%
Agricultural	86	0.54%
Very Low Density Residential (RVL-80)	81.5	0.51%
Medium Density Detached Residential (R4-6.0)	62.6	0.39%
Conservation (CON)	56	0.35%

<sup>12</sup> The PD process requires multiple public hearings before the Design Review Commission, Planning Commission, and City Council, and typically takes 9–18 months for entitlement processing (versus approximately 60–90 days for projects under conventional zoning)

<sup>13</sup> Housing Element Program 3.1 states in part, "The City will amend the Zoning Ordinance to allow developments on parcels zoned PD to utilize the land use and development standards of the closest zoning district which implements the underlying General Plan land use designation which would produce the highest number of units allowed."

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

General Commercial	56	0.35%
Medium Density Multiple Family Residential (R10-4.5)	51	0.32%
Business and Professional Office	46	0.29%
Light Industrial/Office	38	0.23%
Neighborhood Commercial	33	0.2%
Medium Density Residential (R10-2.5)	27	0.17%
Downtown Core Retail	23	0.14
Commercial/Industrial	17	0.11
All Other Remaining Designations (11 Total)	80	0.49%

The City of Novato's 6<sup>th</sup> Cycle Housing Element (2023 - 2031) was adopted on May 7, 2024<sup>14</sup>, and includes an RHNA allocation of 2,090 units. The City uses four primary sources to meet its RHNA: projected accessory dwelling units (ADU), entitled/proposed pipeline projects, a sites inventory of vacant parcels, and two rezone sites. The City projects 118 ADUs over the 8-year planning period based on an annual average of 14.75 permits from 2018-2021. Within the Housing Element are 15 entitled and proposed pipeline projects, which are the primary source of RHNA capacity, contributing a theoretical 2,459 units. Four of the most notable of the pipeline projects include:

- Fireman's Fund (1,300 units) – By far the largest, this project is planned as a mixed-density residential redevelopment of the former Fireman's Fund Insurance campus on 44 acres now designated R20. The City Council approved General Plan amendments and site-specific objective design standards in January 2024, and demolition of the current structures on the site is nearing completion.
- Three AMG projects (SB35) – In Downtown Novato, collectively propose 492 units, all utilizing the State density bonus law based on proximity to the SMART rail station. These are heavily weighted toward lower-income units.
- Homeward Bound (50 units) – This project, completed in 2025, provides all 50 units serving very low-income households, including 24 reserved for formerly homeless veterans.
- Habitat for Humanity (80 units) – 100% deed-restricted affordable housing on a 13.5-acre site donated by PG&E.

Three vacant parcels were identified in the sites inventory, all accommodating moderate-income units totaling 8 units. The City identified a moderate-income shortfall of 7 units before rezoning and designated sites for rezoning to address this gap, adding 42 moderate-income units on two properties, with both property owners expressing interest in redeveloping for housing during the planning period.

<sup>14</sup> City of Novato Resolution 2024-031



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Ultimately, the City exceeds its RHNA across all income categories with a total surplus of 537 units. The lower-income surplus is +61 units, the moderate-income surplus is +35 units, and the above moderate surplus is +448 units, driven primarily by the Fireman's Fund project. A summary of the units can be found in the table below.

Table 4 Summary of RHNA Unit Capacity, Rezoning Outcomes, and Surplus by Income Group

Site Category	Income Group			TOTAL
	Extremely/Very Low/Low	Moderate	Above Moderate	
RHNA Requirement	898	332	860	2,090
ADUs	71	35	12	118
Pipeline Projects	881	282	1,296	2,459
Sites Inventory	0	8	0	8
Rezone Sites	0	42	0	42
<b>Total Capacity</b>	<b>952</b>	<b>367</b>	<b>1,308</b>	<b>2,627</b>
<b>Surplus</b>	<b>+61</b>	<b>+35</b>	<b>+448</b>	<b>+537</b>

## SERVICES PROVIDED

The City provides a majority of the municipal services by way of City staff. Animal control, fire and emergency medical, solid waste/refuse, wastewater collection, wastewater treatment and disposal, water, and electricity/natural gas are primarily provided by other government agencies, contractors, or private entities. The table below presents municipal services provided and associated service providers within Novato.

Table 5 Municipal Services Provided and Associated Service Providers Within Novato

Public Service	Responsible Agency Type	Service Provider
Law Enforcement	City	Novato Police Department
Fire Protection	Special District	Novato Fire Protection District
Emergency Medical	Special District	Novato Fire Protection District
Building/Planning	City	City of Novato Staff
Housing	City	City of Novato Staff
Code Enforcement	City	City of Novato Staff
Animal Control	City (Contract)	Marin Humane Society
Parks and Recreation	City	City of Novato Staff
Library	County	County of Marin
Landscape Maintenance	City	City of Novato Staff
Lighting	City	City of Novato Staff
Streets/Road Maintenance	City	City of Novato Staff
Solid Waste	Special District (Contract)	Novato Sanitary District
Stormwater Drainage	City	City of Novato Staff

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Water	Special District	North Marin Water District
Wastewater	Special District	Novato Sanitary District
Wastewater Treatment	Special District	Novato Sanitary District

#### *General Government Services*

General government services are primarily provided by elected officials and City management. The City's elected officials are responsible for all legislative and policy functions that establish the quality of City services. In addition to the City Council, the City enlists its residents to compose a number of commissions and citizen advisory committees, including (but not limited to) the Design Review Commission, Economic Development Advisory Commission, Finance Advisory Commission, and the Planning Commission. The City Clerk and City Attorney provide support to the City's legislative bodies.

The City's website provides information about City Council meetings, public meetings, and general services provided by or facilitated by the City. The City's website is easily translated into a variety of languages. The City broadcasts City Council meetings live on the City's website, as well as being rebroadcast on Thursdays at 10:00 a.m. on Comcast Channel 27. The City is also active on Facebook, Instagram, X (formerly known as Twitter), and Nextdoor.

#### *Police Services*

The City of Novato Police Department (NPD) is the sole public safety agency operated by the City. The department's headquarters are located at 909 Machin Avenue in the City of Novato. The NPD operates from a single police station and maintains a fleet of 20 patrol units. The department is organized into several divisions, including patrol operations, criminal investigations, traffic operations, records management, communications/dispatch, professional standards, K-9, and the Novato Response Team.

Over the course of the study window, authorized sworn officer positions have been very stable, with the department maintaining exactly 62 FTE sworn officer positions from FY 2019 through FY 2024, and dipping to 61 FTE for FY 2025. Civilian police staffing levels were slightly more volatile. The department reached a peak of 20.4 civilian FTEs in FY 2018 before pandemic-related budget cuts reduced the count to 16.5 FTE in Fy 2022. This reduction was part of a broader City workforce reduction of 17 positions adopted by the City Council in September 2020. By Fy 2024, civilian staffing had increased to 17 FTE and remained there in FY 2025 for a total department staffing of 78 FTE. The NPD consistently represents approximately 40% of the entire City workforce, underscoring its role as the single largest department by headcount.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Over the course of the study window, the department's calls for service peaked<sup>15</sup> in FY 2022 at 36,219. Calls for service dropped sharply during the COVID-19 pandemic (FY 2020 – FY 2021), falling over 21% from FY 2019, and rebounded partially in FY 2022 increasing just under 18%, and then resumed a downward trajectory. The FY 2024 level of 31,213 calls represents a 33% decline from the FY 2018 peak.

Part 1 crimes<sup>16</sup> reached a 13-year low of 825 in FY 2024. This represents a 37% decline from the FY 2017 level of 1,311. Physical arrests (adult and juvenile combined) declined significantly during the pandemic, falling to 995 in FY 2021 from 1,727 in FY 2018. Arrests recovered to 1,385 in FY 2023 before moderating to 1,277 in FY 2024. Parking enforcement activity similarly contracted during the pandemic, dropping to 771 citations in FY 2021 from a pre-pandemic high of 1,745 in FY 2019. By FY 2024, parking violations increased slightly to 857.

The department's operations are funded primarily through the City's General Fund, with supplemental funding from the Special Police Projects Fund, the COPS (Community Oriented Policing Services) Grant Fund, and the American Rescue Plan Act Fund. General Fund police expenditures grew by 8.4% from FY 2022 to FY 2024, rising from \$16.9 million to \$18.3 million. The department consistently came in under its final budget, producing favorable variances of \$416,035 in FY 2022 and over \$1 million in FY 2024. These savings were likely attributable to vacancy savings from unfilled positions and below-budget spending in patrol operations and certain specialty units. Patrol Operations are the majority of the department's expenditures at just over 50% annually. A significant driver of police expenditure growth is the City's Safety pension plan administered through CalPERS. The City's required employer contributions to the Safety plan (which covers police personnel) have increased over the course of the study window by just under \$850,000 for the annual contribution, with a contribution of \$2,937,157 in FY 2021 to \$3,786,451 in FY 2024. The City's proportionate share of the Safety plan's net pension liability stood at \$38.2 million as of the FY 2024 measurement date, up from \$19 million in FY 2022.

In November 2021, the NPD launched a community-wide strategic planning survey to solicit resident input on department priorities. The survey informed the development of the department's 2022 Strategic Plan. The plan emphasized geographic-based policing, assigning officers to specific beats across Novato's four patrol areas (San Marin, Vintage Oaks/Bahia, Ignacio/Hamilton, and Downtown) with the expectation that officers would build community

<sup>15</sup> While well outside the window for this study, staff believes it to be of relative importance to point out a significant methodological change occurring in FY 2016 when the department began including all call types, including officer-initiated calls, in its calls for service count. This resulted in an apparent doubling from approximately 21,000 calls in FY 2015 to over 42,000 in FY 2016. All post-FY 2016 figures reflect this expanded methodology and should not be directly compared to pre-FY 2016 data.

<sup>16</sup> Part 1 crimes are the most serious offenses tracked by the FBI's Uniform Crime Reporting program.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

relationships with residents, business owners, schools, faith communities, and nonprofits in their sectors.

One of the most significant department initiatives within the study window was the launch of the Specialized Assistance for Everyone (SAFE) Team. In November 2024, the City Council unanimously approved a five-year pilot program partnering with the Petaluma People Services Center (PPSC) to deploy civilian crisis responders. The SAFE Team, which went operational on April 1, 2025, is staffed by Crisis Counselors and Emergency Medical Technicians (EMTs) who respond to calls involving mental health crises, substance abuse, homelessness, welfare checks, and conflict resolution. The SAFE Team operates Tuesday through Saturday, 8 a.m. to 8 p.m., and shares space with the Police Department. The first-year cost was \$548,713, funded through the General Fund and American Rescue Plan Act allocations. Municipalities across the state utilizing the SAFE model have reported approximately a 10% decrease in police calls for service.

#### *Public Works*

The Public Works Department manages the planning, environmental documentation, design, construction, maintenance, and operations of all City rights-of-way, properties, and facilities. The department is organized into three divisions: Administration, Maintenance, and Engineering. It oversees five landscape assessment/community facility districts (CFD) in San Marin, Hillside, Hamilton CFD, Pointe Marin CFD, and several smaller lighting and landscaping districts. The department's FY 2025 operating budget was 12.7 million with 47 full-time equivalent employees as of November, 2025. General Fund expenditures for Public Works grew 27% over the study window, from \$7.19 million in FY 2021 to \$9.13 million in FY 2025. The most significant jump occurred in FY 2025 (17% year over year), driven in part by Measure M allocations for weed abatement and street maintenance augmentation.

The City maintains 152 miles of streets and approximately 4,500 street lights. Net infrastructure assets (streets, storm drains, bridges) were valued at \$88.6 million as of June 30, 2025, up from \$83.75 million the prior year, reflecting new capital additions outpacing depreciation for the first time since FY 2021. The department is not merely a participant in the City's capital improvement program (CIP), but rather it is the primary driving mechanism through which the CIP is designed, funded, and delivered. Public Works acts as the core of the City of Novato's infrastructure investment system, commanding over 90% of the City's depreciation charges, managing the interfund transfers that channel revenue from eight different special revenue and capital project funds into the CIP, and directly maintaining a \$261 million portfolio of the municipality's capital assets.

The Public Works Department is integral to the CIP through five interconnected roles:

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

1. **Capital Programming** – The engineering staff programs every project in the 5-year CIP, determining which streets get rehabilitated, which storm drains get replaced, and which facilities receive deferred maintenance investments.
2. **Multi-Fund Financial Management** – Public Works coordinates transfers from 8+ restricted funds into the CIP Fund, each with unique compliance, reporting, and eligibility requirements. No other department touches as many funding sources or navigates as many intergovernmental financial relationships with other agencies, including Caltrans, Transportation Authority of Marin (TAM), Federal Highway Administration, and the County of Marin.
3. **Project Delivery** – The Engineering Division designs, bids, and manages construction contracts for all horizontal infrastructure (streets, storm drains, bridges, pathways) and provides construction management support for building-related capital projects.
4. **Asset Preservation** – The Maintenance Division’s \$4+ million annual operating budget serves as the first line of defense against accelerated depreciation. By maintaining streets, buildings, and infrastructure systems between capital rehabilitation cycles, Maintenance extends asset useful lives and reduces the capital reinvestment burden.
5. **Stewardship of 94% of Depreciable Assets** – With approximately \$7 million in annual depreciation over the course of the study window charged to the public works function, the department oversees the vast majority of the City’s \$290 million infrastructure portfolio. The positive depreciation-vs-outlay gap achieved in FY 2023-2025<sup>17</sup> represents a meaningful step forward for the City in both sustaining and growing the City’s infrastructure.

Beyond the core CIP, Public Works administers five landscape assessment districts and two community facilities districts, each with its own revenue stream and maintenance obligations:

- **San Marin, Country Club, Wildwood Glen, Hillside, Scottsdale** – Landscape assessment districts funded by property assessments, totaling approximately \$120,000 - \$150,000 annually in combined revenue.
- **Hamilton Community Facilities District** – Pump and levy maintenance plus landscape services. Produced \$398,000 in FY 2025 revenue with expenditures of \$405,000.

<sup>17</sup> In FY 2021 and FY 2022, the City under-invested relative to depreciation by a combined \$5.2 million, primarily as a product of the pandemic-era budget reductions. Beginning in FY 2023, capital outlay exceeded depreciation for the first time in several years, driven by the corporation yard land acquisition (\$5.76 million) and the resumed street rehabilitation. This positive gap continued through FY 2025, with net infrastructure value growing from \$83.75M to \$88.58M — the first sustained growth in the study period.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

- **Pointe Marin CFD** – Primarily landscape maintenance providing \$303,000 in FY 2025 revenue.
- **Downtown and San Pablo Lighting/Landscaping Districts** – Combined producing approximately \$25,000 in annual revenue.

These districts create a parallel set of maintenance obligations that Public Works' Maintenance Division must plan and execute alongside the core CIP work. The assessments fund only the direct maintenance of each area. Any capital replacement must be programmed through the CIP.

#### *Recreation and Community Services*

The Parks, Recreation, and Community Services Department provides programming across children's enrichment, senior services, athletics, gymnastics, aquatics, special events, and museum services. The department manages 40 City parks encompassing 580 acres, one senior center, one aquatic facility, four tennis courts, three baseball/softball diamonds, nine soccer fields, six pickleball courts, six bocce ball courts, and one lacrosse field.

Parks and Recreation staffing experienced the single most dramatic reduction of any City function during the course of the study window, falling from 22.7 FTE in FY 2021 to 15.2 FTE in FY 2022. The FY 2022 drop reflected the full impact of the pandemic-era position eliminations, which hit recreation programming especially hard, given the reduced demand for in-person activities during COVID-19. Staffing has since partially recovered to 18.5 FTE in FY 2024 and FY 2025.

On a full-accrual basis, Culture and Recreation expenses were \$2.65 million in FY 2025, down from \$3.36 million in FY 2024. This function uniquely generates significant program revenues, with charges for services totaling \$2.49 million in FY 2025, nearly covering all expenses and yielding a net cost of only \$164,079. This translates to the department being the lowest net burden of any governmental function within the City.

The department's annual revenue is supplemented by Measure A, approved by Marin County voters in June 2022 for a nine-year period. This tax assessment provides dedicated funding for park improvements and maintenance. The City's Parks Measure A fund generated approximately \$497,000 in FY 2022, growing to \$538,630 in FY 2025. Measure A has provided critical funding for things like park maintenance and other projects.

On April 9, 2024, the City adopted its first-ever comprehensive Parks Master Plan. The plan was developed over approximately 14 months by the consulting firm Berry Dunn and under the direction of the City's Parks, Recreation, and Community Services Director. The project was funded with a \$250,000 allocation approved during the FY 2022-23 budget cycle and is intended to guide parks planning and recreation development over the next 10 years. One of the projects

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

specifically identified in the Parks Master Plan, the replacement of the playground at Josef Hoog Park, was completed in late 2025.

## FISCAL HEALTH

The sections that follow evaluate the City's fiscal health, inclusive of revenue sources and major expenditure categories.

### *Annual Audit Findings*

The City of Novato is required to undergo an annual financial audit, with the results published in an Annual Comprehensive Financial Report (ACFR), in which the auditors are required to issue a report of whether the financial statements of the City accurately present the financial position of the City. Over the course of the study window, the City experienced a significant backlog in its reporting, at one point being three years behind in the completion of its audits. This required the City, over the past 3 years, to complete two audits each year to get caught up. At its meeting on January 27, 2026, the Novato City Council approved the 2025 fiscal year audit, bringing the City fully back into compliance, and with auditors finding no significant errors or areas of concern. Through the process, City staff developed more detailed processes and systems to ensure the prevention of the City falling behind again in the future. The ACFRs from the current study window range from Fiscal Year Ending (FYE) June 30, 2021, to FYE June 30, 2025. These ACFRs did not present material weaknesses and most recently stated, "In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole."

The City has faced persistent structural budget deficits for much of the past decade, rooted in a low share of property tax revenue, escalating pension costs, and the expiration of key sales tax<sup>18</sup> measures. From FY 2021 through FY 2025, the City relied heavily on one-time funding, such as the American Rescue Plan Act dollars and property sales, to patch operating gaps while deferring infrastructure maintenance and reducing staffing by over 30 positions. The passage of Measure M in November 2024, a 0.75% sales tax increase projected to generate approximately \$10.3 million annually, represents a significant boost in the City's overall fiscal position moving forward

The table below shows the actual historical General Fund revenues and expenditures from FY 2020-21 through FY 2024-25.

<sup>18</sup> In 2010, voters approved Measure F, a half-cent sales tax generating roughly \$4-5 million annually, but it expired in 2015 and was replaced by Measure C at only a quarter-cent, butting locally controlled sales tax revenue in half.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Table 6 Historical General Fund Revenues and Expenditures by Fiscal Year

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
<b>Actual Revenues</b>					
Taxes/Assessments	\$35,494,688	\$37,940,441	\$40,062,369	\$40,329,541	\$43,343,550
Licenses, Permits, Fees	\$1,256,895	\$1,296,533	\$2,055,450	\$1,900,827	\$2,218,412
Intergovernmental	\$1,156,699	\$414,387	\$656,323	\$947,475	\$739,259
Fines & Forfeitures	\$472,932	\$510,128	538,360	\$411,671	\$469,360
Use of Money and Property	(\$187,715)	(\$1,221,561)	\$719,372	\$1,947,007	\$2,681,389
Charges for Services	\$3,038,052	\$2,634,716	\$4,219,422	\$4,377,144	\$4,413,461
Other Revenue	\$5,934,614	\$1,118,435	\$377,099	\$372,176	\$575,448
<b>Total Revenues</b>	<b>\$47,166,165</b>	<b>\$42,693,079</b>	<b>\$48,628,395</b>	<b>\$50,285,841</b>	<b>\$54,440,879</b>

<b>Actual Expenditures</b>					
General Government	\$9,935,235	\$11,819,996	\$12,085,698	\$12,421,523	\$13,434,133
Public Safety	\$16,238,319	\$16,916,992	\$17,939,471	\$18,337,877	\$19,935,180
Public Works	\$7,192,717	\$7,190,826	\$7,551,312	\$7,801,977	\$9,132,159
Cultural and Recreation	\$2,564,221	\$2,458,492	\$3,099,742	\$3,830,468	\$3,870,903
Community Development	\$3,059,960	\$3,529,166	\$3,977,562	\$4,453,565	\$5,002,887
Capital Outlay	-	-	\$5,759,784	\$84,051	\$36,955
Debt Service	\$246,800	\$23,829	\$62,541	\$204,517	\$181,646
<b>Total Expenditures</b>	<b>\$39,237,252</b>	<b>\$41,939,301</b>	<b>\$50,476,110</b>	<b>\$47,133,978</b>	<b>\$51,593,863</b>
<b>Surplus/(Deficit)</b>	<b>\$7,928,913</b>	<b>\$753,778</b>	<b>(\$1,847,715)</b>	<b>\$3,151,863</b>	<b>\$2,847,016</b>

During the course of the study window, the City's General Fund averaged approximately \$2.56 million in excess revenues over expenditures. The only year that expenditures outpaced revenues, FY 2022-23, was primarily caused by the City intentionally using one-time and restricted General Fund resources for capital and other non-routine spending, while ongoing operating costs were already close to the level of recurring revenues.

In July 2024, the City Council voted to put a 0.75% sales tax increase on the November 2024 ballot, which was projected to generate \$10.3 million annually in General Fund revenue. These monies would be used to sustain services, bridge the ongoing budget deficits, and start investing in the City's infrastructure again. This sales tax increase was identified on the ballot as Measure M, and in November 2024, the voters passed the measure by 58%. The Measure M



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

increase in sales tax became effective April 1, 2025, with the first payment being received in June.

The FY 2024-25 revenue from Measure M was forecast at \$2.6 million at mid-year, and the City received \$2.3 million in revenues. The Council approved allocating the first payment from Measure M to the Insurance reserve, the Emergency Reserve, and to public works to augment deferred maintenance. The City ended FY 2024-25 in a deficit of \$1.9 million, which was absorbed by the General Fund balance, with the exception of \$94,119, which was backfilled from reserves. In FY 2025-26, the baseline General Fund budget reflected revenues of \$52.43 million and expenses of \$56.40 million, reflecting the \$3.97 million systemic General Fund deficit. Measure M was allocated to restore resources in the amount of \$1.3 million and backfill the deficit in the amount of \$3.97 million, creating the first balanced budget the City has developed in over five years. City staff is continuing to monitor the lower-than-anticipated revenues from Measure M.

#### *Operating Revenues*

On average, during the course of the study window, tax revenues made up approximately 73% of General Fund revenues, inclusive of property tax, real property transfer tax, sales and use tax, hotel taxes, gas taxes, business license taxes, and franchise fees. The City's second largest revenue source is charges for services, which represent fees charged by departments for services provided, such as licenses, permits, and fines. The figure below compares five of the City's general tax revenue categories based on all of the tax types that the City collects with the general tax revenues of all cities in California.<sup>1920</sup>

The City of Novato has a fairly unique general tax revenue profile. The City relies more heavily on sales tax and property tax revenues than the majority of other municipalities in the State, based on the sum total of all tax types collected.

For FY 2025-26, the City Council adopted a General Fund budget that is supported by estimated General Fund revenues of \$50,030,146, transfers in of \$7,697,948, and a projected available fund balance of \$17.4 million. In FY 2024-25, the City's General Fund revenues totaled \$54,440,879 (actual, all General Fund components combined), which equates to approximately \$1,053 per capita.

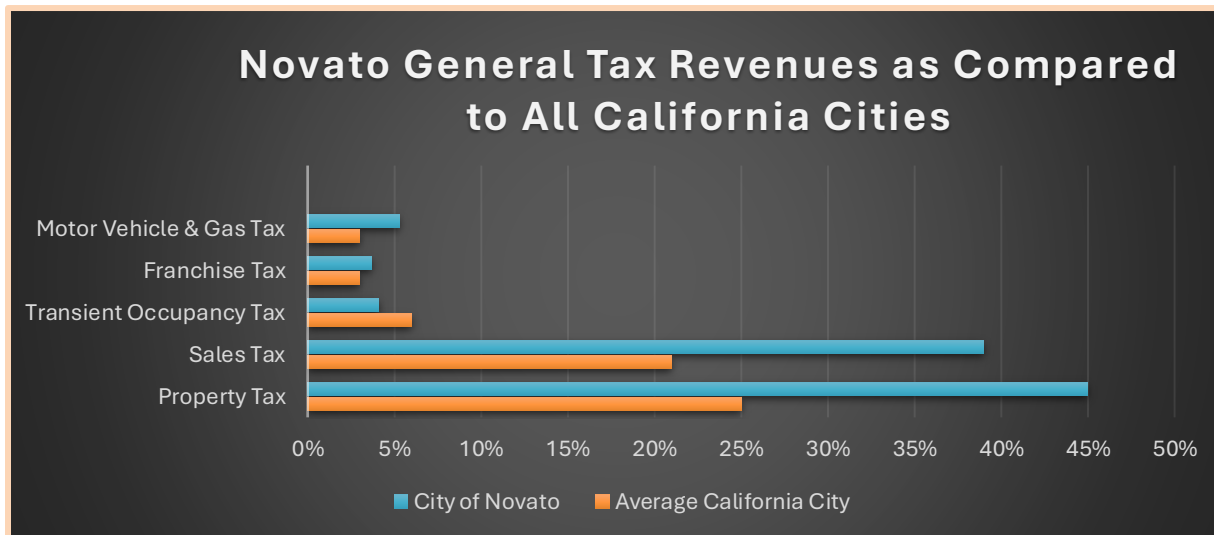
<sup>19</sup> [City of Novato 2025 ACFR; Pg. 165](#)

<sup>20</sup> [California State Controller's Office; Municipalities Revenues Comparison](#)

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Figure 3 Novato General Tax Revenues as Compared to All California Cities



### Operating expenditures

The City of Novato’s budgeted General Fund expenditures for FY 2025-26 total \$57.73 million.<sup>21</sup> This amount is a 11.9% increase from the prior year’s total General Fund uses of \$51,593,863. The City’s largest expenditure category is personnel, which includes staff salaries and benefits. For FY 2025-26, the total amount budgeted for personnel expenditures across all departments was \$39,330,068, which was a 4.95% increase from the previous year. The table below displays the City’s budgeted expenditures (both personnel and operational) for all departments in both FY 2024-25 and FY 2025-26.

Figure 4 Budgeted Departmental Expenditures (Personnel and Operational) by Fiscal Year

	Expenditures by Department			
	<b>FY 2024-25 Amended Budget</b>	<b>FY 2025-26 Adopted Budget</b>	<b>% Change</b>	<b>\$ Change</b>
<i>Non Departmental</i>	\$2,018,974	\$1,762,447	-12.7%	(\$256,527)
<i>Central Admin</i>	\$8,117,654	\$7,805,166	-3.85%	(\$312,488)
<i>Finance</i>	\$6,057,442	\$6,670,666	10%	\$613,224
<i>Police</i>	\$20,923,754	\$21,267,323	1.6%	\$343,569
<i>Community Development</i>	\$5,618,392	\$6,107,465	8.7%	489,073
<i>Public Works</i>	\$9,304,191	\$9,998,805	7.5%	\$694,614
<i>PRCS<sup>22</sup></i>	\$3,872,295	\$4,116,222	6.3%	\$243,927
<b>Total Expenditures</b>	<b>\$55,912,702</b>	<b>\$57,728,094</b>	<b>3.2%</b>	<b>\$1,815,392</b>

<sup>21</sup> This amount is inclusive of planned transfers out totaling \$2,413,447.

<sup>22</sup> PRCS = Parks Recreation and Community Services

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

#### PERFORMANCE STANDARDS

Marin LAFCo utilized four different methodologies to evaluate the City of Novato's fiscal performance. The four approaches to evaluating performance include a review of reserve fund balances, pensions/other post-employment benefits (OPEB), debt ratio, and third-party fiscal health evaluations. The methodologies and findings are outlined below.

##### *Reserve Fund Balance*

Within the City's General Fund balance of \$31,605,232 at June 30, 2025, the primary assigned reserve funds and their balances include the following:

- Insurance Reserve Fund - \$2,789,428: Described as a fund that "accounts for set aside monies to meet uninsured losses to City facilities and other property, as well as workers' compensation claims." While no explicit percentage target is stated in the City's policies, its purpose as a risk-management reserve is clearly described.
- Emergency Disaster Response Fund - \$18,674,249: This fund "accounts for funds that will provide a buffer during significant economic downturns affecting revenues, or for severe emergency reasons. To meet minimum levels of safety and security, a balance equal to 15% of the operating budget is maintained in this reserve." This is a clear, numerical reserve policy for the General Fund's emergency reserve.
- Long-Term maintenance – Facilities/Infrastructure - \$12,869,849: These funds were created to provide resources for long-term maintenance and emergency needs for City facilities and for infrastructure identified in the Facilities Condition Assessment, with periodic additions planned from the General Fund and other sources.

All of these are reported as assigned fund balance, which insinuates management/Council-designated reserves for specific purposes rather than legally restricted resources. The Emergency Disaster Response fund, which is the only reserve with a formal policy target of 15% of the operating budget, equivalent to about 1.8 months of operations, has a current balance well above the minimum policy level at approximately 4.4 months as it currently stands. If you combine the Emergency Disaster Response, Insurance, and the two Long-Term Maintenance funds, this amount would be stretched to approximately 6.4 months of General Fund operations.

##### *Pension and OPEB Obligations*

The City's defined benefit retirement plan is administered by the California Public Employees' Retirement System (CalPERS). CalPERS operates as a cost-sharing, multiple-employer defined benefit plan for the City and numerous other participating employers throughout the state. As of June 30, 2025, the City had 136 active employees within its CalPERS plans, as well as 314 inactive members or beneficiaries currently receiving benefits, and 232 inactive members entitled to but not yet receiving benefits.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Net pension liability is the amount owed to a defined benefit pension plan based on the actuarial present value of the projected benefit payments for plan members and their beneficiaries, less the plan's net position. Essentially, it represents the portion of the pension obligation that is not covered by the plan's assets, indicating an unfunded liability. This liability is reported by employers who sponsor defined-benefit pension plans. As of June 30, 2025, the City of Novato carried a net pension liability of \$66,254,478 (Miscellaneous and Safety plans combined). Public safety pension contributions consume a disproportionate share of the City's budget, with the most recent ACFR noting that pension-related costs represent approximately 53.9% of current public safety payroll costs. The City issued Pension Obligation Bonds (Series A-1 and A-2, maturing 2035) with an outstanding balance of \$15.1 million as of June 30, 2025, to prepay a portion of its CalPERS unfunded liability.

A pension funded ratio is a metric that expresses the value of a pension plan's assets divided by its liabilities. It indicates the extent to which a pension plan has sufficient funds to cover its future obligations to retirees. A funded ratio of 100% means the plan is fully funded, while a ratio below 100% indicates unfunded liability. As of June 30, 2025, the City's pension funded ratio was 76.9% for the Miscellaneous Plan and the 78.08% for the Safety Plan. As of June 30, 2023, the average funded ratio for California cities participating in public pension systems is 72.3%.<sup>23</sup>

The City also provides certain health care benefits for retired employees and their spouses under an Agent Multiple-Employer Defined Benefit Plan (also known as other post employment benefits or OPEB). Employees who meet the vesting criteria become eligible for these benefits if they receive a retirement benefit from the Marin County Employees' Retirement Association within 120 days of retirement from City employment. As of the most recent measurement date of June 30, 2025, the City's OPEB plan consisted of 198 active members, 73 inactive employees or beneficiaries currently receiving benefit payments, and 125 inactive employees entitled to but not yet receiving benefit payments. As of June 30, 2025, the City carried a net OPEB liability of \$469,594 with a funded ratio of 89%.

#### *Debt Ratio*

The debt ratio is a fundamental financial metric that measures the proportion of a municipality's assets that are financed through debt, calculated by dividing total liabilities by total assets. This ratio reveals the extent to which a local government relies on borrowed funds versus owned resources, providing critical insights into its financial structure and overall fiscal health. For municipalities, maintaining appropriate debt levels is essential as excessive debt can constrain future financial flexibility and potentially lead to fiscal stress or even bankruptcy.

<sup>23</sup> [Annual Review of Funding Levels and Risks FYE 2023](#)

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Unlike the pension funded ratio, which specifically measures the percentage of pension liabilities covered by pension assets, the debt ratio offers a broader perspective on a municipality's overall financial position by examining its entire liability structure relative to its asset base. The debt ratio serves as one of several critical indicators that collectively portray a municipality's fiscal condition. The following aspects are typically considered when evaluating municipal financial health in relation to debt ratio:

#### 1. Short-term Financial Stability

The debt ratio helps assess a municipality's ability to meet immediate financial obligations by indicating the level of leverage in its capital structure. A lower debt ratio suggests greater financial flexibility and capacity to address short-term needs without additional borrowing.

#### 2. Long-term Fiscal Sustainability

By examining the relationship between debt and assets, the ratio provides insights into a municipality's long-term financial trajectory and its ability to sustain service levels while meeting future obligations. Municipalities with lower debt ratios generally have more capacity to invest in infrastructure and respond to emerging community needs.

#### 3. Financial Flexibility and Resilience

The debt ratio directly impacts a municipality's financial flexibility—its ability to respond to economic downturns, emergencies, or changing service demands. A municipality with a high debt ratio has less "fiscal space" to maneuver during challenging times, as more of its revenue must be dedicated to debt service rather than operational needs or new initiatives.

As of June 30, 2025, the City of Novato had a debt ratio of 24.3%<sup>24</sup>, and has been relatively stable throughout the study window between 24% and 26%. During that time, total assets grew steadily from \$384.2 million to \$409.7 million (+6.6%), driven primarily by capital asset additions (infrastructure improvements) and growth in cash and investments. Total liabilities swung between \$73.5 million and \$105.7 million, with the variance almost entirely driven by GASB 68 pension remeasurements. The ratio calculation is shown below:

**Total Long-Term Liabilities: \$99,491,382**

**Total Assets (Primary Government): \$409,714,124**

**Debt-to-Assets Ratio: 24.3%** (calculated as  $\$99,491,382 \div \$409,714,124$ )

<sup>24</sup> This debt ratio provided is specifically for total assets and liabilities. The City's debt ratio, specifically surrounding more liquid, or "current assets" and liabilities, is 9.1%, with current assets totaling \$131,117,000 and current liabilities at \$11,968,870.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Additionally, the Government Finance Officers Association (GFOA) and industry standards suggest that annual debt service<sup>25</sup> should generally not exceed 7-10% of operating revenues<sup>26</sup>. For California local governments, debt service as a percentage of General Fund revenues is a key metric, with the State Treasurer's Office reporting that the state's ratio was 3.71%<sup>27</sup> in FY 2022-23. In FY 2024-25, the City of Novato had a total debt service amount of \$2,695,208. In comparison to total operating revenues for the same fiscal year, the City's debt service ratio was 3.7%. Over the course of the study window, the City's long-term governmental debt has seen a 20.7% reduction, with the City's annual debt service burden declining from \$3.5 million to \$2.7 million, which frees up modest capacity for other uses.

#### *California Policy Center Fiscal Health Evaluation*

In 2019, the California State Auditor completed an audit of local governments in the State to determine which cities may be facing fiscal challenges by assessing the risk associated with ten various fiscal indicators. The fiscal health analysis examined general fund reserves, debt burden, liquidity position, revenue trends, pension costs, pension funding, pension obligations, OPEB obligation, OPEB Funding, and unrestricted net position relative to government-wide revenues. The Auditor ranked all 431 cities in California on each fiscal indicator, with 1 being the highest risk and 431 being the lowest risk.

The State Auditor continued producing this information annually by way of a dashboard on its website until 2023, at which time it was discontinued due to insufficient staffing to continue to maintain it. At that time, the educational non-profit organization, California Policy Center, replicated the State Auditor's interactive dashboard tool on its website and has continued to publish these findings annually using the same methodology<sup>28</sup> and publicly available information.

For the fiscal year 2023-24 (the most recently evaluated FY), the City of Novato received a fiscal strength score of 67 out of 100, categorizing the City as "moderate risk of financial distress". The City received its highest categorical scoring in General Fund Reserves, Liquidity, and Debt Burden. The City's lowest categorical scores were in Pension Costs, which measures the fraction of the revenues that is consumed to fund pension obligations and thus the fiscal burden that pension costs exert, Pension Obligations, which measures the net pension obligations relative to the annual government-wide revenues, and Net Worth, rates the size of a government's unrestricted net position relative to the annual government-wide revenues. The City was scored in the "moderate risk of financial distress" range for FYs 2023-24 and 2022-23, and was rated as "low risk of financial distress" in FY 2021-22. It is important to keep in mind that each of these

<sup>25</sup> Debt service is the amount of interest and sinking fund payments due annually on long-term debt.

<sup>26</sup> [GFOA Publication, "How Much Debt is Too Much?"](#)

<sup>27</sup> [State of California ACFR 2023](#)

<sup>28</sup> [Local Fiscal Health Dashboard Methodology](#)

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

ratings preceded the City's recently passed sales and use tax, Measure M, which is anticipated to provide a significant boost to the City's fiscal position.

### Sustainability

The City of Novato tracks community-wide greenhouse gas (GHG) emissions across seven sectors: transportation, residential, commercial/industrial, off-road equipment, waste, water, and wastewater. In 2005, emissions totaled about 368,900 metric tons of CO<sub>2</sub> equivalents (MTCO<sub>2</sub>e); by 2015, they had fallen to roughly 313,100 MTCO<sub>2</sub>e, a 15% reduction. Transportation is the largest source at 57% of 2015 emissions, followed by residential (21%) and commercial/industrial (16%). The City's 2009 Climate Change Action Plan set a target of 15% below 2005 emissions by 2020 and 40% below 2005 by 2035, consistent with state law under AB 32 and SB 32. General Plan 2035, adopted in 2020, now serves as the updated Climate Action Plan and incorporates these reduction goals directly into land use, transportation, and infrastructure policy. With full implementation of local measures plus state actions, Novato projects a 48% reduction below 2005 levels by 2035, exceeding its stated targets.

#### *Core Local Reduction Measures*

Appendix E of the General Plan identifies 30 quantified local measures across buildings, energy, transportation, waste, water, and natural systems. Combined, these are projected to reduce emissions by about 48,400 MTCO<sub>2</sub>e in 2035. Mirroring state actions such as renewable portfolio standards, stricter building and appliance codes, and vehicle efficiency rules, the City is able to add roughly 78,800 MTCO<sub>2</sub>e by 2035. The largest single local measure is the transition to low-carbon electricity via Marin Clean Energy (MCE), projected to cut about 20,000 MTCO<sub>2</sub>e by 2035. Community-scale renewable energy (primarily rooftop solar) is expected to reduce a further 10,000 MTCO<sub>2</sub>e by 2035. Other high-impact measures include zero-waste programs, community energy efficiency, and public outreach campaigns that support behavior change.

Novato applies the California Green Building Standards Code (CALGreen) with locally adopted Tier 1 efficiency standards, requiring new construction to outperform base code energy requirements by roughly 15%. The Housing Element's Goal 7 requires all new housing to be designed for energy efficiency and encourages major remodels to use efficient windows, materials, and appliances. It also supports weatherization of existing homes and maintains development regulations to accommodate rooftop solar and other renewable energy systems. To retrofit existing buildings, the City relies on Property Assessed Clean Energy (PACE) financing and regional programs like BayREN and Marin Energy Watch, which provide audits, rebates, and direct installation of efficiency improvements. The City is targeting upgrades in thousands of homes and over a thousand businesses by 2035, projecting nearly 2,000 MTCO<sub>2</sub>e in annual savings from community efficiency measures alone. For low-income households, Novato promotes programs such as MCE's CARE discounts, the Low-Income Weatherization Program,

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

and the Energy Savings Assistance Program, which collectively fund no-cost weatherization and solar for income-qualified residents.

Because transportation creates over half of local emissions, Novato’s climate strategy emphasizes shifting trips to walking, biking, transit, and cleaner vehicles. The City has about 33 miles of bikeways (Class I paths, Class II lanes, and Class III routes), five park-and-ride lots, and 134 bus stops served by Marin Transit. Sonoma-Marina Area Rail Transit (SMART) began service in 2017 with three Novato stations and an associated multi-use pathway, enabling rail-and-bike commutes between Marin and Sonoma counties. General Plan measures include commute alternatives programs, idling reduction, expanded EV charging, complete streets design, and Safe Routes to Schools, which engaged 11 schools and more than 5,400 students in 2016–2017. Collectively, transportation measures are projected to save several thousand MTCO<sub>2e</sub> per year by 2035, mainly through reduced vehicle miles traveled and increased adoption of low-emission vehicles. On the land use side, Novato’s Urban Growth Boundary—adopted in 1997 and extended through 2042—directs growth inward to protect hillsides, baylands, and agricultural areas. General Plan 2035 and the Housing Element promote mixed-use infill, transit-oriented development near SMART stations, and a better jobs-housing balance.

#### *General Plan 2035 and Climate Integration*

In November 2020, the City Council adopted a Climate Emergency Resolution, formally elevating climate mitigation and adaptation as top municipal priorities. General Plan 2035 requires periodic GHG inventory updates and progress tracking, with the Sustainability Division coordinating implementation and partnerships with agencies such as Marin Clean Energy, BayREN, the Transportation Authority of Marin, and the Marin Climate and Energy Partnership.

Novato’s planning documents explicitly address climate risks, particularly sea level rise, heat, wildfire, and changing precipitation. Tide-gauge records in the region show roughly 7 inches of sea level rise since 1900, with projections of about 10 inches by 2040 and 2.4–3.4 feet by late century, depending on emissions scenarios. Most of the city’s development is inland and buffered by extensive marsh and agricultural land, but critical facilities like the wastewater treatment plant and some utility infrastructure face increasing flood risk with higher sea levels.

General Plan policies call for incorporating climate projections into capital planning and development review, coordinating on regional shoreline adaptation, and maintaining the FEMA-accredited Hamilton Levee that protects low-lying neighborhoods. The plan also anticipates higher temperatures—potentially 3 °F warmer by mid-century and up to 8 °F by 2100—and more extreme heat days, which are of particular concern for Novato’s aging population. In response, the City emphasizes cool paving, shade trees, and building design that mitigates heat, as well as continued wildfire-safety measures in the wildland-urban interface.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

## DETERMINATIONS

### *Service Review Determinations per Government Code Section 56430*

As set forth in Section 56430(a) of the CKH Act, “In order to prepare and to update the SOI in accordance with Section 56425, the Commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the Commission. The Commission shall include in the area designated for a service review the county, the region, the sub-region, or any other geographic area as is appropriate for analysis of the service or services to be reviewed and shall prepare a written statement of its determinations with respect to each of the following.” Pursuant to Government Code Section 56430, the requisite CKH determinations for this municipal service review for the Novato Sanitary District are presented below:

#### **1) Growth and population projections for the affected area**

- a.** The City of Novato is home to an estimated 51,690 residents as of 2025, according to the California Department of Finance. Between 2010 and 2025, the City experienced a total estimated population decrease of approximately 0.4%, representing an annual average decline of -0.03%. This trend is consistent with broader regional and statewide population dynamics, including the County of Marin's concurrent modest decline from a 2020 peak of 261,306 to approximately 252,074 in 2025. Contributing factors include an aging population, declining birth rates, the ongoing impacts of COVID-19, high costs of living, and increasing domestic out-migration to lower-cost regions.
- b.** The California Department of Finance Growth Forecast projects a total population decline of approximately 2.7% over the next 20 years, with the population expected to reach approximately 50,465 by 2035 (at -0.24% per year) and 50,480 by 2045 (at -0.12% per year). These projections suggest a modest, long-term decline that broadly mirrors the anticipated trajectory for Marin County as a whole. Novato has 21,756 total housing units (16,309 single-family, 4,931 multi-family, and 516 mobile homes) at a density of 1,846 persons per square mile—substantially above the countywide average of 490 persons per square mile.
- c.** Notwithstanding declining population projections, the City faces a state-mandated RHNA allocation of 2,090 housing units for the 2023–2031 planning cycle. The City's 6th Cycle Housing Element, adopted on May 7, 2024, identifies housing capacity across four sources: projected accessory dwelling units (118 units), 15 entitled and proposed pipeline projects (2,459 units), a vacant sites inventory (8 units), and two rezone sites (42 units), yielding a total housing capacity of 2,627 units and a surplus of 537 units above the RHNA requirement. The four most significant pipeline projects are the Fireman's Fund campus redevelopment (1,300 units), three Downtown AMG projects utilizing SB 35 (492 units collectively), the Homeward Bound project (50 units completed in 2025), and the Habitat for

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Humanity project (80 units of 100%-deed-restricted affordable housing). The City exceeds its RHNA across all income categories: lower-income by +61 units, moderate-income by +35 units, and above-moderate by +448 units.

**d.** Despite the RHNA pipeline, it is critical to note that all housing capacity identified in the Housing Element lies within the City's current jurisdictional boundary. The City's voter-approved Urban Growth Boundary (UGB), first enacted in 1997 and extended through at least 2042, restricts urban development from expanding beyond the current city limits into surrounding rural and natural areas. All future development is therefore concentrated within the existing urbanized footprint. The large proportion of Planned District (PD) zoning—covering 49% of the City's jurisdictional lands, approximately 7,878 acres—provides the legal flexibility needed to guide complex infill development on former military, large-parcel, and underutilized commercial sites within this boundary.

**e.** Marin LAFCo determines that the City of Novato is projected to experience modest, long-term population decline consistent with broader Marin County and statewide demographic trends, while simultaneously managing a substantial near-term housing production mandate under state law. These dynamics are not mutually exclusive: population may decline even as new units are added through household formation changes, replacement of substandard units, and satisfaction of pent-up demand. The City's infrastructure and service systems must plan for Housing Element build-out capacity while accounting for the probability that per-capita service demand will remain stable or modestly decline over the 20-year planning horizon. No service expansion beyond existing city limits is warranted or anticipated given the UGB.

## **2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence**

**a.** Pursuant to Government Code Section 56033.5, disadvantaged unincorporated communities (DUCs) are inhabited territories containing 12 or more registered voters where the annual median household income (MHI) is less than 80 percent of the statewide annual MHI. According to the California Department of Housing and Community Development, the statewide MHI in California in 2025 is \$118,100, establishing the DUC threshold at \$94,480.

**b.** The City of Novato has a median household income of \$112,193. The unincorporated communities within or contiguous to the City's SOI—including Black Point, Green Point, Bel Marin Keys, Loma Verde, and Indian Valley—are each characterized by rural-residential, low-density, or single-family land uses with household incomes above the DUC threshold. No inhabited unincorporated territory within or contiguous to the City's SOI has been identified as meeting the SB 244 definition of a disadvantaged unincorporated community.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

c. Marin LAFCo determines that there are no recognized disadvantaged unincorporated communities within or contiguous to the sphere of influence of the City of Novato at this time. This finding is consistent with the demographic and land use profiles of the surrounding unincorporated communities. The Commission will monitor this determination in future study cycles as conditions change.

### 3) Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies

a. The Novato Police Department (NPD), headquartered at 909 Machin Avenue, is the sole public safety agency operated by the City and consistently represents approximately 40% of the total City workforce. The department maintains 61 authorized FTE sworn officer positions as of FY 2025 (down from a stable 62 from FY 2019 through FY 2024) and 17 FTE civilian staff, for a total departmental headcount of 78 FTE. The department operates from a single police station and maintains a fleet of 20 patrol units, organized into divisions covering patrol operations, criminal investigations, traffic, records management, communications and dispatch, professional standards, K-9, and the Novato Response Team.

Public safety performance indicators over the study window reflect a generally improving trend. Calls for service declined from a peak of 36,219 in FY 2022 to 31,213 in FY 2024—a 33% decline from the FY 2018 peak. Part 1 crimes reached a 13-year low of 825 in FY 2024, representing a 37% decline from the FY 2017 level of 1,311. Physical arrests moderated to 1,277 in FY 2024 following a pandemic-era low of 995 and a recovery to 1,385 in FY 2023. General Fund police expenditures grew by 8.4% from FY 2022 to FY 2024, rising from \$16.9 million to \$18.3 million, and are budgeted at \$21.3 million for FY 2025-26.

The most significant departmental service delivery initiative in the study window was the launch of the Specialized Assistance for Everyone (SAFE) Team in November 2024, a unanimous Council-approved five-year pilot program in partnership with the Petaluma People Services Center (PPSC). Operational since April 1, 2025, the SAFE Team deploys civilian Crisis Counselors and EMTs to respond to calls involving mental health crises, substance abuse, homelessness, welfare checks, and conflict resolution—Tuesday through Saturday, 8 a.m. to 8 p.m., at a first-year cost of \$548,713. Municipalities utilizing this model statewide have reported approximately a 10% decrease in police calls for service, which would translate into meaningful sworn officer workload reduction and cost efficiency for the NPD over the pilot period.

b. The Public Works Department manages the planning, environmental documentation, design, construction, maintenance, and operations of all City rights-of-way, properties, and facilities through three divisions: Administration, Maintenance, and Engineering. The department employed 47 FTE as of November 2025 with a FY 2025 operating budget of

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

\$12.7 million—a 27% increase over the study window from \$7.19 million in FY 2021, driven in part by Measure M allocations for weed abatement and street maintenance augmentation in FY 2025. The City maintains 152 miles of streets and approximately 4,500 street lights.

Net infrastructure assets (streets, storm drains, bridges) were valued at \$88.6 million as of June 30, 2025, up from \$83.75 million the prior year—reflecting the first sustained period of capital additions outpacing depreciation since FY 2021. The department stewards approximately 94% of the City's depreciable assets and commands over 90% of the City's depreciation charges, overseeing a capital portfolio valued at approximately \$261 million. Between FY 2021 and FY 2022, the City under-invested relative to depreciation by a combined \$5.2 million, primarily as a consequence of pandemic-era budget reductions; resumption of the Capital Improvement Program (CIP) beginning in FY 2023, including the \$5.76 million corporation yard land acquisition, has restored the positive capital investment trajectory.

Public Works also administers five landscape assessment districts (San Marin, Country Club, Wildwood Glen, Hillside, and Scottsdale), two Community Facilities Districts (Hamilton CFD and Pointe Marin CFD), and downtown and San Pablo lighting/landscaping districts, each with its own revenue stream and maintenance obligation that must be coordinated alongside the core CIP work. The Hamilton CFD generated \$398,000 in FY 2025 revenue with \$405,000 in expenditures; Pointe Marin CFD generated \$303,000; and the combined landscape assessment districts generate approximately \$120,000–\$150,000 annually.

c. The Parks, Recreation, and Community Services (PRCS) Department manages 40 City parks encompassing 580 acres, one senior center, one aquatic facility, four tennis courts, three baseball/softball diamonds, nine soccer fields, six pickleball courts, six bocce ball courts, and one lacrosse field. PRCS staffing declined sharply from 22.7 FTE in FY 2021 to 15.2 FTE in FY 2022 due to pandemic-era position eliminations, and has recovered to 18.5 FTE in FY 2024 and FY 2025. Culture and Recreation expenses were \$2.65 million in FY 2025, with charges for services totaling \$2.49 million—yielding a net General Fund cost of only \$164,079, making PRCS the lowest net fiscal burden of any governmental function in the City.

The department's capital planning framework was advanced by the City's adoption on April 9, 2024 of its first-ever comprehensive Parks Master Plan, developed by Berry Dunn consultants over 14 months with a \$250,000 budget allocation, intended to guide parks planning and recreation development over the next 10 years. The Parks Measure A fund (approved by Marin County voters in June 2022 for a nine-year period) provides supplemental dedicated funding for parks improvements, generating \$538,630 in FY 2025.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

d. Marin LAFCo determines that the City of Novato has the present organizational capacity and staffing to provide its authorized municipal services throughout the jurisdictional boundary. Positive trends are evident in public safety performance, infrastructure reinvestment, and parks planning. The principal areas of infrastructure concern are deferred street maintenance and aging public facilities accumulated during the pandemic-era budget contraction; Measure M is specifically and deliberately targeted at reversing these deficiencies, and the reinvestment trajectory as of FY 2023–2025 is moving in the correct direction. The SAFE Team pilot represents an innovative and fiscally sound approach to improving community response capacity without additional sworn officer costs, and should be closely monitored for effectiveness. The City’s documented difficulties in staff recruitment and retention across departments remain a concern moving forward and should be monitored closely due to the possible impact on service delivery.

#### 4) Financial ability of agencies to provide services

a. The City of Novato is required to undergo an annual financial audit published in an Annual Comprehensive Financial Report (ACFR). Over the course of the study window, the City experienced a significant audit backlog—at one point falling three fiscal years behind in ACFR completion, requiring the City to complete two audits per year over the past three years to return to compliance. At its meeting on January 27, 2026, the City Council approved the FY 2025 audit, bringing the City fully back into compliance. Auditors found no material weaknesses, and the most recent audit opinion states that the financial statements "are fairly stated, in all material respects, in relation to the basic financial statements as a whole." City staff have developed more detailed processes and systems to prevent a future recurrence of the audit backlog. This Commission notes the prior audit backlog as a transparency concern and commends the City on its full remediation.

b. Total General Fund revenues grew from \$47.2 million in FY 2021 to \$54.4 million in FY 2025, a cumulative increase of approximately 15.4%. Tax revenues (including property tax, sales and use tax, real property transfer tax, hotel taxes, gas taxes, business license taxes, and franchise fees) constitute approximately 73% of General Fund revenues, supplemented by charges for services as the second-largest category. The City relies more heavily on sales tax and property tax revenues relative to the mix of all tax types collected than the majority of other California municipalities. The City received approximately \$1,053 in General Fund revenue per capita in FY 2024-25.

c. The City has faced persistent structural budget deficits for much of the past decade, rooted in a low property tax revenue allocation (resulting from the City's relatively recent incorporation and limited redevelopment history), escalating pension costs, and the expiration of key sales tax measures. From FY 2021 through FY 2025, the City relied heavily on one-time funding mechanisms—including American Rescue Plan Act dollars and property

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

sales—to bridge operating gaps while deferring infrastructure maintenance and reducing total City staffing by over 30 positions. While the General Fund averaged approximately \$2.56 million in surplus revenues over expenditures during the study window, FY 2022-23 produced a deficit of \$1,847,715 driven by intentional use of one-time and restricted General Fund resources for capital spending.

**d.** The passage of Measure M in November 2024—a 0.75% sales tax increase approved by 58% of voters, projected to generate approximately \$10.3 million annually—represents the most significant structural fiscal improvement in the City's recent history. Measure M became effective April 1, 2025. The City received \$2.3 million in FY 2024-25 (against a \$2.6 million mid-year forecast), with the first payment allocated to the Insurance Reserve, Emergency Disaster Response Reserve, and Public Works deferred maintenance. For FY 2025-26, the City combined \$52.43 million in baseline General Fund revenues with \$5.28 million in Measure M allocations to produce the first structurally balanced General Fund budget in over five years. Marin LAFCo notes, however, that City staff is monitoring lower-than-anticipated Measure M revenues, which introduces near-term execution risk to the balanced budget projection.

**e.** The City participates in CalPERS through both a Miscellaneous Plan (non-safety employees) and a Safety Plan (police officers). As of June 30, 2025, the City carried a combined net pension liability of \$66,254,478. The Miscellaneous Plan funded ratio is 76.9% and the Safety Plan funded ratio is 78.08%—both above the 72.3% average funded ratio for California cities participating in public pension systems as of June 30, 2023. Public safety pension contributions consume approximately 53.9% of current public safety payroll costs, which is a disproportionately high share that is a primary driver of the City's structural fiscal challenges. The City issued Pension Obligation Bonds (Series A-1 and A-2, maturing 2035) with an outstanding balance of \$15.1 million as of June 30, 2025, to prepay a portion of the CalPERS unfunded liability.

The City's OPEB plan is administered under an Agent Multiple-Employer Defined Benefit Plan, with benefits payable upon receiving a retirement benefit from the Marin County Employees' Retirement Association. As of June 30, 2025, the plan covers 198 active members, 73 retirees currently receiving benefits, and 125 inactive members entitled to future benefits. The net OPEB liability is \$469,594 with a funded ratio of 89%. This is a well-managed and near-fully-funded position.

**f.** The City's total debt ratio is 24.3% as of June 30, 2025 (total long-term liabilities of \$99,491,382 divided by total assets of \$409,714,124), stable throughout the study window between 24% and 26%. The current liquidity-focused debt ratio (current assets to current liabilities) is 9.1%. The City's debt service as a percentage of total operating revenues in FY 2024-25 was 3.7%—well within the GFOA-recommended ceiling of 7-10% and consistent

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

with the state average ratio of 3.71% in FY 2022-23. Long-term governmental debt declined 20.7% over the study window, from approximately \$3.5 million in annual debt service to \$2.7 million.

**g.** Marin LAFCo determines that the City of Novato possesses the fiscal resources necessary to maintain its current service levels and move toward structural budget sustainability, but does so with meaningful fiscal constraints and risks that distinguish its position from the other agencies in this study. The City's fiscal profile is characterized by a structural revenue deficiency (now being addressed by Measure M), significant pension obligations (particularly for public safety), a completed audit backlog remediation, and meaningful reserve balances. The passage of Measure M represents a voter mandate to sustain and improve services and is the decisive fiscal inflection point for the City's near-term and medium-term financial trajectory. The Commission will monitor the City's continued progress toward structural balance and audit timeliness in future MSR cycles.

#### **5) Status of and, opportunities for, shared facilities.**

**a.** The City of Novato maintains numerous contracts and memoranda of understanding (MOUs) with surrounding agencies. At this time, there are no agreements that would meet the standard of an outside service agreement under Government Code Sections 56133 and 56134 requiring LAFCo approval.

**b.** The most significant shared service structure for the City is its array of partner agencies that provide essential municipal services within the City's jurisdiction. Fire protection and emergency medical services are provided by the Novato Fire Protection District (NFPD)—a separate special district analyzed in this Novato Area Study. Wastewater collection, treatment, and solid waste collection are provided by the Novato Sanitary District (NSD), also analyzed in this Study. Potable water is provided by the North Marin Water District. Animal control is provided under contract by the Marin Humane Society. Library services are provided by the County of Marin. This service delivery architecture—in which the City directly provides land use, public safety, parks, and public works functions while partner agencies handle utilities and specialized services—reflects the established multi-agency governance framework characteristic of the Novato area.

**c.** The City has had difficulties in staffing, particularly retention of staff, in areas such as administrative support. Given the interwoven nature of the service delivery between multiple agencies throughout the City, Marin LAFCo would encourage the City to explore the possibility of shared services agreements between the City and other local agencies such as NFPD, NSD, and the North Marin Water District (NMWD), in an effort to ensure staffing needs continue to be met, while simultaneously minimizing the costs that additional full-time/benefitted positions would incur for a single agency.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

d. Marin LAFCo determines that the City of Novato's service delivery model is appropriately structured to leverage partner agencies for utility and specialized services while retaining direct City operation of core municipal functions. The multi-agency service framework within the Novato area is well-established and functioning efficiently. No additional opportunities for facility sharing or service consolidation have been identified that would materially enhance service delivery efficiency beyond the existing structure at this time.

#### 6) Accountability for community service needs, including governmental structure and operational efficiencies

a. The City of Novato operates under a council-manager form of government. The five-member City Council is elected through a district-based system established by Ordinance 1650 in 2019, transitioning the City from at-large elections. Councilmembers must reside in and are elected exclusively by the registered voters of their district, serving staggered four-year terms. Elections for Districts 1 and 3 are next held in 2028; Districts 2, 4, and 5 are up in 2026. The Mayor and Mayor Pro-Tem are selected annually by the Council members. The current Council consists of Mayor Rachel Farac (District 2), Mayor Pro-Tem Kevin Jacobs (District 1), and Councilmembers Pat Eklund (District 4), Tim O'Connor (District 3), and Sandeep Karkal (District 5).

b. The City Manager is appointed by the Council as an at-will employee responsible for day-to-day operations. The current City Manager is Amy Cunningham. The City is organized into departments, including Community Development, Administrative Services, Central Administration, Public Works, Police, and Parks/Recreation/Community Services, with two Assistant City Managers overseeing branches, including Economic Development, Human Resources, Sustainability, Information Technology, and Homelessness response. As of November 2025, the City employed 203.58 FTE, a figure that reflects a significant recovery from the pandemic-era workforce reduction of over 30 positions.

c. The City enlists residents through a number of commissions and citizen advisory committees—including the Design Review Commission, Economic Development Advisory Commission, Finance Advisory Commission, and Planning Commission—which provide formalized channels for community input on policy and development decisions. The City broadcasts City Council meetings live on its website and on Comcast Channel 27 (rebroadcast Thursdays at 10:00 a.m.) and maintains active social media engagement on Facebook, Instagram, X (formerly Twitter), and Nextdoor. The City's website is translatable into multiple languages, broadening public access to City information for non-English-speaking residents

d. The City is in compliance with Senate Bill 272 (enterprise system catalog), Senate Bill 929 (special district website requirements—though not directly applicable to cities, the City has voluntarily achieved compliance), and Assembly Bill 1637 (local government electronic

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

notification). All Form 700 financial disclosures are current for all required participants. All required officials hold current certifications for Assembly Bill 1234 (ethics training) and Assembly Bill 1661 (sexual harassment prevention training). The City has been made aware of the SB 827 fiscal training requirement with a compliance deadline of January 1, 2028.

e. Marin LAFCo determines that the City of Novato has a well-structured, accessible, and accountable governance framework appropriate for Marin County's second-largest city. The transition to district-based elections in 2019 has strengthened geographic representation. Accountability mechanisms—including citizen commissions, live broadcast of Council meetings, multi-language web accessibility, SB 272 and SB 929 compliance, and current ethics certifications—collectively reflect a strong commitment to transparency and community engagement. The Commission notes that the recent audit backlog remediation, now complete, is an important accountability improvement that must be sustained going forward.

#### 7) Any other matter related to effective or efficient service delivery

a. The City's Urban Growth Boundary (UGB), first enacted in 1997 and extended through 2042, is a foundational policy instrument that shapes every dimension of the City's service delivery planning, capital investment strategy, and governance. By confining all development within existing city limits, the UGB both protects surrounding open space, agricultural, and baylands areas and focuses all Housing Element build-out on infill sites that can be served by existing infrastructure systems. From a service delivery perspective, this means the City does not face the financially challenging scenario of extending costly new infrastructure into undeveloped areas; instead, the primary capital challenge is maintaining and upgrading aging infrastructure within the existing footprint.

b. The prevalence of Planned District (PD) zoning—covering 49% of the jurisdictional land area, or approximately 7,878 acres—creates both opportunity and friction for housing production. While PD zoning has historically enabled the City to negotiate higher densities, affordable housing requirements, and tailored development standards (as evidenced by the successful Hamilton Army Airfield conversion that added over 2,100 homes to Novato), the entitlement process under PD zoning typically requires 9–18 months—significantly longer than the 60–90 days for projects under conventional zoning. The City is actively pursuing Housing Element Program 3.I to amend the Zoning Ordinance and allow PD-zoned parcels to alternatively utilize the development standards of their closest matching base zoning district, which would reduce processing bottlenecks and accelerate housing delivery on RHNA-identified sites. Implementation of this reform has direct implications for the City's ability to meet its 6th Cycle RHNA commitments.

c. Marin LAFCo determines that there are no additional governance or service delivery matters that would require Commission action at this time beyond the SOI amendments

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

addressed in Part II of these determinations and those addressed in the preceding determinations.

#### *Sphere of Influence Determinations per Government Code Section 56425*

In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development of local governmental agencies to advantageously provide for the present and future needs of the county and its communities, the Commission shall develop and determine the sphere of influence of each local agency, as defined by Government Code section 56036, and enact policies designed to promote the logical and orderly development of areas within the sphere. In determining the sphere of influence of each local agency, the Commission shall consider and prepare a written statement of its determinations with respect to the following:

#### **1) Present and planned land uses in the area, including agricultural and open space lands**

- a.** Land use within the City of Novato is guided by General Plan 2035, which emphasizes managed growth, protection of environmental and open space resources, and preservation of Novato's small-town character while accommodating needed housing, jobs, and transportation improvements. The dominant land use designation is Planned District (PD) at 49.05% of jurisdictional land area (7,878 acres), followed by Open Space and Restricted Open Space combined at approximately 24.45% (3,923 acres), Low Density Residential in its various subcategories at approximately 13.5%, and Community Facilities at 4.13%. Open Space/Parkland/Conservation designations collectively account for approximately 27.2% (4,372 acres) of the City's land, reflecting a strong commitment to natural lands preservation within the urban boundary.
- b.** The City's current SOI is primarily coterminous with its jurisdictional boundary, with the addition of four unincorporated areas: Loma Verde, Vineyard Road, North St. Vincent's, and Atherton Avenue/Rush Creek. The unincorporated communities of Loma Verde and Indian Valley are characterized by single-family residential uses. Loma Verde is completely surrounded by the City and within the City's SOI; Indian Valley comprises approximately 630 acres of low-density single-family housing with parcel sizes ranging from 1 to nearly 45 acres, plus equestrian, orchard, and livestock uses. Black Point and Green Point are rural-residential communities at the Marin/Sonoma County line, bounded by San Pablo Bay, the Petaluma River, and the City's northeast jurisdictional limits, and are characterized by Agricultural Limited and Open Area zoning and a stated community preference for preserving their rural, non-urban character.
- c.** The City's voter-approved Urban Growth Boundary, coterminous with the City's jurisdictional boundary and in effect through at least 2042, is the controlling land use policy

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

instrument that defines the probable physical boundary of the City's future service area. Under the CKH Act, the SOI is the legal and planning expression of where a city is expected to grow and deliver services. Where a city has adopted an urban growth boundary restricting expansion beyond the existing city limit, the probable future boundary and service area defaults to the existing city boundary itself. A SOI that extends beyond the UGB would be inconsistent with state law's definition of a sphere, with Marin LAFCo's policy recognizing UGBs, and with the City's own voter-enacted growth limits.

**d.** Marin LAFCo determines that present and planned land uses within and contiguous to the City's current sphere of influence support the amendment of the City's SOI to be coterminous with the City's jurisdictional boundary and UGB. The planned land uses within the current non-coterminous portions of the SOI (Loma Verde, Vineyard Road, North St. Vincent's, and Atherton Avenue/Rush Creek) are not scheduled for annexation into the City, the communities themselves have expressed opposition to annexation, and the UGB prevents any expansion-based annexation without a separate voter-approved UGB amendment. Retaining these areas in the SOI would be inconsistent with the legal and policy framework governing SOI determinations for cities with in-place urban growth boundaries.

#### **2) Present and probable need for public facilities and services in the area**

**a.** The City of Novato directly provides law enforcement, building and planning, code enforcement, parks and recreation, landscape maintenance, streets and road maintenance, and stormwater drainage services to its 51,690 residents within the 28-square-mile jurisdictional boundary. The present need for these services is continuous, essential, and appropriately met by the City's existing organizational structure and departmental resources.

**b.** Within the current SOI areas beyond the City's jurisdictional boundary—Loma Verde, Vineyard Road, North St. Vincent's, and Atherton Avenue/Rush Creek—residents currently receive City services on a de facto basis (particularly emergency response) without formal service agreements or the benefit of City fiscal resources derived from those areas. However, none of these communities have expressed a desire for annexation, and no formal annexation proceedings are pending or anticipated. The probable need for extended City services in these areas is therefore based on a continuation of the existing informal first-responder role rather than any planned annexation.

**c.** The City's RHNA pipeline projects 2,627 units of new housing capacity within the existing city limits, all of which will be served by the City's existing infrastructure and service systems. No new territory outside the current city limits is required to accommodate the Housing Element build-out. The public facilities and services needed to support RHNA

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

development are extensions or upgrades of existing systems within the established urban boundary.

d. Marin LAFCo determines that there is a stable and ongoing present need for the City of Novato's public facilities and services throughout the jurisdictional boundary, and that the probable future need for City services does not extend beyond the UGB. The City's RHNA capacity exceeds its state-mandated allocation by 537 units within the existing boundary, confirming that all foreseeable service demand growth can be accommodated within the current jurisdictional footprint.

#### **3) Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**

a. As established in MSR Determination 3, the City's police, public works, and parks and recreation services are adequately staffed and resourced at present levels, with clear improvement trajectories driven by Measure M funding, SAFE Team deployment, and the Parks Master Plan. Police staffing remains stable at 78 FTE, infrastructure reinvestment has returned to a positive trajectory (net infrastructure assets grew from \$83.75M to \$88.6M in FY 2025), and the PRCS Department operates at near-full cost recovery with a net General Fund cost of only \$164,079 in FY 2025.

b. The City's primary infrastructure adequacy concern is deferred maintenance of roads, storm drains, and public facilities accumulated during the pandemic-era budget reductions of FY 2021 and FY 2022, when the City under-invested relative to depreciation by a combined \$5.2 million. The Public Works department's return to a positive capital investment trajectory beginning in FY 2023, augmented by Measure M-funded weed abatement and street maintenance in FY 2025, represents the appropriate and necessary corrective action. Full quantification of the remaining deferred maintenance backlog and a dedicated remediation schedule would further strengthen the City's capital planning framework.

c. Marin LAFCo determines that the City of Novato has sufficient present capacity to provide its authorized services throughout the jurisdictional boundary. Deferred maintenance accumulated during the pandemic-era budget contraction represents the primary known infrastructure adequacy concern, and the City's capital investment trajectory as of FY 2025 is moving in the correct direction. The Commission will monitor continued progress in reducing the deferred maintenance backlog, particularly for streets, in future MSR evaluations.

#### **4) Existence of any social or economic communities of interest in the area, if the Commission determines that they are relevant to the agency.**

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

a. A community of interest (COI) is a geographically contiguous population that shares common social, cultural, economic, or historical interests relevant to public policy and fair political representation. Within and contiguous to the sphere of influence of the City of Novato, Marin LAFCo has identified several unincorporated communities that constitute social and/or economic communities of interest. These communities are classified as unincorporated islands—areas substantially surrounded by the City that in many cases can only be accessed via the City's streets—creating governance and service delivery conditions that are directly relevant to this SOI determination

b. The identified communities of interest are:

**Loma Verde:** A primarily single-family residential neighborhood completely surrounded by the City and within the City's SOI, also within the boundaries of Marin County Service Area 1. Residents have previously expressed opposition to annexation into the City. The area has no official neighborhood group.

**Indian Valley:** Comprising approximately 630 acres of low-density residential uses with parcel sizes ranging from 1 to nearly 45 acres, plus equestrian, agricultural, and open space uses. The Indian Valley Association has previously expressed opposition to annexation.

**Black Point:** A rural-residential community at the Marin/Sonoma County line, within the Novato Sanitary District SOI but not receiving NSD wastewater service, relying instead on on-site wastewater treatment systems. The Black Point Improvement Club has previously expressed opposition to annexation.

**Green Point:** Adjacent to Black Point, with large residential lots interspersed with agriculture and open space, historically retaining a rural character without urban services or amenities. Represented in part by the Black Point Improvement Club, which has previously expressed opposition to annexation.

**Bel Marin Keys:** Located in the southeast Novato region between Highways 37 and 101, covering approximately one square mile with an estimated 700 housing units, primarily served by the Bel Marin Keys Community Services District (BMKCSD). Excluded from the City's SOI by Marin LAFCo since 1982, the BMKCSD Board of Directors has previously informed Marin LAFCo that the community does not wish to be annexed into the City.

c. Marin LAFCo's Unincorporated Island policy encourages annexation of islands to cities where supported by the island community, to reduce governance inefficiencies and provide more orderly local government boundaries. However, Marin LAFCo will not

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

proceed with an island annexation where the affected community has voiced opposition. All five communities identified above have expressed such opposition.

- d. Additionally, any annexation of areas outside the UGB would require a City voter-approved UGB amendment—a prerequisite that effectively forecloses annexation of Black Point, Green Point, and any other areas external to the jurisdictional boundary absent a separate public vote.
- e. Marin LAFCo determines that the unincorporated communities of Loma Verde, Indian Valley, Black Point, Green Point, and Bel Marin Keys constitute social and/or economic communities of interest within or contiguous to the City of Novato's SOI. These communities are relevant to the SOI determination because their residents interact daily with City infrastructure, depend on City emergency response as de facto first responders, and maintain distinct community identities. However, as all communities have, at one point or another, expressed opposition to annexation, and the UGB restricts expansion beyond the current city limits through 2042, no annexation proceedings are appropriate at this time. The Commission affirms its Unincorporated Island policy and will continue to facilitate dialogue with these communities as part of future MSR and SOI reviews.

#### **5) Present and probable need for public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

- a. Marin LAFCo determines that there are no disadvantaged unincorporated communities within or contiguous to the City of Novato's sphere of influence with present or probable unmet needs for public facilities or services at this time. The Commission will revisit this determination in future MSR cycles as demographic conditions evolve.

## NOVATO AREA

## MSR &amp; SPHERE OF INFLUENCE STUDY

## NOVATO SANITARY DISTRICT

## AGENCY AT A GLANCE

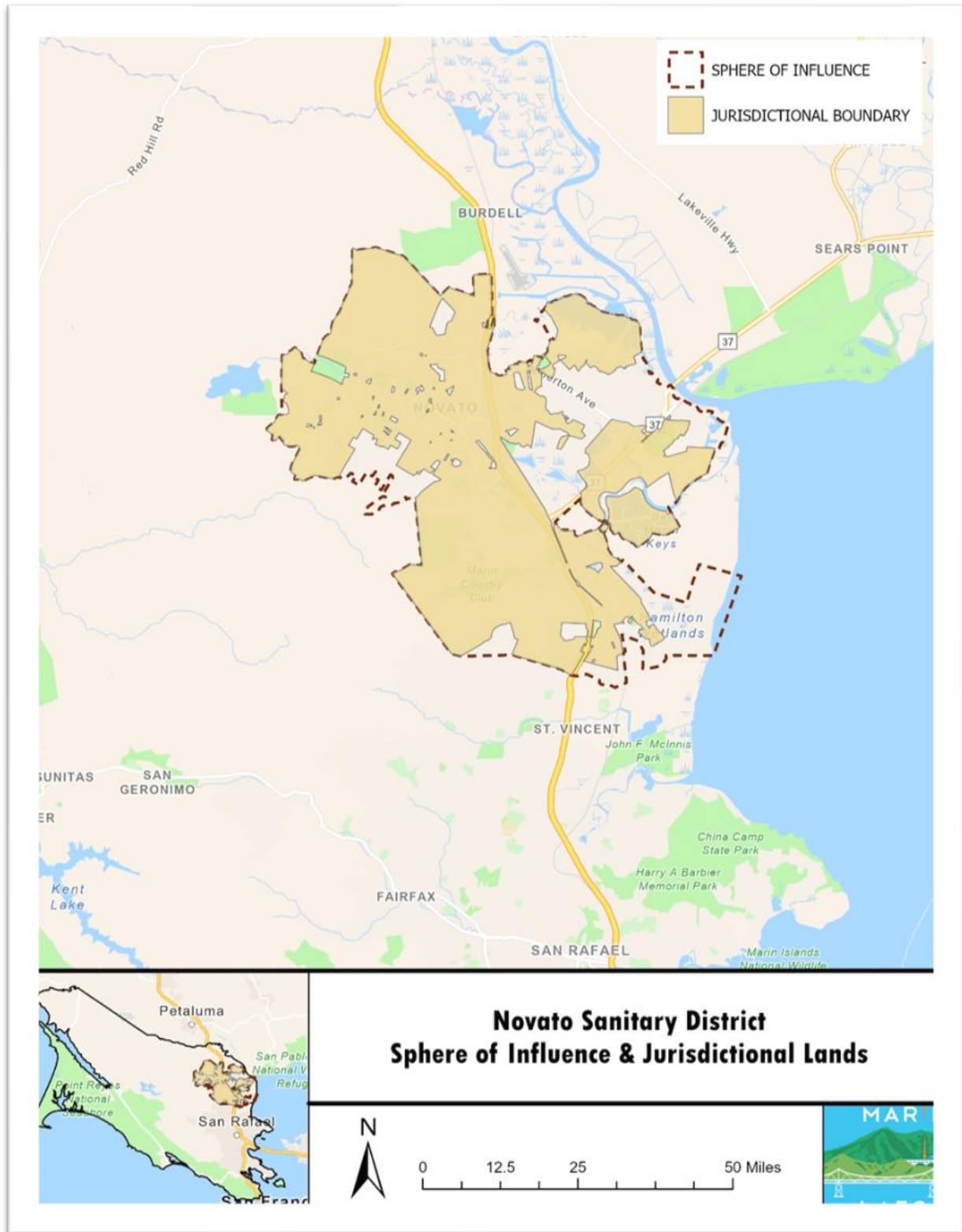
<b>Agency Name</b>	Novato Sanitary District
<b>Formation Date</b>	October 1925
<b>Administrative Office Location</b>	500 Davidson Street, Novato, CA
<b>Website</b>	novatosan.com
<b>General Manager-Chief Engineer</b>	Sandeep Karkal
<b>Employees</b>	23.35 FTE
<b>Public Meetings</b>	The Novato Sanitary District Board of Directors meets on the 2 <sup>nd</sup> Monday of each month at 5:30 p.m., with special meetings scheduled on an as-needed basis.
<b>Governing Body</b>	Five-member Board of Directors; each elected to a four-year term
<b>Municipal Services Provided</b>	Wastewater Collection, Wastewater Treatment, Recycled Water, Solid Waste Collection
<b>Jurisdictional Area Size</b>	31 Square Miles
<b>Population Estimate</b>	55,690 <sup>29</sup>

<sup>29</sup> Estimate based upon American Community Survey 5-year estimates, released January 29, 2026, from census tracts that comprise the District's jurisdictional lands, which include parts or all of U.S. Census Tracts 1011, 1012, 1021, 1022.02, 1022.03, 1031, 1032, 1041.02, 1041.03, 1041.04, 1042, 1043, 1050.01, and 1050.02.

# NOVATO AREA

## MSR & SPHERE OF INFLUENCE STUDY

Figure 5 Novato Sanitary District Sphere of Influence & Jurisdictional Lands



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

## Agency Profile – Novato Sanitary District

The Novato Sanitary District (NSD) is located in the north-eastern area of Marin County, along the northern Highway 101 corridor. The majority of the district’s jurisdictional lands and sphere of influence are situated within Marin County Supervisor District 5, with parts of the western area residing in Marin County Supervisor District 4. The district’s boundary encompasses the majority of the City of Novato, as well as the unincorporated neighborhoods of Loma Verde, Bel Marin Keys, and much of the areas of Atherton Avenue, Center Road, and Vineyard Road. NSD is home to an estimated 55,690 residents. The district was originally formed in October of 1925 as the Marin County Sanitary District No. 6, under the California Sanitary District Act of 1923 (now codified in the Health and Safety Code sections 6400 et seq.). Residents voted to create the district that year to address public-health and sanitation issues in the Novato area, making it one of the earliest organized wastewater-management entities in the region.

Novato Sanitary District’s jurisdictional boundary encompasses approximately 20,006 acres (31 square miles), and the district’s sphere of influence (SOI) is just under 10% larger at just under 22,000 acres. The SOI includes the non-jurisdictional lands that comprise the unincorporated communities of Indian Valley, Black Point, and Green Point. NSD’s sphere of influence was originally established by Marin LAFCo in 1982 and was most recently amended in 2020<sup>30</sup>.

The Table below presents a demographic and land-use profile of NSD compared to Marin County as a whole.

*Table 7 Demographic and Land Use Profile of NSD Compared to Marin County*

	NSD	Marin County
Population as of 2010	55,904	252,409
Population as of 2026	55,690	254,550
Annual Pop. Growth Since 2010	-0.3%	0.056%
Total Housing Units	22,385	113,062
Persons Per Housing Unit	2.48	2.25
Land Area (Square Miles)	31	520
Single-Family Units	17,204	80,639
Multi-Family Units	4,719	30,532
Mobile Homes	462	1,891
Persons Per Square Mile	1,796	490
Median Household Income	\$115,736	\$142,785

<sup>30</sup> Marin LAFCo Resolution No. 20-12



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

## CURRENT AND PROPOSED SPHERE OF INFLUENCE

Novato Sanitary District's sphere of influence (SOI) currently includes all of the lands within its jurisdictional boundary as well as the unincorporated neighborhoods of Green Point, Black Point, Indian Valley, and the area surrounding the U.S. Coast Guard facility. The SOI was originally established by Marin LAFCo in 1982 and was most recently updated in 2020<sup>31</sup> to amend the exclusion of the district's jurisdictional lands in the Little Mountain area. At this time, staff for the district have not provided any identified areas that they desire to add to the SOI; therefore, no areas specifically requested by the district are being studied for possible inclusion into the NSD SOI. Marin LAFCo staff, in the course of this study, identified an area along the southern portion of the district's SOI that overlaps the jurisdictional lands of the Las Gallinas Valley Sanitary District. Staff recommends that the SOI be amended to remove this area. Staff also recommends amending the current sphere to include two parcels that are currently outside of the district's SOI and jurisdiction, but are contiguous to both. Assessor parcel numbers 125-180-85 and 125-180-79 have been identified in the Marin County Housing Element as a potential Regional Housing Needs Allocation (RHNA) development site. The two parcels, totaling approximately 233.8 acres, have been designated for a potential 249 above moderate income units that, if developed, would require wastewater services from the district.

## EXTRATERRITORIAL SERVICES

Government Code Sections 56133 and 56134 set forth LAFCo's out-of-agency services oversight role. While the district has several agreements and MOUs (memorandum of understanding) with other agencies, at this time, the district has no standing contracts specifically for service provisions outside of its current boundaries.

## GOVERNANCE AND STAFFING

The Novato Sanitary District is governed by a five-member Board of Directors by way of a district-based election system that divides the district into five geographic regions. Members of the board must be residents as well as registered voters of the region of the district that they are running to represent, and are elected to four-year terms. The NSD board members receive \$225 compensation per meeting for their service. Members are also eligible for reimbursement of up to a maximum of \$200 per month for healthcare plan premiums (though not provided through the district's employee health insurance program), and are also eligible for coverage under the district's group Delta Dental plan. The Board acts collectively to establish policies, provide oversight, and set a vision for the district. Regular meetings are typically held at 5:30 p.m. on the second Monday of each month at the district's headquarters at 500 Davidson Street, Novato.

<sup>31</sup> Marin LAFCo Resolution No. 20-12



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Table 8 Novato Sanitary District Board Members

Novato Sanitary District Board Members		
President	Jerry Peters – District 4	Term Exp. – December 2028
Director	Jean Mariani – District 1	Term Exp. – December 2028
Vice President	Dennis Bentley – District 2	Term Exp. – December 2026
Secretary	Tim Fvette – District 3	Term Exp. – December 2028
Director	Carole Dillon-Knutson – District 5	Term Exp. – December 2026

The Board of Directors appoints a General Manager to serve as the administrative head of the district, responsible for the day-to-day operations. The district has 23.35 FTE employees.

### ACCOUNTABILITY

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. SB 929 identifies a number of components that must be found within an agency’s website. Additionally, the Special District Leadership Foundation (SDLF), an independent, non-profit organization formed to promote good governance and best practices among California’s special districts, has also outlined recommended website elements as part of its District Transparency Certificate of Excellence. This program was created in an effort to promote transparency in the operations and governance of special districts to the public and to provide special districts with an opportunity to showcase their efforts in transparency. Based on SB 929’s criteria and the recommendations set by the SDLF, Marin LAFCo conducted a thorough review of the District’s website. The table below summarizes staff’s findings on whether the website meets the statutory requirements. At present, the District does meet the statutory requirements set under SB 929 and the majority of SDLF’s website transparency criteria.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Table 9 Summary of Website Compliance with SB 929 and SDFL Transparency Requirements

Website Components	Checkmark (Yes)
<b>Required Items (SB 929 Criteria and SDFL Benchmarks)</b>	
1. Names and Contact Information of Board Members	✓
2. Board Member Term Limits	✓
3. Names of Key Staff, Including General Manager/Director	✓
4. Contact Information for Staff	✓
5. Election/Appointment Procedure and Deadlines	✓
6. Board Meeting Schedule	✓
7. Mission Statement	✓
8. Description of District's Services/Functions and Service Area	✓
9. Authorizing Statute/Enabling Act	✓
10. Adopted District Budgets	✓
11. Financial Audits	✓
12. Archive of Board Meeting Agendas and Minutes	✓
13. Link to State Controller's Webpages for District's Reported Board Member and Staff Compensation	✓
14. Link to State Controller's Webpages for District's Reported Financial Transaction Report	✓
15. Reimbursement and Compensation Policy/ Annual Policies	✓
16. Home Page Link to Agendas/Board Packets	✓
17. SB 272 – Compliance of Enterprise Catalogs	✓
18. Machine Readable/Searchable Agendas	✓
19. Recipients of Grant Funding or Assistance	✓
20. Link to or Copies of most recent LAFCo Service and Sphere Reviews	
<b>TOTAL SCORE (out of a possible 20)</b>	<b>19</b>

As of the writing of this study, all Form 700 financial disclosures are current for each required participant within the district. Additionally, all required participants within the district have current certifications for Assembly Bill 1234 (AB 1234)<sup>32</sup> and Assembly Bill 1661 (AB 1661)<sup>33, 34</sup>.

<sup>32</sup> State-mandated ethics training for public officials.

<sup>33</sup> State-mandated sexual harassment training.

<sup>34</sup> The newly enacted SB 827 requires local agency officials to complete a new fiscal training, among other things, by January 1, 2028. While the district has been made aware of this updated requirement, this item has not been added to the scoresheet due to the significant amount of time remaining for it to be completed.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

#### DISADVANTAGED UNINCORPORATED COMMUNITIES

In 2011, Senate Bill 244 (SB 244) made changes to the Cortese-Knox-Hertzberg (CKH) Act related to “disadvantaged unincorporated communities,” including the addition of SOI determination number five listed above in the Planning Responsibilities section. Disadvantaged unincorporated communities, or “DUCS,” are inhabited territories (containing 12 or more registered voters) where the annual median household income (MHI) is less than 80 percent of the statewide annual median household income.

CKH Act Section 56375(a)(8)(A) prohibits LAFCo from approving a city annexation of more than 10 acres if a DUC is contiguous to the annexation territory but not included in the proposal, unless an application to annex the DUC has been filed with LAFCo<sup>35</sup>. The legislative intent is to prohibit selective annexations by cities of tax-generating land uses while leaving out underserved, inhabited areas with infrastructure deficiencies and a lack of access to reliable potable water and wastewater services.

According to the California Department of Housing and Community Development, the median household income in California in 2025 is \$118,100, with 80% of that amount being \$94,480. According to the most current available data, there are no disadvantaged unincorporated communities within or contiguous to the sphere of influence of the Novato Sanitary District at this time.

#### SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST IN THE AREA

A community of interest (COI) is a geographically contiguous population that shares common social, cultural, economic, or historical interests relevant to public policy and fair political representation. This concept is central to redistricting under California’s FAIR MAPS Act and the State Constitution. Within the sphere of influence of the Novato Sanitary District, there are no communities that Marin LAFCo deems to be a social and economic community of interest.

#### PRESENT AND PLANNED LAND USE

The Novato Sanitary District’s land use is primarily guided by the City of Novato’s General Plan and the Marin Countywide Plan. The land use designation with the highest utilization within the district’s lands, approximately 45%, is designated as Planned District. Multiple types of residential designations comprise approximately 20% of the district’s lands, with other designations such as industrial/employment, public/community facilities, and commercial/mixed use creating the remaining areas.

The County of Marin’s 2023-2031 Housing Element identifies the need for the development of 3,569 housing units in unincorporated Marin County to meet its Regional Housing Needs

<sup>35</sup> CKH Act Section 56375(a)(8)(B) does allow for exemptions for a DUC to be annexed.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Allocation (RHNA) mandate from the Association of Bay Area Governments (ABAG), including 1,734 units for low and very-low-income households. Within the Housing Element, a number of sites have been identified with their planned unit counts for development. The site inventory strategy relies primarily on commercial property conversions and mixed-use development as opposed to greenfield development on vacant lots. While none of the unincorporated land that is zoned for development within the boundary of NSD has been identified as a possible development site, Marin County has designated three sites within the district's sphere of influence and one outside but contiguous to it for possible development. The sites include Atherton Corridor, Buck Center Vacant Property, Greenpoint Nursery, and Vacant Black Point. If developed, they would create a projected total of 507 new units, with 109 of those units meeting the low and very-low-income requirements.

The City of Novato's 6<sup>th</sup> Cycle Housing Element (2023 - 2031) was adopted on May 7, 2024<sup>36</sup>, and includes an RHNA allocation of 2,090 units. The City's Housing Element identifies seven sites with an anticipated 2,366 units, with 898 anticipated to meet the low or very-low-income designation requirements. The identified sites include the following: Fireman's Fund Campus, Valley Oaks North, Village at Novato, Hamilton Village, 3<sup>rd</sup> Street and Grant Avenue, Downtown Novato (4<sup>th</sup> and Grant), and approximately 400 additional units between 1<sup>st</sup> and 2<sup>nd</sup> Streets along 4<sup>th</sup> Street in downtown Novato.

### SERVICES PROVIDED

Government Code § 56425 (i) provides that "When adopting, amending, or updating a sphere of influence for a special district, the commission shall establish the nature, location, and extent of any functions or classes of services provided by existing districts." Government Code § 56050.5 defines a latent service or power as "those services, facilities, functions, or powers authorized by the principal act under which the district is formed, but that are not being exercised, as determined by the commission pursuant to subdivision (i) of Section 56425." Therefore, once the Commission has established what services are being provided, all other services, functions, and powers become "latent services or powers" by operation of law.

The last time the Commission adopted an SOI and MSR update for the district in 2019, NSD's activated service powers included wastewater collection, wastewater treatment and disposal, recycled water, and solid waste collection and disposal. Law enforcement, fire protection, emergency medical, animal control, water, housing, code enforcement, library, landscape maintenance, streets maintenance, stormwater drainage, and electricity/natural gas are primarily provided by other government agencies, contractors, or private entities. This section provides information on the services that the district is currently authorized to provide. The

<sup>36</sup> City of Novato Resolution 2024-031



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

table below presents municipal services provided by the district and associated service providers within the Novato Sanitary District.

*Table 10 Municipal Services Provided by the District and Associated Service Providers in NSD*

Public Service	Responsible Agency Type	Service Provider
Law Enforcement	City/County	City of Novato/County of Marin
Fire Protection	Special District	NFPD
Emergency Medical	Special District	NFPD
Building/Planning	City/County	City of Novato/County of Marin
Housing	City/County	City of Novato/County of Marin
Code Enforcement	City/County	City of Novato/County of Marin
Animal Control	County	Marin Humane Society
Parks and Recreation	City/County	City of Novato/County of Marin
Library	County	County of Marin
Landscape Maintenance	City/County	City of Novato/County of Marin
Lighting	City/County	City of Novato/County of Marin
Streets/Road Maintenance	City/County	City of Novato/County of Marin
Solid Waste	Special District	Novato Sanitary District
Stormwater Drainage	City/County	City of Novato/County of Marin
Water	Special District	North Marin Water District
Wastewater	Special District	Novato Sanitary District
Wastewater Treatment & Disposal	Special District	Novato Sanitary District

#### *Wastewater Collection, Treatment, and Recycled Water*

Novato Sanitary District's wastewater service includes collection, conveyance to the Novato Treatment Plant (NTP), treatment, and disposal. NSD's collection system includes approximately 240 miles of sewers (212 miles of gravity and 18.5 miles of force main) and 39 pump stations. The district has a total of 20,138 service connections, both residential and commercial, within its jurisdiction as of 2025. The collection system conveys wastewater by gravity and mechanical

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

means (pump stations) to the NTP. The district utilizes Computerized Maintenance Management Systems (CMMS) to track and process data on each pipe’s age, location, condition, maintenance history, and more, allowing staff to efficiently prioritize maintenance activities. NSD also employs closed-circuit television (CCTV) cameras to conduct detailed sewer inspections and identify potential issues. Additionally, NSD has deployed “Smart” sewer access covers with real-time monitoring sensors to identify high flows during storms and monitor the potential for overflows.

The NTP was upgraded and expanded through a major capital project completed in 2011, at a cost of approximately \$90 million. The expansion consolidated all wastewater treatment at the Novato plant, and the former Ignacio Treatment Plant was decommissioned. The NTP utilizes a six-step treatment process:

1. **Pre-Treatment:** Bar screens and grit chambers trap large and small objects. Nature-based odor control systems reduce odor and corrosion.
2. **Primary Treatment:** Primary clarifiers settle out larger organic materials.
3. **Secondary Treatment:** Natural bacteria consume smaller organic solids in four aeration basins, each with a capacity of more than 850,000 gallons. Each basin has three anoxic zones for nitrogen removal.
4. **Disinfection:** Ultraviolet disinfection eliminates harmful pathogens without liquid chlorine.
5. **Solids Handling:** Primary and secondary solids are processed in anaerobic digesters. Biogas is produced for potential energy recovery.
6. **Effluent Disposal:** Treated effluent is discharged to San Pablo Bay, stored for reclamation, or further treated for recycled water use.

The Treatment plant is managed through a public-private partnership with Veolia Water West Operating Services, Inc., a nationally recognized firm specializing in utilities management. This partnership has resulted in significant cost savings and consistent regulatory compliance. In calendar year 2024, Veolia completed its twelfth consecutive year of zero effluent violations and thirteenth year of zero recordable safety incidents at the NTP. The tables below display the design criteria for the NTP, as well as 2024 influent flows and loading summary, and 2024 plant performance.

*Table 11 Design Criteria for the NTP*

Condition	Value	Unit
Average Dry Weather Flow (Design)	7.0	Million Gallons Per Day
Peak Wet Weather Flow (Max Day)	30.7	Million Gallons Per Day
Max Peak Wet Weather (1-3 Hour)	47.0	Million Gallons Per Day
Average BOD Loading	14,600	Pounds Per Day
Average TSS	17,600	Pounds Per Day



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Table 12 2024 Influent Flows and Loading Summary

Condition	2024 Actual Value	Unit
Average Daily Flow Rate	5.31	MGD
Average Dry Weather Flow (Jul/Aug/Sept)	3.49	MGD
Peak Wet Weather Flow (Max Day)	30.05	MGD
Max Peak Wet Weather (1-3 Hour)	46.7	MGD
Average BOD	284	mg/L
Average TSS	337	mg/L

Table 13 2024 Plant Performance Summary

Parameter	2024 Actual Value	Unit
Total Volume of Wastewater Treated	1,994.35	Million Gallons
Total Volume of Reclaimed Water	301.01	Million Gallons
Recycled Water – Title 22	191.31	Million Gallons
Flow Discharged to San Pablo Bay	1,743.44	Million Gallons
Average BOD Effluent	5.5	mg/L
Average TSS Effluent	3.4	mg/L
BOD Removal	98	%
TSS Removal	99	%
Total NPDES Violations	0	-
Total WDR Violations	0	-

NSD operates under National Pollutant Discharge Elimination System (NPDES) Permit No. CA0037958, issued by the San Francisco Bay Regional Water Quality Control Board (RWQCB). The most recent permit reissuance is Regional Water Board Order R2-2026-0002, which establishes terms and conditions for the discharge of secondary-treated municipal wastewater to San Pablo Bay. The permit allows year-round discharge to San Pablo Bay, with more stringent effluent limits applicable from May 1 through October 31 (the dry season). The NTP has achieved 12 consecutive years of perfect NPDES compliance, earning the National Association of Clean Water Agencies' Platinum 12 Peak Performance Award, an achievement attained by fewer than 150 treatment plants in the country.

NSD maintains a Sewer System Management Plan (SSMP) consistent with the requirements of the State Water Resources Control Board's Statewide General Waste Discharge Requirements

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

for Sanitary Sewer Systems<sup>37</sup>. The SSMP is periodically audited and updated. The most recent SSMP for the district, including a triennial audit, was completed in 2025.

The State Water Board maintains a sanitary Sewer Overflows (SSO) database within the California Integrated Water Quality System (CIWQS). NSD is enrolled under the Statewide General Waste Discharge Requirements (WDR) for Sanitary Sewer Systems. NSD reports SSO events through its self-monitoring program. The district's proactive maintenance program, including CCTV inspection, smart sewer access covers, high-tech maintenance management, and an active lateral replacement incentive program, is designed to minimize SSOs. NSD maintains a summary of past district sewer overflows on its website. Over the course of the study window, the district experienced 26 (2 wet weather and 24 dry weather) SSOs totaling 46,347 gallons overflowed.

The district also recycles and reclaims approximately 500 million gallons of treated wastewater per year, which is nearly 40% of its dry weather flow. This level of reuse is something very few Bay Area communities have reached to date. There are two distinct types and use cases of the treated water that the district is able to reuse:

- **Reclaimed Water:** Highly treated wastewater is used to support wildlife habitat and pastureland across approximately 800 acres of district-owned land.
- **Recycled Water:** Tertiary-treated, Title 22<sup>38</sup> quality recycled water is provided to the North Marin Water District for the irrigation of large landscapes, including golf courses, parks, schools, car washes, and cemeteries. This is part of a collaborative water program with the North Bay Water Reuse Authority (NBWRA). In 2024, the district produced just over 191.31 million gallons of recycled Title 22 water.

The district has been implementing a comprehensive, long-term capital improvement program since the early 2000s to rebuild virtually the entire wastewater system. Major capital projects include:

- **Treatment Plant Upgrade:** The \$90 million expansion of the NTP consolidated all treatment at one facility, upgraded capacity to 7.0 MGD ADWF, and installed UV disinfection.
- **Collection System Master Plan:** NSD completed a Collection System Master Plan to identify 10-to-20-year improvement needs. Ongoing work includes sewer main replacement, capacity improvements, and rehabilitation projects.
- **Pump Station Rehabilitation:** Multi-year program to rehabilitate and replace aging pump stations with modern submersible-type stations and new emergency generators.

<sup>37</sup> Water Quality Order No. WQ 2022-0103-DWQ

<sup>38</sup> Title 22 of the California Code of Regulations which contains the state's health-based rules for how recycled water must be treated and where and how it can be safely used. These water-recycling criteria set treatment levels, water quality standards, and allowable uses for different classes of recycled water.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

- **Recycled Water:** Continuing investment in the NBWRA regional recycled water program and facility improvements.
- **Cogeneration/Alternative Energy:** NSD received a grant of approximately \$2.13 million from the California Public Utility Commission’s Self-Generation Incentive Program for a 754-kilowatt battery storage system.
- **Lateral Replacement Program:** NSD offers a financial incentive program to homeowners to replace private sewer laterals, providing grants of up to \$2,750 per residential lateral.

The FY 2025-26 capital improvement budget of \$15,932,700 funds collection system improvements, pump station rehabilitation, solids management, treatment plant electrical improvements, recycled water projects, and vehicle replacements.

#### *Solid Waste Management*

NSD contracts with a franchise service provider, Recology Sonoma-Marin, that manages recycling, composting, and garbage collection in the region. Recology has a “Waste Zero” vision that works by diverting waste from landfills. They utilize a three-bin system that includes organics, recycling, and trash. The original franchise agreement was made with Novato Disposal Service in 2011. Since then, Recology bought out Novato Disposal Service and took over the remainder of the agreement, which extended through December 23, 2024. The district has since amended the agreement to extend the service contract through December 31, 2029. Recology performs the responsibilities and duties as described in the agreement, with the understanding that fees will be collected from customers for services rendered. Recology does not receive payment from NSD as part of the agreement.

## FISCAL HEALTH

The sections that follow evaluate the district’s fiscal health, inclusive of revenue sources and major expenditure categories.

#### *Annual Audit Findings*

Novato Sanitary District is required to undergo an annual financial audit, with the results published in an Annual Financial Report, in which the auditors are required to issue a report of whether the financial statements of the district accurately present the financial position of the district. The Annual Financial Reports from the current study window range from Fiscal Year Ending (FYE) June 30, 2021, to FYE June 30, 2025. These reports did not present any findings and each stated, “In our opinion, the financial statements referred to present fairly, in all material respects, the respective financial position of the business-type activities of the District, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.” The district has also received the GFOA Certificate of Achievement for Excellence in Financial Reporting.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

The table below shows the actual historical General Fund revenues and expenditures from FY 2020-21 through FY 2024-25.

*Table 14 Novato Sanitary District General Fund Revenues and Expenditures by Fiscal Year*

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
<b>Actual Revenues</b>					
Operating	\$20,637,247	\$20,528,176	\$20,476,638	\$21,134,517	\$22,207,684
Non-Operating	\$3,073,327	\$2,818,014	\$3,862,759	\$4,946,736	\$5,302,776
<b>Total Revenues</b>	<b>\$23,710,574</b>	<b>\$23,346,190</b>	<b>\$24,339,397</b>	<b>\$26,081,253</b>	<b>\$27,510,460</b>
<b>Actual Expenditures</b>					
Operating	\$9,881,753	\$3,833,946	\$15,777,072	\$12,644,109	\$12,976,688
Depreciation	\$6,314,427	\$6,296,841	\$6,175,731	\$6,242,667	\$6,391,927
Non-Operating	\$2,435,482	\$1,676,270	\$2,007,859	\$1,973,482	\$1,758,675
<b>Total Expenditures</b>	<b>\$18,631,662</b>	<b>\$11,807,057</b>	<b>\$23,960,662</b>	<b>\$20,860,258</b>	<b>\$21,127,290</b>
<b>Surplus/(Deficit)</b>	<b>\$5,078,912</b>	<b>\$11,539,133</b>	<b>\$378,735</b>	<b>\$5,220,995</b>	<b>\$6,383,170</b>

During the course of the study window, the district averaged approximately \$5,720,189 in excess revenues over expenditures, and the district's net position grew from \$131.9 million to \$159.7 million, an increase of 21.1%. The most significant anomaly during the review period was the significant shifts in operating expenditure totals from FY 2020-21 through FY 2022-23. The large drop in FY 21-22 was primarily driven by a one-time \$6,373,556 pension credit recorded on an accrual basis. Conversely, the following year's jump in operating expenses to over \$15.7 million was almost entirely driven by a massive swing in non-cash pension accounting entries rather than a change in actual operational activity. When these non-cash actuarial adjustments are normalized, the district's actual-cash based operating costs for departmental activities remained stable and consistent with historical trends.

#### *Operating Revenues*

On average, during the course of the study window, sewer service charges (SSC) made up approximately 80% of total revenues (93% of operating revenues), with property taxes providing the second largest allocation at approximately 12% of total revenues. The remaining revenues are primarily interest income and AB 939 solid waste collector fees. SSC revenue declined modestly from \$19.6 million in FY 2021 to \$19.18 million in FY 2023 (a cumulative -2.3%), reflecting a period in which the Board held rates flat for three consecutive years despite inflationary pressures. Beginning in FY 2024, following the Board's adoption of Resolution No. 3180 in March 2023, SSC revenues rebounded with annual increases of approximately 4% in each of FY 2024 and FY 2025, reaching \$20.75 million by fiscal year-end 2025.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

The adopted FY 2025-2027 budget projects continued SSC growth of approximately 4.1% in FY 2026 and 4.6% in FY 2027, supported by Board Resolution No. 3200, which set average residential rates at \$729 per equivalent dwelling unit (EDU) for FY 2026 and \$762/EDU for FY 2027. These rates remain the lowest among all comparable Marin County wastewater agencies, and well below the median of approximately \$1,260/EDU. Total revenues grew from \$23.7 million in FY 2021 to \$27.5 million in FY 2025, a cumulative increase of 16.0%. Non-operating revenues have been a meaningful growth driver, rising from \$3.1 million to \$5.3 million over the period, primarily due to property tax growth (from \$2.70 million to \$3.23 million) and a dramatic increase in interest earnings from a loss position of -\$289,000 in FY2021 to \$1.91 million in FY2025.

#### *Operating Expenditures*

Core departmental operating expenses (excluding pension credit/expense and OPEB credit/expense line items) rose from \$9.18 million in FY2021 to \$12.40 million in FY2025, an increase of 35.0% or approximately 7.8% annualized. Key drivers include:

- **Treatment plant costs:** Up from \$3.05M to \$3.78M (+24.0%), reflecting CPI-linked contract escalation with Veolia Water
- **Administration and engineering:** Up from \$2.09M to \$3.17M (+51.4%), driven by new positions (Capital Projects Manager in FY2024, Environmental Programs Manager in FY2025) and salary/benefit increases
- **AB939 solid waste programs:** Up from \$0.38M to \$0.73M (+89.3%), largely a pass-through offset by franchise fee revenues

The district's partnership with Veolia Water allows it to maintain a lean internal workforce of approximately 20 full-time equivalents (FTEs) while ensuring 24/7 coverage of high-complexity treatment operations. This model effectively shifts some of the operational risks and staffing burdens to the private sector.

Energy costs are a major non-discretionary expenditure, budgeted at \$1,565,585 for the upcoming fiscal year. The district is particularly vulnerable to PG&E rate hikes and the risk of Public Safety Power Shutdowns (PSPS). The FY 2025-27 budget includes specific provisions for PSPS staffing and equipment, as well as a multi-million dollar investment in the Cogeneration/Alternative Energy project. This project is a critical defensive fiscal strategy; by utilizing anaerobic digester gas to generate on-site power, the district aims to permanently lower its operational utility expenditures.

Depreciation expense has been highly stable, ranging from \$6.18M to \$6.39M across the period, averaging approximately \$6.29M annually. For FY 2025-26, the district's adopted operating

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

expenditures budget (excluding passthroughs) is \$13,972,507, a 5.58% increase from the previous year.

## PERFORMANCE STANDARDS

Marin LAFCo utilized four different methodologies to evaluate the Novato Sanitary District's fiscal performance. The four approaches to evaluating performance include a review of reserve fund balances, pensions/other post-employment benefits (OPEB), debt ratio, and evaluation of revenue and expenditure trends (seen above). The methodologies and findings are outlined below.

### *Reserve Fund Balance*

The district's reserve position is one of the strongest among California special districts of its size, a fact explicitly cited by S&P Global Ratings during its "AAA" rating affirmation. The district operates under a structured Reserves Policy (Policy No. 3500) that prioritizes safety, liquidity, and fiscal autonomy. The primary liquidity reserve is the Operating Fund, which targets a balance of 67% (approximately eight months) of the upcoming year's operating expenditures as of July 1st each year. This target is specifically calibrated to handle the six-month gaps between property tax receipts in December and April. For the FY 2025-26 budget, the district projects an available Operating Fund balance of \$12,007,481, which significantly exceeds the target level. This surplus liquidity provides the district with the ability to fund emergency repairs or respond to regulatory changes without immediate rate shocks to the community.

The Wastewater Capital Reserve Fund (WCRF) is a restricted reserve established to fund the expansion, major repair, or replacement of wastewater facilities. Although the original loan covenants requiring this fund have been satisfied through refinancing, the district has prudently maintained the policy of contributing at least 0.5% of the original State Revolving Fund (SRF) loan amount—approximately \$400,000—annually. The inclusion of unused general obligation bonding capacity as a dollar-for-dollar offset to required cash deposits is a strategic accounting method that preserves cash for immediate needs while maintaining the district's high borrowing capacity for future multi-generational projects.

The Rate Stabilization Fund (RSF) acts as a secondary buffer against revenue volatility. It is maintained at a minimum balance of \$1,500,000, which is adjusted annually for inflation using unreserved amounts from the operating fund. The projected balance of \$2,202,800 by June 30, 2027, reflects the district's commitment to ensuring that even in the event of a significant economic downturn or regulatory failure, the burden on residential and commercial ratepayers can be spread over multiple years.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

#### *Pension and OPEB Obligations*

The district's defined benefit retirement plan is administered by the California Public Employees' Retirement System (CalPERS). CalPERS operates as a cost-sharing, multiple-employer defined benefit plan for the district and numerous other participating employers across the state.

Net pension liability is the amount owed to a defined benefit pension plan based on the actuarial present value of the projected benefit payments for plan members and their beneficiaries, less the plan's net position. Essentially, it represents the portion of the pension obligation that is not covered by the plan's assets, indicating an unfunded liability. This liability is reported by employers who sponsor defined-benefit pension plans. As of June 30, 2024, the Novato Sanitary District carried a net pension liability of \$1.16 million. The district's pension position has been volatile over the study period due to CalPERS investment performance and actuarial assumption changes, swinging from a liability of \$6.5 million in FY 2020 to a \$3.64 million asset position in FY 2021. In October 2020, the District issued \$6,467,000 in Taxable Revenue Refunding Bonds specifically to prepay its entire CalPERS unfunded accrued liability (UAL). At the time, the CalPERS UAL was being amortized at an assumed rate of return (interest rate) of 7.0%, while the bonds were issued at an all-inclusive rate of approximately 2.81%. The "asset" reported in 2021 was a transient effect of the UAL payoff occurring during a year of exceptional market returns. While subsequent market corrections and a reduction in the CalPERS discount rate to 6.90% moved the funded ratio back to approximately 96%, the district remains essentially "fully funded" on a structural basis. To further mitigate risk, the district continues to fund a separate IRC Section 115 trust with Public Agency Retirement Services (PARS), which held \$2,325,497 as of June 30, 2025, providing a local buffer against future CalPERS rate hikes.

A pension funded ratio is a metric that expresses the value of a pension plan's assets divided by its liabilities. It indicates the extent to which a pension plan has sufficient funds to cover its future obligations to retirees. A funded ratio of 100% means the plan is fully funded, while a ratio below 100% indicates unfunded liability. As of June 30, 2024, the district's pension funded ratio was 95.89%. As of June 30, 2023, the average funded ratio for independent special districts in California participating in CalPERS<sup>39</sup> was 72.3%.<sup>40</sup>

The district also provides certain health care benefits for retired employees and their spouses under the California Employers' Retiree Benefit Trust (CERBT) Fund (also known as other post-employment benefits or OPEB). Employees who meet the vesting criteria become eligible for these benefits if they receive a retirement benefit from CalPERS within 120 days of retirement

<sup>39</sup> CalPERS is a similar pension plan to MCERA that is offered to public employees throughout the State of California and has reciprocity with MCERA.

<sup>40</sup> [CalPERS Annual Comprehensive Financial Report, 2023-24](#)



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

from district employment. As of the most recent measurement date of June 30, 2025, the district's OPEB plan consisted of 19 active members and 26 inactive employees or beneficiaries currently receiving benefit payments. In FY 2017, district management initiated a strategy to aggressively fund this obligation through a dedicated trust. This strategy has led the district's OPEB from a position of \$2.4 million liability in FY 2021 to a nearly \$2 million asset in FY 2025. The transition from a 48% funded status in 2021 to a surplus of 156% in 2025 is a remarkable fiscal achievement. This was driven by a combination of significant cash contributions from District reserves and actuarial assumption changes—specifically a reduction in the healthcare cost trend rate and an increase in the long-term investment rate of return (to 6.70% in the latest valuation). Having achieved over-funded status, the district is now positioned to lower its annual OPEB contributions, freeing up more resources for capital infrastructure. As of June 30, 2025, the district carried a net OPEB asset of \$1,955,660, with a funded ratio of 155.94%.

#### *Debt Ratio*

The debt ratio is a fundamental financial metric that measures the proportion of an agency's assets that are financed through debt, calculated by dividing total liabilities by total assets. This ratio reveals the extent to which a local government relies on borrowed funds versus owned resources, providing critical insights into its financial structure and overall fiscal health. For special districts, maintaining appropriate debt levels is essential as excessive debt can constrain future financial flexibility and potentially lead to fiscal stress or even bankruptcy.

Unlike the pension funded ratio, which specifically measures the percentage of pension liabilities covered by pension assets, the debt ratio offers a broader perspective on an agency's overall financial position by examining its entire liability structure relative to its asset base. The debt ratio serves as one of several critical indicators that collectively portray an agency's fiscal condition. The following aspects are typically considered when evaluating public agency financial health in relation to debt ratio:

#### **1. Short-term Financial Stability**

The debt ratio helps assess an agency's ability to meet immediate financial obligations by indicating the level of leverage in its capital structure. A lower debt ratio suggests greater financial flexibility and capacity to address short-term needs without additional borrowing.

#### **2. Long-term Fiscal Sustainability**

By examining the relationship between debt and assets, the ratio provides insights into an agency's long-term financial trajectory and its ability to sustain service levels while meeting future obligations. Agencies with lower debt ratios generally have more capacity to invest in infrastructure and respond to emerging community needs.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

#### 3. Financial Flexibility and Resilience

The debt ratio directly impacts an agency's financial flexibility—its ability to respond to economic downturns, emergencies, or changing service demands. An agency with a high debt ratio has less "fiscal space" to maneuver during challenging times, as more of its revenue must be dedicated to debt service rather than operational needs or new initiatives.

The district's debt management has been geared towards aggressive deleveraging and opportunistic refinancing. Between 2017 and 2020, the district completed three major debt restructurings that cumulatively saved ratepayers over \$10 million in long-term interest costs. As of June 30, 2025, the district had a debt ratio of approximately 23%, which is down from 38.6% in FY 2021. This trend is primarily the result of the district's policy of not issuing new debt for its annual capital improvements, choosing instead to fund those from current revenues and existing fund balances. By 2031, a significant portion of the 2017 and 2019 bonds will be retired, which will further dramatically reduce these ratios and open significant debt capacity for the next generation of treatment plant upgrades. The ratio calculation is shown below:

**Total Liabilities: \$47,750,907**

**Total Assets: \$207,251,210<sup>41</sup>**

**Debt-to-Assets Ratio: 0.23** (calculated as  $\$47,750,907 \div \$207,251,210$ )

Additionally, the district's debt coverage ratio (DCR) is a key metric for its "AAA" credit rating. For FY 2025-26, the district projects a DCR of 2.00, meaning that its net revenues are twice the amount required to service its annual principal and interest payments. Management has consistently exceeded the internal target of a DCR of 1.20, which has contributed to the district being viewed as one of the lowest-risk utility credits in the greater Bay Area.

## DETERMINATIONS

### *Service Review Determinations per Government Code Section 56430*

As set forth in Section 56430(a) of the CKH Act, "In order to prepare and to update the SOI in accordance with Section 56425, the Commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the Commission. The Commission shall include in the area designated for a service review the county, the region, the sub-region, or any other geographic area as is appropriate for analysis of the service or services

<sup>41</sup> While GASB prefers the calculation of debt ratio to be inclusive of total assets, the district's current assets, or assets that are more readily realized as liquid, total \$47,269,868, with current liabilities at \$7,484,079. This gives the district a current ratio of 6.32, indicating the district possesses \$6.32 in liquid assets for every \$1.00 of liabilities due within the next 12 months.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

to be reviewed and shall prepare a written statement of its determinations with respect to each of the following.” Pursuant to Government Code Section 56430, the requisite CKH determinations for this municipal service review for the Novato Sanitary District are presented below:

#### 1) Growth and population projections for the affected area

- a. The Novato Sanitary District serves an estimated population of 55,690 as of 2026. In contrast to many California special districts experiencing population growth, NSD's service area population has modestly declined from 55,904 in 2010, representing an annual average change of approximately -0.03% per year. This trend diverges from Marin County's modest overall growth rate of 0.056% over the same period and reflects the built-out character of the district's primary service area.
- b. While the unincorporated lands within NSD's boundary that are zoned for development are essentially built out with no identified unincorporated development sites within the jurisdictional boundary itself, growth potential exists within both the incorporated and SOI areas. Marin County has designated three sites within the district's current sphere of influence—Atherton Corridor, Buck Center Vacant Property, and Greenpoint Nursery—plus one site outside but contiguous to the SOI (Vacant Black Point), together projected to yield 507 new units, with 109 meeting low- and very-low-income requirements. Additionally, the City of Novato's 6th Cycle Housing Element (2023–2031), adopted May 7, 2024, includes an RHNA allocation of 2,090 units across seven identified infill sites, including the Fireman's Fund Campus, Valley Oaks North, Village at Novato, Hamilton Village, 3rd Street and Grant Avenue, Downtown Novato (4th and Grant), and approximately 400 additional units along 4th Street, with an anticipated yield of 2,366 units total.
- c. Marin LAFCo determines that the NSD service area's near-term population is projected to remain stable or experience modest growth consistent with Housing Element build-out. The district's current infrastructure—particularly the Novato Treatment Plant's (NTP) design capacity of 7.0 million gallons per day (MGD) Average Dry Weather Flow (ADWF) against an actual 2024 average daily flow of 5.31 MGD—indicates meaningful available treatment capacity relative to existing and near-term projected demand. The district is well-positioned to accommodate incremental growth from RHNA development without requiring near-term plant capacity expansion, though long-term collection system planning will be necessary to serve new service connections arising from approved development sites.

#### 2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

- a. Pursuant to Government Code Section 56033.5, disadvantaged unincorporated communities (DUCs) are inhabited territories containing 12 or more registered voters where the annual median household income (MHI) is less than 80 percent of the statewide annual MHI. According to the California Department of Housing and Community Development, the statewide MHI in California in 2025 is \$118,100, establishing the DUC threshold at \$94,480.
- b. The NSD service area has a median household income of \$115,736, which exceeds the DUC income threshold of \$94,480. The district's SOI includes several unincorporated communities—Indian Valley, Black Point, and Green Point—none of which, based on the most current available data, meet the income criteria for designation as a disadvantaged unincorporated community.
- c. Marin LAFCo determines that there are no disadvantaged unincorporated communities within or contiguous to the sphere of influence of the Novato Sanitary District at this time. This finding is consistent with the demographic profile of the district's service area and the surrounding unincorporated communities. The Commission will continue to monitor this determination as Housing Element development proceeds and new residential communities may be established within or adjacent to the SOI.

### **3) Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies**

- a. NSD's collection system comprises approximately 240 miles of sewers—212 miles of gravity and 18.5 miles of force main—plus 39 pump stations, serving 20,138 residential and commercial service connections as of 2025. The district employs multiple advanced technologies to manage and maintain the collection system, including a Computerized Maintenance Management System (CMMS) that tracks pipe age, location, condition, and maintenance history; closed-circuit television (CCTV) inspections; and "smart" sewer access covers with real-time overflow monitoring sensors deployed at key system nodes.

The district's comprehensive Capital Improvement Program (CIP) has included a long-term Collection System Master Plan identifying 10-to-20-year improvement needs, with ongoing work encompassing sewer main replacement, capacity improvements, and rehabilitation projects. A multi-year pump station rehabilitation program is also underway, modernizing aging pump stations with submersible-type units and new emergency generators. The FY 2025-26 capital improvement budget of \$15,932,700 funds collection system improvements, pump station rehabilitation, solids management, treatment plant electrical improvements, recycled water projects, and vehicle replacements.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

- b. The Novato Treatment Plant (NTP) was upgraded and expanded through a \$90 million capital project completed in 2011, which consolidated all district wastewater treatment at a single facility, upgraded the plant's capacity to 7.0 MGD ADWF and 30.7 MGD maximum-day peak wet weather flow, and installed ultraviolet disinfection in place of liquid chlorine. The plant's six-step treatment process—pre-treatment, primary clarification, secondary biological treatment with nitrogen removal, UV disinfection, anaerobic digestion for solids management, and effluent disposal—represents a modern, fully integrated treatment system.

In calendar year 2024, the NTP processed an average daily flow of 5.31 MGD, which represents approximately 76% of the plant's design capacity. The plant achieved 98% BOD removal and 99% TSS removal, with average effluent concentrations of 5.5 mg/L BOD and 3.4 mg/L TSS, substantially below permit limits. The plant is managed through a public-private partnership with Veolia Water West Operating Services, Inc. In 2024, Veolia completed its twelfth consecutive year of zero effluent violations and thirteenth year of zero recordable safety incidents at the NTP.

- c. NSD operates under NPDES Permit No. CA0037958 (Regional Water Board Order R2-2026-0002), which governs discharge of secondary-treated municipal wastewater to San Pablo Bay. The NTP has achieved 12 consecutive years of perfect NPDES compliance—zero NPDES violations and zero Water Discharge Requirement (WDR) violations in the most recently reported year—earning the National Association of Clean Water Agencies' (NACWA) Platinum 12 Peak Performance Award, an achievement attained by fewer than 150 treatment plants nationwide. NSD maintains a Sewer System Management Plan (SSMP) consistent with State Water Resources Control Board requirements, most recently updated and audited in 2025. Over the course of the study window, the district experienced 26 sanitary sewer overflows (2 wet weather, 24 dry weather) totaling 46,347 gallons—a limited volume across the study period, further mitigated by the district's proactive maintenance program, CCTV inspections, smart access cover monitoring, and lateral replacement incentive program.
- d. NSD recycles and reclaims approximately 500 million gallons of treated wastewater per year, representing nearly 40% of its dry weather flow—a level of reuse that very few Bay Area communities have achieved. Reclaimed water (less-than-Title 22 quality) is used to support wildlife habitat and pastureland across approximately 800 acres of district-owned land. Title 22-quality recycled water is provided to the North Marin Water District for large-landscape irrigation through the North Bay Water Reuse Authority (NBWRA) regional program; in 2024, NSD produced 191.31 million gallons of Title 22 recycled water.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

- e. Marin LAFCo determines that NSD has the capability, capacity, and infrastructure to adequately provide its authorized services throughout the jurisdictional boundary. The NTP's substantial remaining treatment capacity, 12-year perfect NPDES compliance record, top-tier recycled water reuse rate, modern collection system management technology, and active CIP collectively represent a well-maintained and high-performing wastewater system. No significant service deficiencies have been identified. The district's ongoing capital investment program reflects a deliberate, long-term commitment to sustaining and improving infrastructure reliability, with the FY 2025-26 capital budget of \$15,932,700 representing a continuation of this commitment.

#### 4) Financial ability of agencies to provide services

- a. NSD has received clean, unqualified audit opinions for all audited fiscal years within the study window (FYE June 30, 2021, through FYE June 30, 2025). Each Annual Financial Report stated that the financial statements "present fairly, in all material respects, the respective financial position of the business-type activities of the District...in accordance with accounting principles generally accepted in the United States of America." The district has also received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting, a recognition that affirms the highest standards of governmental accounting and public disclosure.
- b. The district's adopted FY 2025–2027 two-year budget projects continued SSC growth of approximately 4.1% in FY 2026 and 4.6% in FY 2027, supported by Board Resolution No. 3200, which set average residential rates at \$729/EDU for FY 2026 and \$762/EDU for FY 2027. Critically, these rates remain the lowest among all comparable Marin County wastewater agencies and are well below the Marin County median of approximately \$1,260/EDU—indicating that the district has significant rate headroom available should future capital needs require additional revenue.
- c. Total revenues grew from \$23.7 million in FY 2021 to \$27.5 million in FY 2025, a cumulative increase of 16.0%. Sewer service charges (SSC) constitute approximately 80% of total revenues and 93% of operating revenues, providing the district with a stable, ratepayer-supported revenue base. Property taxes account for approximately 12% of total revenues, and interest income has grown substantially—from a loss position of –\$289,000 in FY 2021 to \$1.91 million in FY 2025—reflecting both the benefit of higher interest rates and the district's strong liquidity position.
- d. The district averaged approximately \$5,720,189 in annual operating surpluses over the five-year study window, and the district's net position grew from \$131.9 million to \$159.7 million—a 21.1% increase—over the same period. The most significant anomaly was a large non-cash pension accounting swing in FY 2021-22 and FY 2022-

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

23 that reflected accrual-basis actuarial adjustments rather than changes in actual cash operations; when normalized, core departmental operating costs followed stable and predictable trends.

- e. Marin LAFCo determines that the Novato Sanitary District is in exceptionally strong financial condition and has demonstrated the sustained ability to provide its authorized services on a fiscally sound and forward-looking basis. The district's AAA credit rating, near-zero pension liability, over-funded OPEB position, lowest-in-Marin service rates, robust multi-tier reserve structure, and aggressive debt deleveraging collectively represent fiscal management at the highest level among California special districts. No financial concerns have been identified that would threaten the district's ability to deliver services over the planning horizon.

#### 5) Status of and, opportunities for, shared facilities.

- a. NSD maintains agreements and memoranda of understanding (MOUs) with other agencies for coordination of regional services. The district does not have any standing contracts for the provision of services outside of its current jurisdictional boundaries under Government Code Sections 56133 and 56134.
- b. The most significant shared facility arrangement in NSD's operational landscape is its participation in the North Bay Water Reuse Authority (NBWRA) regional recycled water program. Under this program, NSD produces Title 22-quality recycled water at the NTP and delivers it to the North Marin Water District for large-landscape irrigation, providing a regional water supply benefit through the beneficial reuse of treated effluent that would otherwise be discharged to San Pablo Bay. In 2024, NSD delivered 191.31 million gallons of Title 22 recycled water to North Marin Water District through this arrangement.
- c. NSD's public-private partnership with Veolia Water West Operating Services, Inc. for the management of the Novato Treatment Plant represents a significant operational efficiency mechanism that allows the district to maintain a lean internal workforce of approximately 20 FTEs while ensuring 24/7 coverage of high-complexity treatment operations. This arrangement effectively transfers operational risk and staffing burdens to a nationally recognized private utility management firm, and has delivered twelve consecutive years of zero effluent violations since Veolia's engagement.
- d. NSD's solid waste franchise with Recology Sonoma-Marin represents a further shared-service model in which a regional service provider delivers waste collection, recycling, and composting services to district customers under a franchise agreement without direct district financial subsidy, extended through December 31, 2029.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

- e. Marin LAFCo determines that NSD has effectively leveraged shared facilities, inter-agency service agreements, and public-private partnerships to optimize operational efficiency and reduce the cost burden on ratepayers. The NBWRA recycled water program, the Veolia treatment plant management contract, and the Recology solid waste franchise are well-structured shared-service arrangements that provide meaningful operational value. No additional opportunities for facility sharing or service consolidation have been identified that would materially enhance service efficiency beyond the existing framework.

#### 6) Accountability for community service needs, including governmental structure and operational efficiencies

- a. The Novato Sanitary District is governed by a five-member Board of Directors elected through a district-based election system that divides the district into five geographic regions. Board members must be both residents and registered voters of the region they represent and serve four-year staggered terms. The Board meets regularly on the second Monday of each month at 5:30 p.m. at 500 Davidson Street, Novato. Board compensation is set at \$225 per meeting. Board members are also eligible for reimbursement of up to \$200 per month for individual healthcare plan premiums (not provided through the district's employee health insurance program) and coverage under the district's group Delta Dental plan. All five board seats are currently filled with directors whose terms are staggered between December 2026 and December 2028, providing governance continuity
- b. The district-based election structure ensures geographic representation across NFPD's large and topographically diverse service area, which encompasses both urban Novato and rural unincorporated communities with very different fire risk profiles. This governance design is well-suited to the district's service delivery obligations and community accountability mandate.
- c. A review of the district's website against the criteria of Senate Bill 929 and the Special District Leadership Foundation's District Transparency Certificate of Excellence yielded a score of 19 out of 20 required elements. The district meets all statutory requirements under SB 929. The sole missing element is a link to or copies of the most recent LAFCo service and sphere reviews, which should be added promptly. The district otherwise demonstrates comprehensive online transparency, including board member term limits, State Controller compensation and financial transaction report links, an SB 272-compliant enterprise systems catalog, machine-readable agendas, grant recipient disclosures, and an adopted budget archive.
- d. Marin LAFCo determines that NSD is highly accountable to the community it serves and demonstrates exceptional governance and operational standards. The district's

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

AAA credit rating, GFOA Certificate of Achievement, NACWA Platinum 12 Peak Performance Award, and 19/20 transparency score collectively reflect a model special district. The single website deficiency—absent LAFCo review links—is minor and should be corrected. The district-based election structure ensures geographic representation across a service area that spans urban Novato and several distinct unincorporated communities.

#### 7) Any other matter related to effective or efficient service delivery

- a. NSD's energy cost exposure represents a material ongoing fiscal and operational risk. Energy is a major non-discretionary expenditure, budgeted at \$1,565,585 for the upcoming fiscal year, and the district is particularly vulnerable to PG&E rate escalation and Public Safety Power Shutdown (PSPS) events that could interrupt treatment plant operations. The district's multi-million dollar investment in a cogeneration/alternative energy project—utilizing anaerobic digester gas to generate on-site power—and the \$2.13 million battery storage system grant represent a proactive and fiscally sound long-term strategy to reduce this exposure.
- b. The pending SOI amendments identified by Marin LAFCo staff in the course of this study have direct implications for the district's future service delivery scope. Two amendments are recommended: (1) removal of the southern SOI overlap area with the Las Gallinas Valley Sanitary District, which corrects a geographic error; and (2) inclusion of APNs 125-180-85 and 125-180-79 (totaling approximately 233.8 acres, designated for up to 249 above-moderate-income housing units in the Marin County Housing Element). These amendments collectively clarify the geographic boundaries of NSD's probable future service area and ensure proper jurisdictional positioning for potential annexation requests arising from RHNA development activity.
- c. Marin LAFCo determines that there are no additional governance or service delivery matters that would require Commission action at this time beyond the SOI amendments addressed in Part II of these determinations and those addressed in the preceding determinations.

#### *Sphere of Influence Determinations per Government Code Section 56425*

In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development of local governmental agencies to advantageously provide for the present and future needs of the county and its communities, the Commission shall develop and determine the sphere of influence of each local agency, as defined by Government Code section 56036, and enact policies designed to promote the logical and orderly development of areas within the sphere. In determining the sphere of influence of each local agency, the Commission

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

shall consider and prepare a written statement of its determinations with respect to the following:

#### 1) Present and planned land uses in the area, including agricultural and open space lands

a. Land use within the NSD jurisdictional boundary and SOI is primarily governed by the City of Novato's General Plan and the Marin Countywide Plan. Approximately 45% of the district's lands are designated as Planned District. Multiple residential designations comprise approximately 20% of the district's lands, with industrial/employment, public/community facilities, and commercial/mixed-use designations comprising the remainder. The SOI includes the unincorporated neighborhoods of Indian Valley, Black Point, Green Point, and the area surrounding the U.S. Coast Guard facility, which are characterized by lower-density residential and agricultural land uses.

b. While the unincorporated land within NSD's jurisdictional boundary that is zoned for development is essentially built out, the district's SOI encompasses active RHNA development potential. Marin County has identified four unincorporated development sites—three within the SOI (Atherton Corridor, Buck Center Vacant Property, and Greenpoint Nursery) and one outside but contiguous to the SOI (Vacant Black Point)—projected to yield 507 new units collectively. The City of Novato's 6th Cycle Housing Element projects 2,366 units across seven infill sites within the district's jurisdiction. Additionally, the two parcels (APNs 125-180-85 and 125-180-79, totaling approximately 233.8 acres) proposed for SOI inclusion have been designated for up to 249 above-moderate-income housing units, and their designation as RHNA sites provides land use justification for the recommended SOI expansion.

c. The SOI area also encompasses agricultural and open space lands within Indian Valley, Black Point, Green Point, and Vacant Black Point that currently do not require wastewater services. These areas are not anticipated to convert to urban uses within the current planning cycle except as specifically identified in Housing Element site inventories.

d. Marin LAFCo determines that present and planned land uses within and contiguous to the NSD sphere of influence support the specific SOI modifications recommended by staff in this study; namely, the removal of the southern overlap with Las Gallinas Valley Sanitary District and the inclusion of APNs 125-180-85 and 125-180-79. The planned land uses on the two proposed addition parcels are directly relevant to NSD's future service provision and provide clear justification for the SOI amendment.

#### 2) Present and probable need for public facilities and services in the area

a. The Novato Sanitary District's jurisdictional boundary encompasses 20,138 service connections and serves an estimated 55,690 residents with wastewater collection, treatment, disposal, recycled water, and solid waste services. The present need for these

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

services is continuous, essential to public health and environmental protection, and non-discretionary. No alternative service providers are available or appropriate to serve the established residential and commercial areas within the district's boundary.

b. The probable future need for wastewater services in the SOI is linked primarily to Housing Element development. The three SOI-area RHNA sites (Atherton Corridor, Buck Center Vacant Property, and Greenpoint Nursery) could generate up to 507 new service connections if fully developed, all of which would require connection to the NSD collection system and treatment at the NTP. The two parcels proposed for SOI inclusion represent an additional probable future need for wastewater services of up to 249 units.

c. Unincorporated communities currently within the SOI but outside the jurisdictional boundary—including portions of Indian Valley, Black Point, and Green Point—utilize on-site wastewater systems (septic) at present. The absence of centralized wastewater service in these areas is consistent with their current land use densities.

d. Marin LAFCo determines that there is a stable and ongoing present need for the public facilities and services provided by NSD within its jurisdictional boundary, and a probable future need for those services on the identified RHNA development sites within and contiguous to the SOI. The NTP's substantial available capacity and the district's strong CIP program ensure that NSD is operationally and financially positioned to meet this probable future demand.

### **3) Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**

a. The Novato Treatment Plant operates at an average daily flow of 5.31 MGD against a design capacity of 7.0 MGD ADWF, leaving approximately 1.69 MGD (24%) of treatment capacity available for future growth. Peak wet weather capacity is 30.7 MGD maximum-day and 47.0 MGD for 1-to-3-hour peaks; in 2024, the plant reached a maximum-day peak of 30.05 MGD—essentially at maximum-day design capacity—and a 1-to-3-hour peak of 46.7 MGD, near the design peak wet weather limit. This data indicates that while dry-weather treatment capacity is adequate for near-term growth, wet-weather peak conveyance and treatment capacity warrant continued monitoring and planning, particularly in the context of aging collection system infrastructure and potential climate-related increases in wet-weather infiltration and inflow (I/I).

b. The collection system's 240 miles of sewers and 39 pump stations are maintained under an active CMMS-supported program, with CCTV inspection, smart sewer access cover monitoring, and an ongoing pump station rehabilitation capital program. The 26 SSOs recorded over the study window (totaling 46,347 gallons) reflect a well-managed system,

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

with the district's proactive maintenance and lateral incentive programs designed to minimize future events.

c. The NTP's 12-consecutive-year NPDES compliance record, NACWA Platinum 12 Peak Performance Award, and current 2025 SSMP triennial audit confirm that the district's wastewater treatment and collection operations are meeting all regulatory requirements at or above mandated standards.

d. Recycled water production at approximately 500 million gallons per year—representing nearly 40% of dry weather flow—demonstrates that the district's tertiary treatment and reclamation infrastructure is functioning effectively and contributing meaningfully to regional water supply sustainability.

e. Marin LAFCo determines that NSD has the present capacity to adequately provide its authorized services throughout the existing sphere of influence. The NTP's available dry weather treatment capacity and the district's active CIP provide a sound foundation for accommodating near-term growth. The Commission notes that wet weather peak flow performance warrants continued attention in the district's long-term capital planning, particularly as the collection system ages and climate variability potentially intensifies winter storm events. No service deficiencies requiring immediate structural intervention have been identified.

#### **4) Existence of any social or economic communities of interest in the area, if the Commission determines that they are relevant to the agency.**

b. Marin LAFCo determines that the existing and proposed amended sphere of influence boundary appropriately encompasses all relevant communities within the NSD service area and probable future service area. No social or economic communities of interest have been identified that would warrant modification of the sphere boundary beyond the specific amendments recommended by staff based on land use and jurisdictional considerations described herein.

#### **5) Present and probable need for public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

a. Marin LAFCo determines that there are no disadvantaged unincorporated communities within or contiguous to the NSD sphere of influence with present or probable unmet needs for wastewater facilities or services. The absence of DUCs within the sphere is consistent with the socioeconomic profile of the surrounding communities. The Commission will revisit this determination in future MSR cycles as development activity occurs in the SOI's unincorporated communities.

## NOVATO AREA

## MSR &amp; SPHERE OF INFLUENCE STUDY

## NOVATO FIRE PROTECTION DISTRICT

## AGENCY AT A GLANCE

<b>Agency Name</b>	Novato Fire Protection District
<b>Formation Date</b>	July 6, 1926
<b>Administrative Office Location</b>	95 Rowland Way, Novato, CA
<b>Website</b>	<a href="http://www.novatofire.org">www.novatofire.org</a>
<b>Fire Chief</b>	Dan Peters
<b>Employees</b>	88 FTE
<b>Public Meetings</b>	The Novato Fire Protection District Board of Directors meets on the 1 <sup>st</sup> Wednesday <sup>42</sup> of each month at 10:00 a.m., with special meetings scheduled on an as-needed basis.
<b>Governing Body</b>	Five-member Board of Directors; each elected to a four-year term
<b>Municipal Services Provided</b>	Fire Protection and Emergency Response
<b>Jurisdictional Area Size</b>	71 Square Miles
<b>Population Estimate</b>	59,825 <sup>43</sup>

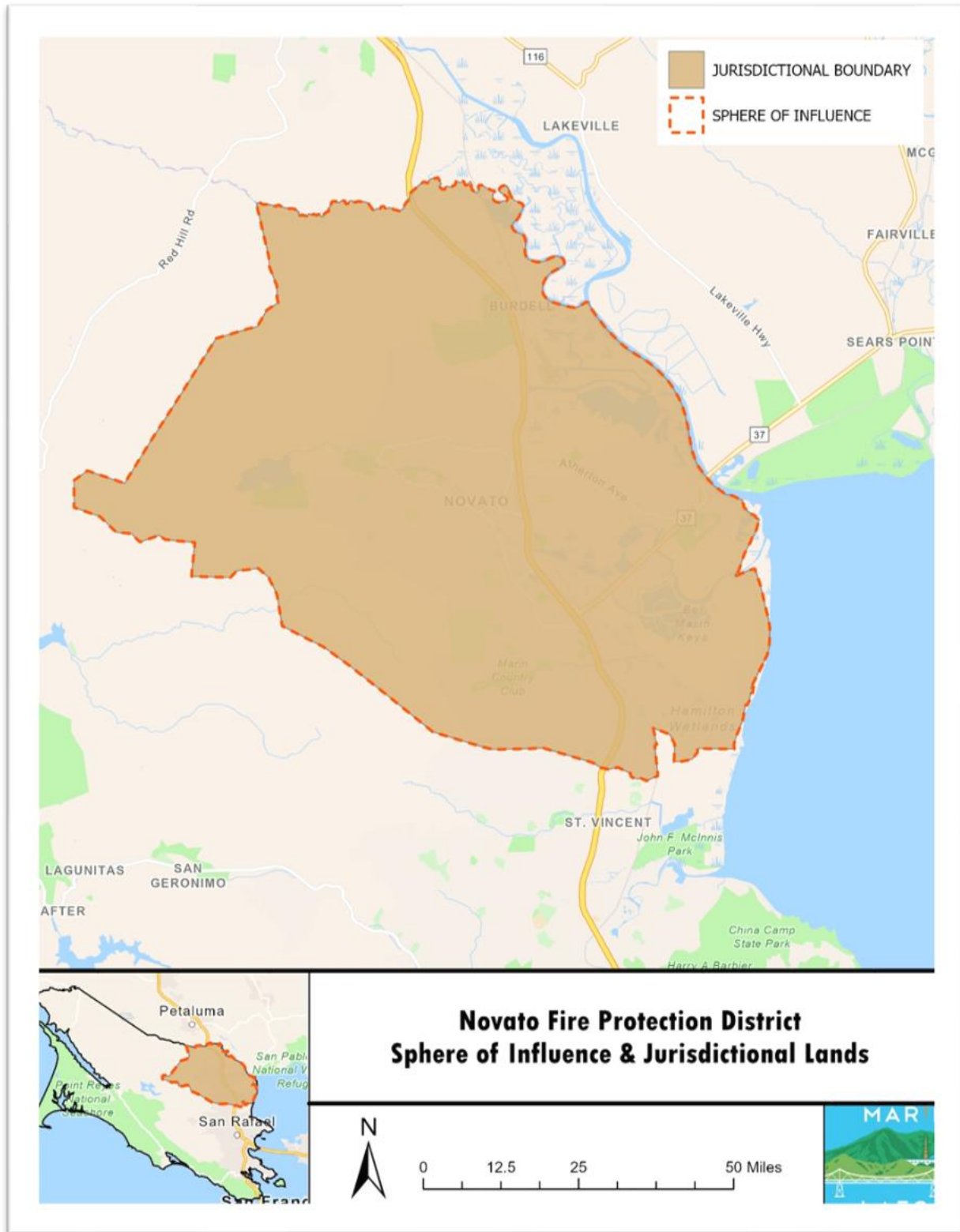
<sup>42</sup> For calendar year 2026, the NFPD Board has scheduled its meetings in January, February, March, and December, for the 2<sup>nd</sup> Wednesday of the month as a special meeting, with all other meetings remaining on the 1<sup>st</sup> Wednesday.

<sup>43</sup> Estimate based upon American Community Survey 5-year estimates, released January 29, 2026, from census tracts that comprise the District's jurisdictional lands, which include U.S. Census Tracts 1011, 1012, 1021, 1022.02, 1022.03, 1031, 1032, 1041.02, 1041.03, 1041.04, 1042, 1043, 1050.01, and 1050.02.

# NOVATO AREA

## MSR & SPHERE OF INFLUENCE STUDY

Figure 6 Novato Fire Protection District Sphere of Influence & Jurisdictional Lands



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

## Agency Profile – Novato Fire Protection District

The Novato Fire Protection District (NFPD) is located in the north-eastern area of Marin County, along the northern Highway 101 corridor. The majority of the district’s jurisdictional lands and sphere of influence are situated within Marin County Supervisor District 5, with parts of the western area residing in Marin County Supervisor District 4. The district’s boundary encompasses the entirety of the City of Novato, as well as a significant amount of unincorporated lands surrounding the City to the east, north, and west. The entirety of the District’s northern boundary is contiguous to Sonoma County’s boundary. NFPD is home to an estimated 59,825 residents, making it Marin County’s largest fire protection district based on total population. The district was formed as an independent special district organized pursuant to California Health and Safety Code Sections 13800 - 13970 on July 6, 1926.

Novato Fire Protection District’s jurisdictional boundary encompasses approximately 45,440 acres (71 square miles), and the district’s sphere of influence (SOI) aligns with the boundary and is fully coterminous. NFPD’s sphere of influence was originally established by Marin LAFCo in 1982 and was most recently amended in 2023<sup>44</sup>.

The Table below presents a demographic and land-use profile of NFPD compared to Marin County as a whole.

*Figure 7 Demographic and Land Use Profile of NFPD Compared to Marin County*

	<b>NFPD</b>	<b>Marin County</b>
Population as of 2010	58,809	252,409
Population as of 2026	59,825	254,550
Annual Pop. Growth Since 2010	0.11%	0.056%
Total Housing Units	24,071	113,062
Persons Per Housing Unit	2.48	2.25
Land Area (Square Miles)	71	520
Single-Family Units	18,053	80,639
Multi-Family Units	5,536	30,532
Mobile Homes	516	1,891
Persons Per Square Mile	843	490
Median Household Income	\$115,736	\$142,785

<sup>44</sup> Marin LAFCo Resolution No. 23-19

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

## CURRENT AND PROPOSED SPHERE OF INFLUENCE

Novato Fire Protection District’s sphere of influence (SOI) is currently coterminous with its jurisdictional boundary and includes the unincorporated neighborhoods of Green Point, Black Point, Loma Verde, Indian Valley, and Bel Marin Keys. The SOI was originally established by Marin LAFCo in 1982 and was most recently updated in 2023<sup>45</sup> to amend the area of the Hamilton Field and Rafael Village Detachment that the Ninth Circuit U.S. Court of Appeals determined was not valid in 1999, and Marin LAFCo formally rescinded in 2009<sup>46</sup>. At this time, staff for the district have not provided any identified areas that they desire to add to the SOI; therefore, no areas specifically requested by the district are being studied for possible inclusion into the NFPD SOI, and Marin LAFCo staff recommend that the SOI be reaffirmed as it currently stands.

## EXTRATERRITORIAL SERVICES

Government Code Sections 56133 and 56134 set forth LAFCo’s out-of-agency services oversight role. While the district has several agreements and MOUs (memorandum of understanding) with other agencies in both Marin and Sonoma counties for mutual aid, at this time, the district has no standing contracts specifically for service provisions outside of its current boundaries.

## GOVERNANCE AND STAFFING

The Novato Fire Protection District is governed by a five-member Board of Directors by way of a district-based election system that divides the District into five geographic regions. Members of the board must be residents of the region of the district that they are running to represent, and are elected to four-year terms. The NFPD board receives \$200 compensation per meeting for its service. The Board acts collectively to establish policies, provide oversight, and set a vision for the district. Regular meetings are typically held at 10:00 a.m. on the first Wednesday of each month at the district's headquarters at 95 Rowland Way, Novato. For calendar year 2026, the board has scheduled meetings in January, February, March, and December on the second Wednesday of the month, with all other meetings scheduled for the usual first Wednesday.

*Table 15 Novato Fire Protection District Board Members*

Novato Fire Protection District Board Members		
President	Bruce Goines – District 4	Term Exp. – December 2026
Director	LJ Silverman – District 1	Term Exp. – December 2028
Vice President	Michael Hadfield – District 2	Term Exp. – December 2028
Secretary	Shane Francisco – District 3	Term Exp. – December 2028
Director	William Davis – District 5	Term Exp. – December 2026

<sup>45</sup> Marin LAFCo Resolution No. 23-19

<sup>46</sup> Marin LAFCo Resolution No. 09-03



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

The Board of Directors appoints a Fire Chief to serve as the administrative head of the district, responsible for the day-to-day operations. The district has 88 FTE employees.

### ACCOUNTABILITY

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. SB 929 identifies a number of components that must be found within an agency's website. Additionally, the Special District Leadership Foundation (SDLF), an independent, non-profit organization formed to promote good governance and best practices among California's special districts, has also outlined recommended website elements as part of its District Transparency Certificate of Excellence. This program was created in an effort to promote transparency in the operations and governance of special districts to the public and to provide special districts with an opportunity to showcase their efforts in transparency. Based on SB 929's criteria and the recommendations set by the SDLF, Marin LAFCo conducted a thorough review of the District's website. The table below summarizes staff's findings on whether the website meets the statutory requirements. At present, the District does meet the statutory requirements set under SB 929 and the majority of SDLF's website transparency criteria.

*Table 16 Summary of Website Compliance with SB 929 and SDLF Transparency Requirements*

Website Components	Checkmark (Yes)
<b>Required Items (SB 929 Criteria and SDLF Benchmarks)</b>	
1. Names and Contact Information of Board Members	✓
2. Board Member Term Limits	✓
3. Names of Key Staff, Including General Manager/Director/Fire Chief	✓
4. Contact Information for Staff	
5. Election/Appointment Procedure and Deadlines	✓
6. Board Meeting Schedule	✓
7. Mission Statement	✓
8. Description of District's Services/Functions and Service Area	✓
9. Authorizing Statute/Enabling Act	✓
10. Adopted District Budgets	✓
11. Financial Audits	✓
12. Archive of Board Meeting Agendas and Minutes	✓
13. Link to State Controller's Webpages for District's Reported Board Member and Staff Compensation	✓
14. Link to State Controller's Webpages for District's Reported Financial Transaction Report	✓
15. Reimbursement and Compensation Policy/ Annual Policies	✓
16. Home Page Link to Agendas/Board Packets	✓

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

17. SB 272 – Compliance of Enterprise Catalogs	✓
18. Machine Readable/Searchable Agendas	✓
19. Recipients of Grant Funding or Assistance	✓
20. Link or Copies of LAFCos' Service and Sphere Reviews	
<b>TOTAL SCORE (out of a possible 20)</b>	<b>18</b>

As of the writing of this study, all Form 700 financial disclosures are current for each required participant within the district. Additionally, all required participants within the district have current certifications for Assembly Bill 1234 (AB 1234)<sup>47</sup> and Assembly Bill 1661 (AB 1661)<sup>48</sup>.<sup>49</sup>

### DISADVANTAGED UNINCORPORATED COMMUNITIES

In 2011, Senate Bill 244 (SB 244) made changes to the Cortese-Knox-Hertzberg (CKH) Act related to “disadvantaged unincorporated communities,” including the addition of SOI determination number five listed above in the Planning Responsibilities section. Disadvantaged unincorporated communities, or “DUCS,” are inhabited territories (containing 12 or more registered voters) where the annual median household income (MHI) is less than 80 percent of the statewide annual median household income.

CKH Act Section 56375(a)(8)(A) prohibits LAFCo from approving a city annexation of more than 10 acres if a DUC is contiguous to the annexation territory but not included in the proposal unless an application to annex the DUC has been filed with LAFCo<sup>50</sup>. The legislative intent is to prohibit selective annexations by cities of tax-generating land uses while leaving out underserved, inhabited areas with infrastructure deficiencies and a lack of access to reliable potable water and wastewater services.

According to the California Department of Housing and Community Development, the median household income in California in 2025 is \$118,100, with 80% of that amount being \$94,480. According to the most current available data, there are no disadvantaged unincorporated communities within or contiguous to the sphere of influence of the Novato Fire Protection District at this time.

### SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST IN THE AREA

A community of interest (COI) is a geographically contiguous population that shares common social, cultural, economic, or historical interests relevant to public policy and fair political

<sup>47</sup> State-mandated ethics training for public officials.

<sup>48</sup> State-mandated sexual harassment training.

<sup>49</sup> The newly enacted SB 827 requires local agency officials to complete a new fiscal training, among other things, by January 1, 2028. While the district has been made aware of this updated requirement, this item has not been added to the scoresheet due to the significant amount of time remaining for it to be completed.

<sup>50</sup> CKH Act Section 56375(a)(8)(B) does allow for exemptions for a DUC to be annexed.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

representation. This concept is central to redistricting under California’s FAIR MAPS Act and the State Constitution. Within the sphere of influence of the Novato Fire Protection District, there are no communities that Marin LAFCo deems to be a social and economic community of interest.

### PRESENT AND PLANNED LAND USE

The Novato Fire Protection District’s land use is guided by the City of Novato’s General Plan, Marin Countywide Plan, the Black Point Community Plan, the Green Point Community Plan, the Indian Valley Specific Plan, and the Marin County Housing Element. The majority of the district’s lands, approximately 65%, are designated as either open space, agricultural, conservation, or parks. Multiple types of residential designations comprise approximately 20% of the district’s lands, with other designations such as industrial/employment, public/community facilities, and commercial/mixed use creating the remaining areas.

The County of Marin’s 2023-2031 Housing Element identifies the need for the development of 3,569 housing units in unincorporated Marin County to meet its Regional Housing Needs Allocation (RHNA) mandate from the Association of Bay Area Governments (ABAG), including 1,734 units for low and very-low-income households. Within the Housing Element, a number of sites have been identified with their planned unit counts for development. The site inventory strategy relies primarily on commercial property conversions and mixed-use development as opposed to greenfield development on vacant lots. While the unincorporated land that is zoned for development within the boundary of NFPD is essentially built out, Marin County has designated four sites within the boundary for possible development. The sites include Atherton Corridor, Buck Center Vacant Property, Greenpoint Nursery, and Vacant Black Point. If developed, they would create a projected total of 507 new units within the district, with 109 of those units meeting the low and very-low-income requirements.

The City of Novato’s 6<sup>th</sup> Cycle Housing Element (2023 - 2031) was adopted on May 7, 2024<sup>51</sup>, and includes an RHNA allocation of 2,090 units. The City’s Housing Element identifies seven sites with an anticipated 2,366 units, with 898 anticipated to meet the low or very-low-income designation requirements. The identified sites include the following: Fireman’s Fund Campus, Valley Oaks North, Village at Novato, Hamilton Village, 3<sup>rd</sup> Street and Grant Avenue, Downtown Novato (4<sup>th</sup> and Grant), and approximately 400 additional units between 1<sup>st</sup> and 2<sup>nd</sup> Streets along 4<sup>th</sup> Street in downtown Novato.

Should all proposed units be developed, the total increase within the jurisdictional boundary of the Novato Fire Protection District would stand to be 2,873.

<sup>51</sup> City of Novato Resolution 2024-031

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

#### SERVICES PROVIDED

Government Code § 56425 (i) provides that “When adopting, amending, or updating a sphere of influence for a special district, the commission shall establish the nature, location, and extent of any functions or classes of services provided by existing districts.” Government Code § 56050.5 defines a latent service or power as “those services, facilities, functions, or powers authorized by the principal act under which the district is formed, but that are not being exercised, as determined by the commission pursuant to subdivision (i) of Section 56425.” Therefore, once the Commission has established what services are being provided, all other services, functions, and powers become “latent services or powers” by operation of law.

The last time the Commission adopted an SOI and MSR update for the district in 2019, NFPD’s activated service powers included fire protection and emergency medical response. Law enforcement, Animal control, solid waste/refuse, wastewater collection, wastewater treatment and disposal, water, housing, code enforcement, library, landscape maintenance, streets maintenance, stormwater drainage, and electricity/natural gas are primarily provided by other government agencies, contractors, or private entities. This section provides information on the services that the district is currently authorized to provide. The table below presents municipal services provided by the district and associated service providers within the Novato Fire Protection District.

*Table 17 Municipal Services Provided by the District & Associated Service Providers in NFPD*

Public Service	Responsible Agency Type	Service Provider
Law Enforcement	City/County	City of Novato/County of Marin
Fire Protection	Special District	NFPD
Emergency Medical	Special District	NFPD
Building/Planning	County	County of Marin
Housing	City/County	City of Novato/County of Marin
Code Enforcement	City/County	City of Novato/County of Marin
Animal Control	County	Marin Humane Society
Parks and Recreation	City/County	City of Novato/County of Marin
Library	County	County of Marin
Landscape Maintenance	City/County	City of Novato/County of Marin
Lighting	City/County	City of Novato/County of Marin

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Streets/Road Maintenance	City/County	City of Novato/County of Marin
Solid Waste	Special District	Novato Sanitary District
Stormwater Drainage	City/County	City of Novato/County of Marin
Water	Special District	North Marin Water District
Wastewater	Special District	Novato Sanitary District
Wastewater Treatment & Disposal	Special District	Novato Sanitary District

#### *Fire and Emergency Medical Response Services*

Novato Fire Protection District owns, operates, and maintains five fire stations and one administrative building and provides a full range of fire protection services, including fire suppression, rescue, advanced life support (ALS), and emergency medical services, hazardous material control, and fire prevention services. The stations have local numerical designations<sup>52</sup>, fitting within the broader Bay Area regional fire station numbering system that helps coordinate mutual aid and emergency response across multiple jurisdictions. The projected expenditure budget for the district in FY 2025-26 is \$43.1 million, which represents an approximately 31% increase over the course of this study window from the FY 2021-22 expenditure budget of \$32.9 million.

The district employs 88 full-time paid personnel<sup>53</sup>. All response personnel are trained to either the Emergency Medical Technician (EMT) level or the EMT-paramedic (paramedic) level. Engine staffing includes at least one EMT-paramedic at all times. The district also provides Advanced Life Support (ALS) ground ambulance service. Over the course of the study window, the District has averaged 7,052 calls for service annually, with the significant majority<sup>54</sup> of these calls being for emergency medical response. The district provides response services from its five fire stations with a daily staffing of 20 personnel. This staffing, along with the assigned apparatus, is summarized in the following table.

<sup>52</sup> NFPD's fire stations are numbered 61, 62, 63, 64, and 65

<sup>53</sup> 67 emergency personnel and 21 administrative

<sup>54</sup> Approximately 68% of the District's annual calls for service are for Rescue/Emergency Medical

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Table 18 Novato Fire Protection District Station, Apparatus and Staffing Summary

Station	Address	Assigned Apparatus	Minimum Daily Staffing
<b>Station 61</b>	7025 Redwood Boulevard	<b>Engine-61</b>	<b>3</b>
		<b>Medic 61</b>	<b>2</b>
		<b>Battalion Chief</b>	<b>1</b>
		Water Tender-61	**
<b>Station 62</b>	450 Atherton Avenue	<b>Engine-62</b>	<b>3</b>
		Medic 62	**
<b>Station 63</b>	65 San Ramon Way	<b>Engine-63</b>	<b>3</b>
		Engine-663	**
<b>Station 64</b>	319 Enfrente Road	<b>Engine-64</b>	<b>3</b>
		Truck-64	**
<b>Station 65</b>	5 Bolling Circle	<b>Engine-65</b>	<b>3</b>
		<b>Medic 65</b>	<b>2</b>
		Engine-665	**
<b>Total:</b>			<b>20</b>

\*\* Cross-staffed as needed based on type of call

Unit Hour Utilization (UHU)<sup>55</sup> measures the percentage of time an emergency response unit is actively engaged in responding to emergency incidents out of its total time available. It is calculated by dividing the number of transports (or unit hours engaged on calls) by the total number of unit hours available. A 10% UHU (0.10) means the unit is committed to incidents 10% of the time and available for response 90% of the time. In California, UHU benchmarks for emergency medical services and fire-based emergency response services can vary, but the generally accepted threshold is that a UHU above 35-40% for 24-hour shifts tends to raise concerns regarding provider fatigue and safety, and should elicit consideration of an additional peak demand unit. When workload saturation begins to consistently meet or exceed that 40% threshold, it typically correlates to a unit going from call to call with little time for breaks, refueling, meals, and other critical daily procedures and operations. Additionally, since the busiest incident demand hours typically occur during daytime work hours, other significant duties and responsibilities, such as apparatus maintenance, report writing, and training, are often neglected if UHU exceeds the threshold.

Over the course of the study window, none of NFPD's engine companies neared the 40%, or even 35% threshold. In the most recent year of UHU data available (2023-24), Engine 61 consistently had the highest UHU, with a peak UHU of 17.06%. In addition, both of the district's ambulances were well below the threshold, with Medic 61 having a peak UHU of 16.73%. While neither medic unit neared the saturation limit of 40% or more, Medic 61 and Medic 65 were

<sup>55</sup> All reported performance metrics are sourced from the NFPD Standards of Coverage Analysis Update 2025

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

simultaneously committed to incidents more than 3,300 times over the course of the study window, which equates to just over twice per day. In this event, Medic 62, which is cross-staffed by Engine 62 personnel as needed for a third concurrent EMS call, is the responding unit. The instances that Medic 61 and Medic 65 were simultaneously committed averaged less than 20 minutes each.

The NFPA 1710 is the National Fire Protection Association standard for the organization, deployment, and staffing of career fire departments for suppression, EMS, and special operations, establishing benchmarks for response times and minimum crew sizes. In municipal fire and EMS performance analysis, the commonly referred to “90<sup>th</sup> percentile” means the response time target that is met or bettered on 90% of applicable incidents, allowing up to 10% of calls to exceed that target. These performance components include call processing/dispatch, crew turnout, and first-unit travel, among other things. The consulting firm of Citygate Associates has performed the district’s Standards of Coverage Analysis and has set 90<sup>th</sup> percentile standards for the district based on local conditions. While multiple performance metrics were assessed and all marked as exceeding or within an acceptable variance of the desired standard, the primary performance metric of call-to-first-unit arrival 90<sup>th</sup> percentile performance over the course of the study window of 8:21 minutes was well within the desired best practice goal of 7:30 to 8:30 minutes.

In September of 2023, NFPD was awarded a Class 02/2x Public Protection Classification (PPC) rating by the Insurance Services Office (ISO), an organization that independently evaluates municipal fire-protection efforts throughout the United States. Ratings range on a scale of 1 to 10. Class 1 generally represents superior property fire protection, and Class 10 indicates that the area’s fire suppression program does not meet ISO’s minimum Criteria. While many communities receive a single number classification, many smaller and more rural communities receive a split classification to reflect the risk of loss more precisely. In the case of a split classification, the first number refers to the classification of properties within 5 road miles of a fire station and within 1,000 feet of a creditable water supply. The second number, with either the X or Y designation, applies to properties within 5 road miles of a fire station but beyond 1,000 feet of creditable water supply (i.e., fire hydrant). The majority of insurance agencies throughout the country use the PPC classification for underwriting and calculating premiums on residential, commercial, and industrial properties. Of the approximately 49,000 fire agencies eligible for certification, the district is in the top 3% with this current rating.

The district has automatic mutual aid agreements with the Marinwood Community Services District, the Marin County Fire Department, the City of San Rafael Fire Department, and the City of Petaluma Fire Department. NFPD is also one of 17 member agencies of the Marin Wildfire Prevention Authority (MWPA), which was created in 2020 by a joint powers agreement and funded through a voter-approved parcel tax in order to plan, finance, implement, and manage fire protection and prevention services across multiple jurisdictions throughout Marin County.



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

#### FISCAL HEALTH

The sections that follow evaluate the district's fiscal health, inclusive of revenue sources and major expenditure categories.

#### *Annual Audit Findings*

Novato Fire Protection District is required to undergo an annual financial audit, with the results published in an Annual Financial Report, in which the auditors are required to issue a report of whether the financial statements of the district accurately present the financial position of the district. The Annual Financial Reports from the current study window range from Fiscal Year Ending (FYE) June 30, 2020, to FYE June 30, 2024. These reports did not present any findings and each stated, "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District 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."

The table below shows the actual historical General Fund revenues and expenditures from FY 2019-20 through FY 2023-24.

*Table 19 Historical General Fund Revenues and Expenditures by Fiscal Year*

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
<b>Actual Revenues Governmental Funds</b>					
Property Taxes	\$28,032,082	\$29,328,570	\$31,273,366	\$32,998,684	\$33,971,930
Measure C	-	\$1,904,640	\$1,932,731	\$1,992,139	\$2,089,978
MWPA Core Fund Reimbursement	-	-	\$624,047	\$2,123,004	\$1,281,588
Charges for Service	\$3,070,287	\$3,132,226	\$3,209,478	\$3,811,009	5,112,691
Interest	\$383,197	\$139,051	\$19,705	\$415,939	\$1,535,346
Intergovernmental	\$1,880,692	\$2,996,415	\$1,792,315	\$1,565,434	\$1,324,652
Miscellaneous	\$189,287	\$223,626	\$462,728	\$77,792	\$250,061
<b>Total Revenues</b>	<b>\$33,555,545</b>	<b>\$37,724,528</b>	<b>\$39,314,370</b>	<b>\$42,984,091</b>	<b>\$45,566,246</b>
<b>Actual Expenditures</b>					
Salaries/Benefits	\$23,108,627	\$24,085,954	\$26,133,581	\$25,616,659	\$27,422,930
Services/Supplies	\$3,828,948	\$4,110,261	\$7,000,471	\$7,927,575	\$7,339,936
Capital Outlay	\$1,409,700	\$2,340,662	\$1,681,954	\$740,023	\$1,212,008
Debt Service	\$577,643	\$577,849	\$577,946	\$557,622	\$332,770
<b>Total Expenditures</b>	<b>\$28,924,918</b>	<b>\$31,114,726</b>	<b>\$35,393,952</b>	<b>\$34,841,879</b>	<b>\$36,307,644</b>
<b>Surplus/(Deficit)</b>	<b>\$4,630,627</b>	<b>\$6,609,802</b>	<b>\$3,920,418</b>	<b>\$8,142,212</b>	<b>\$9,258,602</b>

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

During the course of the study window, the district's governmental funds averaged approximately \$6,512,332 in excess revenues over expenditures, and the district's net position grew from \$17.3 million to \$59.1 million. The most significant anomaly during the review period was the formation of MWPA and the injection of additional annual revenue that Measure C has provided.

#### *Operating Revenues*

On average, during the course of the study window, tax revenues made up approximately 75% of General Fund revenues, inclusive of property tax and Educational Revenue Augmentation Fund (ERAF) tax. The district also levies a special tax, initially adopted by the voters on November 5, 1991, and most recently updated by the district's Board in May of 2025<sup>56</sup> to be 11.6 cents per square foot of improved residential/rural/agricultural, and 17.4 cents per square foot for industrial/commercial improved. The remaining revenues are primarily from charges for service as well as supplementation from Countywide assessments such as Measure C (MWPA).

For FY 2025-26, the Novato Fire Protection District Board of Directors adopted an operating budget that is supported by projected revenues of \$43,946,654, making the district's operating revenues total approximately \$735 per capita. This amount represents an estimated .07% increase in revenues from the previous fiscal year. Over the course of the study window, the district showed a total revenue growth of approximately 36%, spurred primarily by an increase in property tax revenue of approximately 20% over the course of that window, a significant increase in charges for services driven by higher ambulance billing and program changes, as well as the influx of revenue from Measure C.

#### *Operating Expenditures*

The NFPD's budgeted operating expenditures for FY 2025-26 totaled \$38,999,785. This amount represents an increase from the prior year's total estimated expenditures, which were \$34,307,390. The district's largest expenditure category is personnel, which includes staff salaries and benefits, at approximately 75% of all budgeted expenditures<sup>57</sup>. For FY 2025-26, the total amount budgeted for personnel expenditures across all district operations was \$31,893,969, which was a 14.3% increase from the previous year's estimated total.

## PERFORMANCE STANDARDS

Marin LAFCo utilized four different methodologies to evaluate the Novato Fire Protection District's fiscal performance. The four approaches to evaluating performance include a review of reserve fund balances, pensions/other post-employment benefits (OPEB), debt ratio, and

<sup>56</sup> NFPD Resolution No. 2025-06

<sup>57</sup> This is inclusive of budgeted allocations for Acting Pay, Holiday Pay, FLSA Pay, and Overtime Pay.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

evaluation of revenue and expenditure trends (seen above). The methodologies and findings are outlined below.

#### *Reserve Fund Balance*

The total fund balance (General Fund) for the district more than doubled over the course of the study window, jumping from \$26.2 million to \$54.4 million, primarily driven by recurring annual surpluses. Unassigned fund balance grew from \$9.1 million to \$22.3 million, with the most recent financial statements showing it equating to 62% of General Fund expenditures, which is well above the typical 25-50% policy targets for fire districts. The assigned and committed balances have also increased across the study window, which indicates a deliberate policy to pre-fund capital, equipment, and long-term obligations rather than using a single undifferentiated reserve. On the government-wide Statement of Net Position, the unrestricted net position has swung from \$2.36 million in 2020 to \$41.4 million<sup>58</sup> in 2024. This expansion in unrestricted cushion offers the district considerable flexibility to absorb shocks or accelerate liability pay-downs.

#### *Pension and OPEB Obligations*

The district's defined benefit retirement plan is administered by the Marin County Employees' Retirement Association (MCERA). MCERA operates as a cost-sharing, multiple-employer defined benefit plan for the district and numerous other participating employers across Marin County.

Net pension liability is the amount owed to a defined benefit pension plan based on the actuarial present value of the projected benefit payments for plan members and their beneficiaries, less the plan's net position. Essentially, it represents the portion of the pension obligation that is not covered by the plan's assets, indicating an unfunded liability. This liability is reported by employers who sponsor defined-benefit pension plans. As of June 30, 2023, the Novato Fire Protection District carried a net pension liability of \$21.62 million.

A pension funded ratio is a metric that expresses the value of a pension plan's assets divided by its liabilities. It indicates the extent to which a pension plan has sufficient funds to cover its future obligations to retirees. A funded ratio of 100% means the plan is fully funded, while a ratio below 100% indicates unfunded liability. As of June 30, 2023, the district's pension funded ratio was 91.59%. As of June 30, 2023, the average funded ratio for independent special districts in California participating in CalPERS<sup>59</sup> was 72.3%.<sup>60</sup> The district's dollar-level net pension liability was essentially flat over the course of the study window, while payroll and reserves rose, so pension risk is becoming more manageable relative to the district's capacity.

<sup>58</sup> This amount saw a significant increase in 2022 due to temporary recognition of a net pension asset and large pension-related deferred inflows.

<sup>59</sup> CalPERS is a similar pension plan to MCERA that is offered to public employees throughout the State of California and has reciprocity with MCERA.

<sup>60</sup> [CalPERS Annual Comprehensive Financial Report, 2023-24](#)

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

The required contribution rate of around 40-50% of payroll is high but standard for mature California safety plans, and the district is fully funding those required contributions.

The district also provides certain health care benefits for retired employees and their spouses under the California Employers' Retiree Benefit Trust (CERBT) Fund (also known as other post-employment benefits or OPEB). Employees who meet the vesting criteria become eligible for these benefits if they receive a retirement benefit from CalPERS within 120 days of retirement from district employment. As of the most recent measurement date of June 30, 2023, the district's OPEB plan consisted of 76 active members and 104 inactive employees or beneficiaries currently receiving benefit payments. As of June 30, 2023, the district carried a net OPEB liability of \$8.4 million, with a funded ratio of 68%. This metric is steadily trending in a positive direction, with the funded ratio now in the high 60s, up from approximately 46% at the 2019 valuation. The district has made an effort, when able, to contribute more than the Governmental Accounting Standards Board (GASB) "actuarially determined contribution" and, if continued, could reasonably move it into the 80-90% range over the remaining amortization period (approximately eight years), depending on market volatility.

#### *Debt Ratio*

The debt ratio is a fundamental financial metric that measures the proportion of an agency's assets that are financed through debt, calculated by dividing total liabilities by total assets. This ratio reveals the extent to which a local government relies on borrowed funds versus owned resources, providing critical insights into its financial structure and overall fiscal health. For special districts, maintaining appropriate debt levels is essential as excessive debt can constrain future financial flexibility and potentially lead to fiscal stress or even bankruptcy.

Unlike the pension funded ratio, which specifically measures the percentage of pension liabilities covered by pension assets, the debt ratio offers a broader perspective on an agency's overall financial position by examining its entire liability structure relative to its asset base. The debt ratio serves as one of several critical indicators that collectively portray an agency's fiscal condition. The following aspects are typically considered when evaluating public agency financial health in relation to debt ratio:

#### **1. Short-term Financial Stability**

The debt ratio helps assess an agency's ability to meet immediate financial obligations by indicating the level of leverage in its capital structure. A lower debt ratio suggests greater financial flexibility and capacity to address short-term needs without additional borrowing.

#### **2. Long-term Fiscal Sustainability**

By examining the relationship between debt and assets, the ratio provides insights into an agency's long-term financial trajectory and its ability to sustain service levels while meeting

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

future obligations. Agencies with lower debt ratios generally have more capacity to invest in infrastructure and respond to emerging community needs.

#### 3. Financial Flexibility and Resilience

The debt ratio directly impacts an agency's financial flexibility—its ability to respond to economic downturns, emergencies, or changing service demands. An agency with a high debt ratio has less "fiscal space" to maneuver during challenging times, as more of its revenue must be dedicated to debt service rather than operational needs or new initiatives.

As of June 30, 2024, the district had a debt ratio of less than 1%. This debt ratio is offered purely from the perspective of the inclusion of only traditional debt obligations, which, in the case of the district, is inclusive of a loan for Station 64, which is noted in the Management's Discussion and Analysis to be paid off in August, 2024, which would effectively render the district debt-free following the payoff. This ratio calculation is shown below:

#### Total Long-Term Liabilities Summary:

- Station 64 Note: \$163,962

**Total Long-Term Liabilities: \$163,962**

**Total Assets (Primary Government): \$73,002,567<sup>61</sup>**

**Debt-to-Assets Ratio: 0.23%** (calculated as  $\$163,962 \div \$73,002,567$ )

While the district's debt ratio would increase substantially with the inclusion of its Net Pension Liability and OPEB, for special districts, rating agencies such as Moody's, Fitch, and Standard and Poor's all concur that, though bonded debt and retirement liabilities are evaluated together in the overall rating, they should remain separate sub-metrics for clarity and stability.

Additionally, the Government Finance Officers Association (GFOA) and industry standards suggest that annual debt service<sup>62</sup> should generally not exceed 7-10% of operating revenues<sup>63</sup>. For California local governments, debt service as a percentage of General Fund revenues is a key metric, with the State Treasurer's Office reporting that the state's ratio was 3.71%<sup>64</sup> in FY 2022-23.

<sup>61</sup> While GASB prefers the calculation of debt ratio to be inclusive of total assets, the district's current assets, or assets that are more readily realized as liquid, total \$55,535,341.

<sup>62</sup> Debt service is the amount of interest and sinking fund payments due annually on long-term debt.

<sup>63</sup> [GFOA Publication, "How Much Debt is Too Much?"](#)

<sup>64</sup> [State of California ACFR 2023](#)



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

## DETERMINATIONS

### *Service Review Determinations per Government Code Section 56430*

As set forth in Section 56430(a) of the CKH Act, “In order to prepare and to update the SOI in accordance with Section 56425, the Commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the Commission. The Commission shall include in the area designated for a service review the county, the region, the sub-region, or any other geographic area as is appropriate for analysis of the service or services to be reviewed and shall prepare a written statement of its determinations with respect to each of the following.” Pursuant to Government Code Section 56430, the requisite CKH determinations for this municipal service review for the Novato Fire Protection District are presented below:

#### 1) Growth and population projections for the affected area

- a. The Novato Fire Protection District serves an estimated population of 59,825 as of 2026, reflecting modest growth from 58,809 residents recorded in the 2010 Census. Annual population growth since 2010 has averaged approximately 0.11% per year, a rate roughly double Marin County's countywide average of 0.056% over the same period, reflecting slightly faster—though still modest—growth within the Novato area compared to the broader county.
- b. The majority of the lands within NFPD's boundary that are zoned for development are essentially built out; however, growth potential exists within both the incorporated and unincorporated portions of the district that have been rezoned for RHNA or upscaled for greater infill through State density bonuses. The County of Marin's 2023–2031 Housing Element has designated four development sites within the district's boundary—Atherton Corridor, Buck Center Vacant Property, Greenpoint Nursery, and Vacant Black Point—which, if developed, would create a projected 507 new units, with 109 meeting low- and very-low-income requirements. Additionally, the City of Novato's 6th Cycle Housing Element (2023–2031), adopted May 7, 2024, includes an RHNA allocation of 2,090 units. The City has identified seven development sites projected to yield 2,366 units, including the Fireman's Fund Campus, Valley Oaks North, Village at Novato, Hamilton Village, 3rd Street and Grant Avenue, Downtown Novato (4th and Grant), and additional units along 4th Street between 1st and 2nd Streets. Should all proposed units across both the unincorporated county sites and City of Novato sites be developed within the district's boundary, the total potential increase would be approximately 2,873 additional dwelling units. At average household size, this would represent a meaningful increase in population and service demand above current levels.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

- c. Marin LAFCo determines that NFPD can anticipate moderate population and housing growth over the next planning cycle, primarily driven by infill and mixed-use development within the City of Novato. While the district's current staffing, apparatus, and station configuration is sufficient to serve existing demand at high performance levels, the Commission notes that cumulative build-out of identified RHNA sites could incrementally increase emergency call volume, particularly in the central Novato corridors near Stations 61, 62, and 63. The district's ongoing Standards of Coverage analysis process and the associated capital planning capacity provide a sound framework for proactively responding to service demand increases resulting from anticipated growth.

#### 2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

- a. Pursuant to Government Code Section 56033.5, disadvantaged unincorporated communities (DUCs) are inhabited territories containing 12 or more registered voters where the annual median household income (MHI) is less than 80 percent of the statewide annual MHI. According to the California Department of Housing and Community Development, the statewide MHI in California in 2025 is \$118,100, establishing the DUC threshold at \$94,480.
- b. The NFPD service area encompasses a diverse range of unincorporated communities, including Green Point, Black Point, Loma Verde, Indian Valley, and Bel Marin Keys, as well as the City of Novato. The estimated median household income for the overall NFPD service area is \$115,736, which exceeds the DUC income threshold of \$94,480. However, because the district's boundary encompasses multiple distinct unincorporated communities with varying socioeconomic profiles, LAFCo notes that individual census-tract level data may reflect income variation across the district's service area.
- c. Marin LAFCo determines that there are no disadvantaged unincorporated communities within or contiguous to the sphere of influence of the Novato Fire Protection District at this time, as confirmed by the most current available data.

#### 3) Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies

- a. The Novato Fire Protection District owns, operates, and maintains five fire stations (Stations 61–65) and one administrative building, providing fire suppression, rescue, Advanced Life Support (ALS) ground ambulance service, hazardous materials control, and fire prevention services across its 71-square-mile service area. The district employs 88 full-time personnel, comprising 67 emergency response personnel and 21 administrative staff. Daily minimum staffing is 20 personnel deployed across the five stations with assigned apparatus including engines, medic units, a truck company (Truck-

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

64), a water tender (Water Tender-61), and cross-staffed reserve engines at Stations 63 and 65. All emergency response personnel hold certification at either the EMT or EMT-paramedic level, and every engine company maintains at least one paramedic at all times.

- b. The district averaged 7,052 calls for service annually over the course of the study window, with approximately 68% of those calls constituting rescue or emergency medical incidents. Independent performance analysis by Citygate Associates through the district's 2025 Standards of Coverage Analysis found that all measured performance metrics either exceeded or fell within an acceptable variance of established standards. The primary performance benchmark—call-to-first-unit arrival at the 90th percentile—averaged 8:21 minutes over the study window, placing the district well within the best-practice goal of 7:30 to 8:30 minutes.

Unit Hour Utilization (UHU) data for the most recent available year (2023-24) confirms that no NFPD engine company approached the generally accepted 35–40% saturation threshold. Engine 61, the district's busiest unit, recorded a peak UHU of 17.06%, and Medic 61 had a peak UHU of 16.73%. The two primary medic units (Medic 61 and Medic 65) were simultaneously committed to incidents an average of just over twice per day, with the cross-staffed Medic 62 providing a reliable third-unit concurrent response capacity. These simultaneous commitment events averaged less than 20 minutes in duration.

- c. In September 2023, NFPD was awarded a Class 02/2x Public Protection Classification (PPC) rating by the Insurance Services Office (ISO). This split rating places NFPD in the top 3% of the approximately 49,000 fire agencies eligible for certification nationwide, reflecting exceptional performance in water supply, communications, fire prevention, and fire suppression capabilities. This classification has direct economic benefits to district residents and businesses through reduced property insurance premiums.
- d. The district is one of 17 member agencies of the Marin Wildfire Prevention Authority (MWPA), a joint powers authority created in 2020 and funded through a voter-approved parcel tax. The MWPA is responsible for planning, financing, implementing, and managing fire protection and prevention services across multiple Marin County jurisdictions, providing the district with a coordinated regional framework for addressing the wildland-urban interface fire risk present in portions of the district's boundary.
- e. Marin LAFCo determines that NFPD has the current capability, capacity, and physical infrastructure to adequately provide fire protection and emergency medical response services throughout its jurisdictional boundary. Response performance data, UHU metrics, ISO classification, and independent standards of coverage analysis all confirm

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

that the district is meeting or exceeding accepted industry benchmarks. No significant service deficiencies have been identified in the current study window. The district's operational model—five strategically located stations, paramedic-level engine staffing, ALS ambulance service, and robust mutual aid agreements—represents a comprehensive and well-designed service delivery system for the community's needs.

#### 4) Financial ability of agencies to provide services

- a. NFPD has received clean, unqualified audit opinions for all audited fiscal years within the study window (FYE June 30, 2020, through FYE June 30, 2024). Each Annual Financial Report stated that the financial statements "present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District...in accordance with accounting principles generally accepted in the United States of America." No material weaknesses, significant deficiencies, or adverse findings were issued during this period.
- b. Over the five-year study window (FY 2019-20 through FY 2023-24), the district recorded a total revenue increase of approximately 36%, growing from \$33.6 million to \$45.6 million. This growth was driven primarily by a 20% increase in property tax revenues, substantially higher charges for service due to expanded ambulance billing, and the addition of Measure C (MWPA) revenue beginning in FY 2020-21. Tax revenues, including property tax and ERAF allocations, constitute approximately 75% of General Fund revenues. The district also levies a special tax, most recently updated in May 2025 to 11.6 cents per square foot for improved residential/rural/agricultural parcels and 17.4 cents per square foot for industrial/commercial parcels.
- c. The FY 2025-26 adopted operating budget is supported by projected revenues of \$43,946,654—approximately \$735 per capita—and budgeted expenditures of \$38,999,785, with personnel costs representing approximately 75% of total expenditures. The FY 2025-26 budgeted expenditure of \$43.1 million represents a 31% increase over the FY 2021-22 expenditure budget of \$32.9 million, reflecting primarily labor cost escalation consistent with regional public safety collective bargaining agreements.
- d. The district's General Fund total fund balance more than doubled during the study window, growing from \$26.2 million to \$54.4 million. The unassigned fund balance grew from \$9.1 million to \$22.3 million, equating to 62% of General Fund expenditures as of the most recent audited financial statements—well above the typical 25–50% policy target range for fire districts. The unrestricted net position on the government-wide Statement of Net Position grew from \$2.36 million in 2020 to \$41.4 million in 2024. The district averaged \$6,512,332 in annual operating surpluses over the study window, and the net position of the primary government grew from \$17.3 million to \$59.1 million.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

- e. Marin LAFCo determines that the Novato Fire Protection District is in strong financial condition and has demonstrated the sustained ability to provide its authorized services on a fiscally sound basis. The district's robust reserve accumulation, consistent operating surpluses, declining traditional debt, and above-average pension funded ratio collectively reflect responsible fiscal stewardship. The district's pension and OPEB obligations represent the principal long-term fiscal liabilities; however, the improving funded trajectory for both obligations, the district's strong reserve position, and the availability of multiple dedicated revenue streams provide reasonable assurance that these obligations can be managed without compromising service delivery over the foreseeable planning horizon.

#### 5) Status of and, opportunities for, shared facilities.

- a. The Novato Fire Protection District maintains several agreements and memoranda of understanding (MOUs) with other fire agencies in both Marin and Sonoma counties for mutual aid purposes. The district has automatic aid agreements with the Marinwood Community Services District, the Marin County Fire Department, the City of San Rafael Fire Department, and the City of Petaluma Fire Department. These agreements allow for seamless cross-boundary resource deployment in major incidents and are a standard and essential component of the Bay Area regional fire response network.
- b. The district does not have any standing contracts for the provision of services outside of its current jurisdictional boundaries, as confirmed pursuant to Government Code Sections 56133 and 56134. All existing MOUs and mutual aid agreements are reciprocal rather than contractual service provision arrangements, and thus do not constitute extraterritorial service contracts requiring LAFCo approval.
- c. The district's participation as one of 17 member agencies of the Marin Wildfire Prevention Authority (MWPA) represents the most significant shared-service and shared-facility arrangement in NFPD's operational landscape. The MWPA enables coordinated wildfire prevention programming, vegetation management, and community risk reduction activities across jurisdictional boundaries, leveraging economies of scale that would be unavailable to any single agency acting independently.
- d. One of the district's long-standing mutual aid partners is the Marinwood Community Services District (MCSD), which has an active power of fire protection and emergency medical services and provides a single-engine response company. For the better part of the past 50-years, MCSD has had a contractual agreement with the City of San Rafael for different levels of staffing assistance provided by the City, including (but not limited to) Fire Chief duties and administrative oversight. During this time, there have been multiple instances of discussion of the formal consolidation of MCSD's fire and emergency medical service powers to the City of San Rafael, but these discussions have never led to

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

actions beyond the standing agreement. During the course of the recently completed San Rafael Area Municipal Service Review, the desire for formal consolidation was reintroduced, but the leadership for the City of San Rafael clarified that it has no desire to pursue such an action and prefers to continue with the current arrangement.

As a small special district, the provision of fire protection and emergency medical services is becoming increasingly burdensome to MCSD, particularly in staffing recruitment and retention, and the district has expressed a sincere desire to explore other possible partnerships that might lead to formal consolidation of this service provision. During the course of the study window (2020-2025), approximately 10% of MCSD's responses to calls for service were within the jurisdictional boundary of the NFPD.

As staff from MCSD has expressed a willingness to explore this possibility further, Marin LAFCo would encourage NFPD and MCSD to engage in discussions to explore a joint feasibility study on the possible consolidation of MCSD's fire protection and emergency medical response services into NFPD in a similar manner to the current feasibility study that Marin LAFCo has helped facilitate between the City of Belvedere and the Tiburon Fire Protection District. Marin LAFCo staff would be open to aiding the facilitation of this process between NFPD and MCSD, should both parties be amenable to pursuing it.

- e. Marin LAFCo determines that NFPD's current mutual aid framework and MWPA membership represent meaningful and appropriate forms of inter-agency coordination and shared service delivery. The existing cooperative framework is well-established and appropriate to the district's service obligations and geographic position within the regional public safety landscape.

#### **6) Accountability for community service needs, including governmental structure and operational efficiencies**

- a. The Novato Fire Protection District is governed by a five-member Board of Directors elected through a district-based election system that divides the district into five geographic regions. Board members must reside in the region they represent and serve four-year terms. The Board meets regularly on the first Wednesday of each month at the district's headquarters at 95 Rowland Way, Novato (with certain 2026 meetings scheduled for the second Wednesday). Board compensation is set at \$200 per meeting. All five board seats are currently filled with directors whose terms are staggered between December 2026 and December 2028, providing governance continuity.
- b. The district-based election structure ensures geographic representation across NFPD's large and topographically diverse service area, which encompasses both urban Novato

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

and rural unincorporated communities with very different fire risk profiles. This governance design is well-suited to the district's service delivery obligations and community accountability mandate.

- c. A review of the district's website against the criteria of Senate Bill 929 and the Special District Leadership Foundation's District Transparency Certificate of Excellence yielded a score of 18 out of 20 required elements. The district meets all statutory requirements under SB 929. Two elements are currently incomplete: (1) staff contact information is not prominently available on the website; and (2) links to copies of LAFCo's service and sphere reviews are not posted. The district otherwise demonstrates a high level of online transparency, including posting of board member term limits, the SB 272 enterprise catalog, State Controller compensation and financial transaction report links, and searchable agendas and board packets.
- d. Marin LAFCo determines that NFPD is accountable to the community it serves and provides appropriate governance oversight for the services it delivers. The district's elected, geographically representative governance structure, professional full-time staffing, strong accountability record, and high website transparency score reflect a well-functioning public agency. The two incomplete website elements—staff contact information and LAFCo service review links—are minor and should be corrected promptly to achieve full compliance.

#### 7) Any other matter related to effective or efficient service delivery

- a. The Novato Fire Protection District's FY 2025-26 budgeted personnel expenditure of \$31,893,969 represents a 14.3% increase over the prior year's estimated total and accounts for approximately 75% of all budgeted expenditures. The continued escalation of personnel costs is the most significant structural financial management challenge facing the district. While current revenue growth has been sufficient to maintain strong surpluses, the long-term sustainability of this cost trajectory warrants ongoing attention by the Board, particularly in light of future RHNA development and the possibility of increased service demand.
- b. The projected build-out of RHNA sites within the district, if fully realized, could yield approximately 2,873 new dwelling units, representing a meaningful potential increase in residential density within already active response corridors in central Novato. The district's engagement in a 2025 Standards of Coverage Analysis update positions NFPD well to proactively assess the implications of this growth on station siting, apparatus inventory, and staffing levels before demand materializes.
- c. Marin LAFCo determines that there are no additional governance or service delivery matters that would require Commission action at this time beyond those addressed in the preceding determinations. The district's high ISO classification, consistently strong

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

response performance, and fiscally sound operating model represent best practices in California fire protection district management. The Commission encourages the district to continue its proactive engagement in regional mutual aid coordination, MWPA programming, and standards of coverage planning to ensure that service levels remain commensurate with future community growth and evolving risk profiles.

#### *Sphere of Influence Determinations per Government Code Section 56425*

In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development of local governmental agencies to advantageously provide for the present and future needs of the county and its communities, the Commission shall develop and determine the sphere of influence of each local agency, as defined by Government Code section 56036, and enact policies designed to promote the logical and orderly development of areas within the sphere. In determining the sphere of influence of each local agency, the Commission shall consider and prepare a written statement of its determinations with respect to the following:

#### **1) Present and planned land uses in the area, including agricultural and open space lands**

**a.** Land use within the NFPD jurisdictional boundary is guided by several planning documents: the City of Novato's General Plan, the Marin Countywide Plan, the Black Point Community Plan, the Green Point Community Plan, the Indian Valley Specific Plan, and the Marin County Housing Element. Approximately 65% of the district's lands are designated as open space, agricultural, conservation, or parks. Multiple types of residential designations comprise approximately 20% of district lands, with the remaining area consisting of industrial/employment, public/community facilities, and commercial/mixed-use designations. This land use composition reflects the district's character as a primarily urbanized core surrounded by a substantial rural and open space periphery.

**b.** While the unincorporated lands within NFPD's boundary that are zoned for development are essentially built out, meaningful residential development is anticipated through the Housing Element cycle. The County of Marin has designated four unincorporated sites within the boundary—Atherton Corridor, Buck Center Vacant Property, Greenpoint Nursery, and Vacant Black Point—for a projected 507 new units. The City of Novato's Housing Element identifies seven additional infill development sites with an anticipated 2,366 units. Taken together, total potential new units within NFPD's boundary number approximately 2,873 across the 2023–2031 planning cycle.

**c.** The large proportion of open space, agricultural, and conservation-designated land within the district's SOI—approximately 65% of total land area—creates a significant wildland-urban interface (WUI) fire risk profile that is a permanent feature of the district's

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

service environment. This risk is addressed through both direct prevention and suppression capabilities and through the district's membership in the Marin Wildfire Prevention Authority.

d. Marin LAFCo determines that present and planned land uses within the NFPD sphere of influence are consistent with the district's current service capacity and do not necessitate any modification to the sphere boundary. The infill development anticipated through Housing Element implementation will generate incremental increases in fire and EMS service demand but is not expected to alter the fundamental character or geographic scope of the district's service obligations. The large proportion of open space and agricultural land within the sphere is appropriately served by the district's existing station configuration and wildfire prevention programs.

#### **2) Present and probable need for public facilities and services in the area**

a. The Novato Fire Protection District serves a large, geographically diverse population of approximately 59,825 residents with a full suite of fire suppression, rescue, ALS ambulance, hazardous materials, and fire prevention services. The present need for these services is well-established and continuous. Averaging over 7,000 calls for service annually—approximately 68% of which are emergency medical calls—the district demonstrates active and ongoing community reliance on its services.

b. The probable future need for public facilities and services in the area will be shaped by two primary factors: (1) incremental population growth driven by RHNA development within the incorporated and unincorporated areas of the district; and (2) intensifying wildland-urban interface fire risk associated with climate change and ongoing vegetation fuel accumulation in the significant open space areas within the district's boundary. Both trends point toward stable or increasing demand for the district's core services over the planning horizon.

c. The district's five-station configuration, daily 20-person minimum staffing, and ALS ambulance service represent the physical infrastructure platform needed to meet present service demand. The need for continued investment in apparatus replacement, station maintenance, and technology upgrades to sustain service capacity is ongoing and well-documented in the district's capital planning processes.

d. Marin LAFCo determines that there is a continuous, stable, and probably increasing need for the fire protection and emergency medical response services provided by NFPD within its existing sphere of influence. The district's infrastructure and staffing levels are presently adequate to meet this need, and the district's financial position provides the capacity to

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

respond proactively to increasing demand over the planning horizon. No expansion of the sphere boundary is needed to address anticipated service needs.

#### **3) Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**

- a. NFPD's five fire stations and associated apparatus fleet provide comprehensive geographic coverage of the 71-square-mile service area. Response performance data confirms that the district is meeting established 90th-percentile benchmarks, with a study-window average call-to-first-unit arrival time of 8:21 minutes against a best-practice target of 7:30 to 8:30 minutes.
- b. Unit Hour Utilization metrics for all engine companies and medic units are well below the 35–40% saturation threshold, indicating that the district's current apparatus fleet and station configuration provide substantial available capacity relative to present call volumes. The cross-staffing protocol for Medic 62 and reserve engines at Stations 63 and 65 provides an effective surge capacity mechanism for concurrent incidents without requiring additional permanently staffed units.
- c. The district's ISO Class 02/2x rating—placing NFPD in the top 3% of eligible fire agencies nationwide—is an independent, third-party validation of the district's present service adequacy across water supply access, fire prevention programs, communications, and suppression capabilities
- d. The district's personnel and administrative infrastructure, including 88 FTE staff, supports effective service delivery, regulatory compliance, training program management, and fiscal oversight at a level commensurate with a district of this size and operational complexity.
- e. Marin LAFCo determines that NFPD has the present capacity to adequately provide fire protection and emergency medical response services throughout the existing sphere of influence. Response performance metrics, utilization data, and ISO classification collectively confirm that the district is not experiencing service deficiencies and has meaningful reserve capacity to absorb short-term demand increases. No changes to the district's service delivery model, governance structure, or sphere boundary are warranted to address capacity concerns at this time.

#### **4) Existence of any social or economic communities of interest in the area, if the Commission determines that they are relevant to the agency.**

- a. Marin LAFCo determines that the existing sphere of influence boundary appropriately encompasses all relevant communities within the NFPD service area. No social or economic communities of interest have been identified that would warrant modification of the current sphere boundary or that would present unmet service needs not addressed by the current governance and service delivery structure.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

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**5) Present and probable need for public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

a. Marin LAFCo determines that there are no disadvantaged unincorporated communities within or contiguous to the NFPD sphere of influence with present or probable unmet needs for fire protection or emergency medical services. The district provides equitable service delivery to all communities within its boundary, including the unincorporated neighborhoods of Green Point, Black Point, Loma Verde, Indian Valley, and Bel Marin Keys, without requiring additional annexation, detachment, or governance restructuring to ensure adequate service access.

## NOVATO AREA

## MSR &amp; SPHERE OF INFLUENCE STUDY

## BEL MARIN KEYS COMMUNITY SERVICES DISTRICT

## AGENCY AT A GLANCE

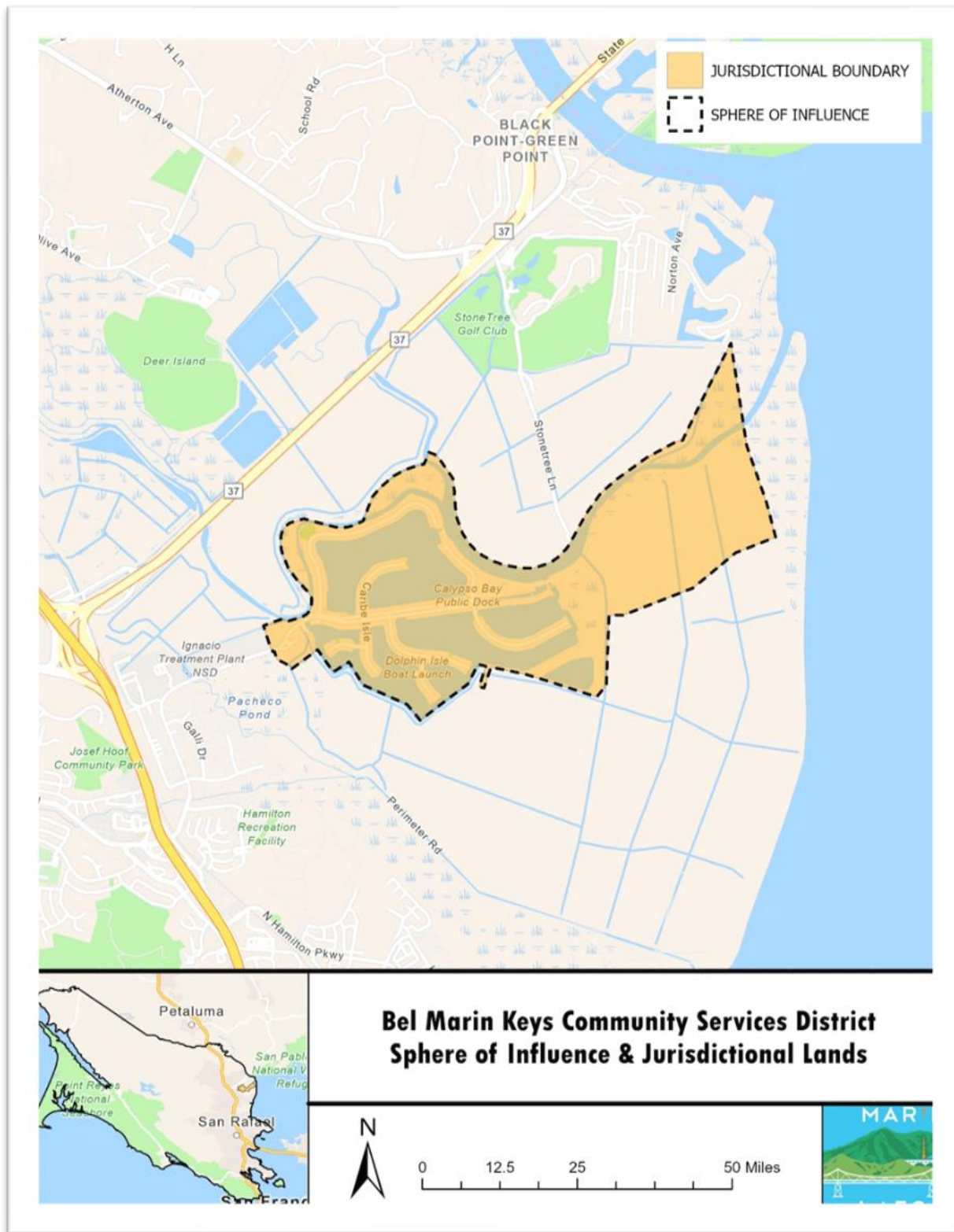
<b>Agency Name</b>	Bel Marin Keys Community Services District
<b>Formation Date</b>	June 26, 1961
<b>Administrative Office Location</b>	4 Montego Key, Novato, CA
<b>Website</b>	<a href="http://www.bmkcsd.us">www.bmkcsd.us</a>
<b>District Manager</b>	Lisa Lue
<b>Employees</b>	2.25 FTE
<b>Public Meetings</b>	The Bel Marin Keys Community Services District Board of Directors meets on the 3rd Thursday of each month at 7:30 p.m., with special meetings scheduled on an as-needed basis.
<b>Governing Body</b>	Five-member Board of Directors; each elected to a four-year term
<b>Municipal Services Provided</b>	Lagoon Maintenance (including marine infrastructure and dredging), Parks & Recreation (Open Space), Flood Protection, Street Lighting, and Landscape Maintenance
<b>Jurisdictional Area Size</b>	1.54 Square Miles
<b>Population Estimate</b>	1,564 <sup>65</sup>

<sup>65</sup> Estimate based upon American Community Survey 5-year estimates, released January 29, 2026, from Marin County Census Tract 1043. The total population for the tract is 1,681 and encompasses all of the district's jurisdictional boundary; however, the tract also encompasses a developed area of the City of Novato that is primarily corporate, retail, and industrial (no residential), running from the Arroyo San Jose Creek up to Bel Marin Keys Boulevard.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Figure 8 Bel Marin Keys CSD Sphere of Influence & Jurisdictional Lands



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

## Agency Profile – Bel Marin Keys Community Services District

The Bel Marin Keys Community Services District (BMKCSD) is located in the north-eastern area of Marin County, along the northern Highway 101 corridor. The entirety of the district's jurisdictional lands and sphere of influence are situated within Marin County Supervisor District 5. The district's boundary is contiguous to the City of Novato to the north, and unincorporated lands to its south and east. BMKCSD is home to an estimated 1,564 residents. The district was formed as an independent special district organized pursuant to California Government Code Sections 61000-61934 on June 26, 1961, by Marin County Board of Supervisors resolution No. 6797.

Bel Marin Keys CSD's jurisdictional boundary encompasses approximately 990 acres (1.54 square miles), and the district's sphere of influence (SOI) aligns with the boundary and is fully coterminous. BMKCSD's sphere of influence was originally established by Marin LAFCo in 1982 and was most recently amended in 2020<sup>66</sup>. The Table below presents a demographic and land-use profile of BMKCSD compared to Marin County as a whole.

*Table 20 Demographic and Land Use Profile of BMKCSD Compared to Marin County*

	<b>BMKCSD</b>	<b>Marin County</b>
Population as of 2010	1,530	252,409
Population as of 2026	1,564	254,550
Annual Pop. Growth Since 2010	0.14%	0.056%
Total Housing Units	764	113,062
Persons Per Housing Unit	2.05	2.25
Land Area (Square Miles)	1.54	520
Single-Family Units	764	80,639
Multi-Family Units	0	30,532
Mobile Homes	0	1,891
Persons Per Square Mile	1016	490
Median Household Income	\$167,039	\$142,785

<sup>66</sup> Marin LAFCo Resolution No. 20-15



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

## CURRENT AND PROPOSED SPHERE OF INFLUENCE

Bel Marin Keys Community Service District's sphere of influence (SOI) is currently coterminous with its jurisdictional boundary. The SOI was originally established by Marin LAFCo in 1982 and was most recently updated in 2020<sup>67</sup>. At this time, staff for the district have not provided any identified areas that they desire to add to the SOI; therefore, no areas specifically requested by the district are being studied for possible inclusion into the BMKCSO SOI, and Marin LAFCo staff recommend that the SOI be reaffirmed as it currently stands.

## EXTRATERRITORIAL SERVICES

Government Code Sections 56133 and 56134 set forth LAFCo's out-of-agency services oversight role. At this time, the district has no standing contracts specifically for service provisions outside of its current boundaries.

## GOVERNANCE AND STAFFING

The Bel Marin Keys Community Services District is governed by a five-member Board of Directors elected to four-year terms. The BMKCSO board receives \$100 compensation per meeting for its service. State Government Code section 61047 authorizes community services districts to compensate board members up to \$100 per meeting, with the possibility of increases under Water Code section 20201, which BMKCSO Board members are not eligible for. Regular meetings are typically held at 7:30 p.m. on the third Thursday of each month at the BMKCSO Community Center at 4 Montego Key, Novato.

*Table 21 Bel Marin Keys CSD Board Members*

Bel Marin Keys Community Services District Board Members		
President	Steve Nash	Term Exp. – December 2026
Director	Cheryl Furst	Term Exp. – December 2028
Vice President	Natalia Shorten	Term Exp. – December 2028
Director	Mercy Agnelopulos	Term Exp. – December 2028
Director	Vince Lattanzio	Term Exp. – December 2026

The Board of Directors appoints a District Manager to serve as the administrative head of the district, responsible for the day-to-day operations. The district has 2.25 FTE employees.

<sup>67</sup> Marin LAFCo Resolution No. 20-15



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

#### ACCOUNTABILITY

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. SB 929 identifies a number of components that must be found within an agency's website. Additionally, the Special District Leadership Foundation (SDLF), an independent, non-profit organization formed to promote good governance and best practices among California's special districts, has also outlined recommended website elements as part of its District Transparency Certificate of Excellence. This program was created in an effort to promote transparency in the operations and governance of special districts to the public and to provide special districts with an opportunity to showcase their efforts in transparency. Based on SB 929's criteria and the recommendations set by the SDLF, Marin LAFCo conducted a thorough review of the district's website. The table below summarizes staff's findings on whether the website meets the statutory requirements. At present, the district is missing links to the State Controller's webpages for board member and staff compensation, as well as to the district's reported financial report. The site also needs to add an enterprise catalog as required by SB 272. District staff have been made aware of these current omissions and are working to correct them. Over the better part of the last year, the district has been completely overhauling its online presence and is nearing the completion and launch of a whole new website.

*Table 22 Summary of Website Compliance with SB 929 & SDLF Transparency Requirements*

Website Components	Checkmark (Yes)
<b>Required Items (SB 929 Criteria and SDLF Benchmarks)</b>	
1. Names and Contact Information of Board Members	✓
2. Board Member Term Limits	
3. Names of Key Staff, Including General Manager/Director	✓
4. Contact Information for Staff	✓
5. Election/Appointment Procedure and Deadlines	✓
6. Board Meeting Schedule	✓
7. Mission Statement	✓
8. Description of District's Services/Functions and Service Area	✓
9. Authorizing Statute/Enabling Act	✓

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

10. Adopted District Budgets	✓
11. Financial Audits	✓
12. Archive of Board Meeting Agendas and Minutes	✓
13. Link to State Controller's Webpages for District's Reported Board Member and Staff Compensation	
14. Link to State Controller's Webpages for District's Reported Financial Transaction Report	
15. Reimbursement and Compensation Policy/ Annual Policies	✓
16. Home Page Link to Agendas/Board Packets	✓
17. SB 272 – Compliance of Enterprise Catalogs	
18. Machine Readable/Searchable Agendas	✓
19. Recipients of Grant Funding or Assistance	✓
20. Link or Copies of LAFCos' Service and Sphere Reviews	✓
<b>TOTAL SCORE (out of a possible 20)</b>	<b>16</b>

As of the writing of this study, all Form 700 financial disclosures are current for each required participant within the district. Additionally, all required participants within the district have current certifications for Assembly Bill 1234 (AB 1234)<sup>68</sup> and Assembly Bill 1661 (AB 1661)<sup>69</sup>.<sup>70</sup>

### DISADVANTAGED UNINCORPORATED COMMUNITIES

In 2011, Senate Bill 244 (SB 244) made changes to the Cortese-Knox-Hertzberg (CKH) Act related to “disadvantaged unincorporated communities,” including the addition of SOI determination number five listed above in the Planning Responsibilities section. Disadvantaged unincorporated communities, or “DUCS,” are inhabited territories (containing 12 or more registered voters) where the annual median household income (MHI) is less than 80 percent of the statewide annual median household income.

<sup>68</sup> State-mandated ethics training for public officials.

<sup>69</sup> State-mandated sexual harassment training.

<sup>70</sup> The newly enacted SB 827 requires local agency officials to complete a new fiscal training, among other things, by January 1, 2028. While the district has been made aware of this updated requirement, this item has not been added to the scoresheet due to the significant amount of time remaining for it to be completed.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

CKH Act Section 56375(a)(8)(A) prohibits LAFCo from approving a city annexation of more than 10 acres if a DUC is contiguous to the annexation territory but not included in the proposal unless an application to annex the DUC has been filed with LAFCo<sup>71</sup>. The legislative intent is to prohibit selective annexations by cities of tax-generating land uses while leaving out underserved, inhabited areas with infrastructure deficiencies and a lack of access to reliable potable water and wastewater services.

According to the California Department of Housing and Community Development, the median household income in California in 2025 is \$118,100, with 80% of that amount being \$94,480. According to the most current available data, there are no disadvantaged unincorporated communities within or contiguous to the sphere of influence of the Bel Marin Keys Community Services District at this time.

### SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST IN THE AREA

A community of interest (COI) is a geographically contiguous population that shares common social, cultural, economic, or historical interests relevant to public policy and fair political representation. This concept is central to redistricting under California's FAIR MAPS Act and the State Constitution. Within the sphere of influence of the Bel Marin Keys Community Services District, there are no communities that Marin LAFCo deems to be a social and economic community of interest.

### PRESENT AND PLANNED LAND USE

The Bel Marin Keys Community Services District's land use is guided by the Marin Countywide Plan and the Marin County Housing Element. The majority of the district's lands, approximately 45%, are designated as residential single-family, with approximately 35% of the district's lands zoned as waterways and open anchorage, 15% open space and agricultural, and the remaining areas as public facilities and parks.<sup>72</sup>

The County of Marin's 2023-2031 Housing Element identifies the need for the development of 3,569 housing units in unincorporated Marin County to meet its Regional Housing Needs Allocation (RHNA) mandate from the Association of Bay Area Governments (ABAG), including 1,734 units for low and very-low-income households. Within the Housing Element, a number of sites have been identified with their planned unit counts for development. The site inventory strategy relies primarily on commercial property conversions and mixed-use development as opposed to greenfield development on vacant lots. The area within the jurisdictional boundary

<sup>71</sup> CKH Act Section 56375(a)(8)(B) does allow for exemptions for a DUC to be annexed.

<sup>72</sup> The Bel Marin Keys Industrial Parks, although frequently associated by name, are located within the City of Novato limits and are not within the jurisdiction or sphere of influence of BMKCSO.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

of BMKCSD is built out at this time, and no sites within or contiguous to the boundary were identified within the Housing Element as possible RHNA development.

### SERVICES PROVIDED

In January of 2006, Senate Bill 135 (SB 135) took effect and revised state laws governing community services districts (CSD). SB 135 consolidated the provisions for CSDs into a list of 31 services and facilities, and changed the definition of latent powers. The old CSD Principal Act from 1955 required voter approval of latent powers and predated the statewide creation of LAFCo in 1963. With SB 135, all powers authorized for CSDs but not being exercised became latent powers, regardless of the initial formation petition. SB 135 redefined latent powers as those services and facilities authorized by the new CSD Principal Act that a CSD did not provide before January 1, 2006, as determined by LAFCo. Therefore, SB 135 effectively grandfathered in all services and facilities that CSDs provided before January 1, 2006.

Government Code § 56425 (i) provides that “When adopting, amending, or updating a sphere of influence for a special district, the commission shall establish the nature, location, and extent of any functions or classes of services provided by existing districts.” Government Code § 56050.5 defines a latent service or power as “those services, facilities, functions, or powers authorized by the principal act under which the district is formed, but that are not being exercised, as determined by the commission pursuant to subdivision (i) of Section 56425.” Therefore, once the Commission has established what services are being provided, all other services, functions, and powers become “latent services or powers” by operation of law.

The last time the Commission adopted an SOI and MSR update for the district in 2019, BMKCSD’s activated service powers included Lagoon Maintenance (including marine infrastructure and dredging), Parks & Recreation (Open Space), Flood Protection, Street Lighting, and Landscape Maintenance. Law enforcement, Animal control, solid waste/refuse, wastewater collection, wastewater treatment and disposal, water, housing, code enforcement, library, streets maintenance, stormwater drainage, and electricity/natural gas are primarily provided by other government agencies, contractors, or private entities. This section provides information on the services that the district is currently authorized to provide. The table below presents municipal services provided by the district and associated service providers within the Bel Marin Keys Community Services District.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Table 23 Municipal Services Provided by the District and Associated Service Providers in Bel Marin Keys CSD

Public Service	Responsible Agency Type	Service Provider
Law Enforcement	County	County of Marin
Fire Protection	Special District	NFPD
Emergency Medical	Special District	NFPD
Building/Planning	County	County of Marin
Housing	County	County of Marin
Code Enforcement	County	County of Marin
Animal Control	County	Marin Humane Society
Parks and Recreation	Special District	BMKCSO
Library	County	County of Marin
Landscape Maintenance	Special District	BMKCSO
Lighting	Special District	BMKCSO
Streets/Road Maintenance	County	County of Marin
Solid Waste	Special District	Novato Sanitary District
Stormwater Drainage	County	County of Marin
Water	Special District	North Marin Water District
Wastewater	Special District	Novato Sanitary District
Wastewater Treatment & Disposal	Special District	Novato Sanitary District

#### *Lagoon Maintenance (Including Marin Infrastructure and Maintenance)*

The primary service provision of BMKCSO is the maintenance of the community's lagoons, waterways, and the infrastructure supporting them. The lagoon system, spanning approximately 200 acres of man-made waterways, constitutes the aesthetic and functional heart of Bel Marin Keys. Maintenance of this system involves a complex intersection of civil engineering, biological monitoring, and regulatory compliance. The navigational locks and sluice gates represent the

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

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most technically complex and expensive components of the district's assets. These systems are essential for regulating water levels within the lagoons, facilitating vessel passage to San Pablo Bay, and protecting the community from storm-driven tidal surges.

The district operates two primary locks<sup>73</sup> systems: the North Lock and the South Lock. Historically, previous funding measures (Measures E and F) were used to stabilize the South Lock using micro-piles and to install fish screens required by the National Oceanic and Atmospheric Administration (NOAA) to protect local aquatic species. A critical component added during that period was a stop gate at the South Lock, which allows the district to de-water the lock for maintenance without significantly impacting the lagoon's water levels.

In 2021, the district commissioned a Control System Upgrade Study from DST Controls, which provided a roadmap for modernizing the locks' electrical and mechanical systems over a 2-to-5-year period. The North Lock's electrical components, cathodic protection, and switch gears were identified as aging and in need of replacement. By late 2024, the district was forced to engage Rain for Rent for the temporary de-watering of the locks to facilitate emergency inspections and minor repairs, highlighting the fragile state of these systems.

In early 2023, a major engineering debate occurred regarding the North Lagoon sluice gate. Initial assessments suggested that replacing the gate with a modern motorized system would be prohibitively expensive and require years of environmental permitting. The district's Engineering Committee proposed a more practical alternative in the use of stoplogs. Stoplogs are essentially modular barriers that can be manually placed or removed to control water flow and depth. The Board eventually moved forward with the stoplog solution because it was classified as a "maintenance" activity rather than "new construction", which significantly reduced the regulatory burden. In July 2025, the district contracted a diving services agency to verify the precise measurements of the sluice gate structure to ensure that the custom-fabricated stoplogs would fit. This decision ultimately saved the district millions of dollars in potential capital costs while providing a structurally safe and flexible method for water level management.

Recognizing that aging marine infrastructure requires a more robust funding mechanism, the district placed Measure G on the March 5, 2024, ballot. The measure was successfully approved by voters, authorizing a 21-year annual parcel tax of \$1,800 per taxable parcel. This fiscal instrument is estimated to generate approximately \$1.26 million annually, with a 2.5% annual escalator, specifically dedicated to the maintenance, construction, and acquisition of infrastructure, most notably the community's locks and levees.

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<sup>73</sup> A waterway lock is a watertight chamber with gates at both ends that acts as an elevator for boats, allowing them to move between different water levels on canals and rivers.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Dredging is a recurring necessity for Bel Marin Keys to prevent the lagoons and access channels from becoming unnavigable due to siltation. Maintaining the permitted design depth of the lagoons and designated sections of Novato Creek is essential for recreational boat navigation and effective water level control. The regulatory landscape for dredging in the San Francisco Bay is exceptionally stringent, managed by the Dredged Material Management Office (DMMO), which includes representatives from the U.S. Army Corps of Engineers, the Environmental Protection Agency (EPA), and the Regional Water Quality Control Board (RWQCB).

The most significant dredging event during the course of the study window occurred in late 2023. This project focused on the North Lagoon and its associated lock access points. The preparation for this project was extensive. In 2021, site de-vegetation began, and by early 2023, the district was finalizing permits that required a specialized Pond Turtle study conducted by WRA Environmental Consultants. The project faced a very narrow operational window – September 1 to November 30 – due to the environmental restrictions meant to protect nesting birds and migrating fish. Dixon Marine Services successfully completed the operation within this timeframe, however, the project was not without logistical adjustments. Change Order No. 1 eliminated the Novato Creek portion of the dredge, reducing the total contract from \$1,280,970 to \$1,063,328. This decision was made due to the district lacking a current permit for the creek, and chose to wait for a broader hydrological report to partner with other regional agencies.

The district's dredging philosophy has evolved to align with regional sediment management goals. The Long Term Management Strategy (LTMS) for the San Francisco Bay seeks to maximize the "beneficial reuse" of dredged material rather than disposing of it in the deep ocean or in-bay sites. In the context of the Bel Marin Keys Unit V expansion, dredged material is categorized into "cover" and "non-cover" sediment. Cover sediment is suitable for the top three feet of a newly restored marsh, as it is clean enough for ecological receptors to contact, while non-cover (foundation) sediment is suitable for deeper foundation layers three feet below the surface.

The ecological management of the Bel Marin Keys lagoons is a continuous process involving chemical treatment, mechanical aeration, and biological monitoring. The lagoons are susceptible to nutrient loading, which, combined with the warm climate, can lead to aggressive algae blooms and the growth of invasive vegetation like widgeon grass. The district maintains a partnership with LakeTech for routine water quality assessments and treatments. In 2024 and 2025, the community experienced earlier than expected algae blooms, forcing the district's Board to accelerate its treatment schedule. The district utilizes non-toxic treatments which are designed to break down organic matter and suppress algae without harming humans or wildlife. During the summer months, treatments occur monthly and continue through October to manage clarity and odor.

To reduce the reliance on chemical treatments, the district has invested in aeration and circulation systems. The South Lagoon has historically benefited from three diffuser systems



## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

that maintain higher dissolved oxygen levels and clearer water. In 2023, the Board authorized a pilot program for the North Lagoon, drawing power from the Community Center to run a new aerator/diffuser system. Following the success of these trials, the district installed Kasco dock circulators on a trial basis in 2025. These units improved water movement at the shoreline and reduced stagnation, which is often the precursor to heavy algae growth. By January, 2026, the district had tasked LakeTech with a comprehensive mapping of the North Lagoon to determine the most effective locations for a permanent, expanded diffuser network.

#### *Flood Protection*

Bel Marin Keys is situated in a high-risk flood zone, protected by a network of levees that separate the community from the tidal influence of San Pablo Bay and the seasonal surges of Novato Creek. The district's actions in this sector include both local maintenance and participation in the massive Hamilton-Bel Marin Keys Unit V Wetland Restoration project.

BMKCS D is a primary stakeholder in the Bel Marin Keys Unit V expansion of the Hamilton Wetland Restoration Project, which is a significant undertaking in a joint effort between the California State Coastal Conservancy and the U.S. Army Corps of Engineers. The Unit V project covers approximately 1,600 acres and aims to restore tidal estuarine habitats, including salt marshes and mud flats. The restoration project anticipates using more than 17 million cubic yards of such material to raise subsided land to elevations capable of supporting tidal wetland vegetation. The BMKCS D's internal dredging projects contribute to this regional effort, turning maintenance liability into an environmental asset.

The restoration plan involves levee construction, sediment import, tidal connection, and infrastructure relocation. For the residents of Bel Marin Keys, this project provides a significant benefit by creating a vast buffer of tidal marshland that absorbs wave energy and reduces the flood risk to the community's primary levee system. For the Bel Marin Keys community, the most critical "action" within this project was the construction of a new, two-mile levee designed to safeguard residential areas from flooding and sea-level rise. Phase 1 of the BMK V project, which included the completion of this levee and a 45-acre seasonal wetland area, was finalized in late 2021. The levee, built with 1.4 million cubic yards of engineered fill, is estimated to have a 50-year service life given current sea-level rise projections. As of early 2026, the project is in Phase 2, focusing on tidal restoration and interim management.

The BMKCS D maintains responsibility for existing levee infrastructure not covered by the larger federal project. A significant ongoing action in late 2025 and 2026 has been the procurement of rip rap for South Levee protection. This involves the placement of large stones to armor the levee face against erosion and overflow. In February 2026, the district solicited competitive bids for this work, with estimates ranging from approximately \$242,000 to over \$500,000. The district is also currently negotiating with the State Coastal Conservancy regarding the transfer of

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

ownership of the South Levee to the BMKCSD. This transfer would consolidate local control over flood protection assets but also increase the district's long-term maintenance liabilities.

The district remains an active stakeholder in the management of Novato Creek. The Marin County Flood Control and Water Conservation District (Flood Zone 1) typically removes sediment from the creek every five years to maintain channel capacity. The most recent major sediment removal occurred between July and October 2020, with the sediment being beneficially reused for ecotone levees in the Deer Island Basin. While smaller-scale removals were evaluated and deemed unnecessary in 2023 and 2024, the Flood Control District is currently designing a full-scale sediment removal for 2026. The BMKCSD District Manager has consistently attended the Flood Zone 1 Advisory Board meetings—most recently on February 5, 2026—to ensure the community's interests are represented in these regional hydrologic projects.

#### *Parks, Recreation, and Open Space Maintenance*

The BMKCSD manages eight distinct parks—Montego, Caribe North, Hudson, Del Oro, Cavalla, Bahama, Sunset, and Softfall—serving as recreational hubs for the community. These facilities are primarily supported by Measure A, a county-wide sales tax for parks and open space. Over the course of the study window, the district has successfully deployed Measure A funds for a variety of localized upgrades. In 2025, the district completed a mulch application across multiple parks and maintained the outdoor workout stations at Sunset Park. The Sunset Park fitness stations, originally established in 2017, remain a focus of ongoing stewardship.

As of early 2026, the Measure A Committee has prioritized several new infrastructure initiatives:

1. **Bench Program:** Led by resident volunteers Candra Canning and Diann McKowen, this program seeks to replace aging benches with new, high-durability models. The BMKCSD is currently reviewing proposals for this program.
2. **Sidewalk Program:** This initiative targets tripping hazards and asphalt degradation within the park network. Recent actions included the mitigation of two hazards at Bahama East.
3. **Montego Park Enhancements:** Immediate actions approved in February 2026 include the replacement of a dead tree and the purchase of additional swing mats to create a safety platform for the hanging carousel.
4. **Community Garden and Nature Play:** These concepts have been integrated into the district's long-term park master plan for future development.

Recreational services also extend to the maintenance of community facilities. In 2025, the district completed repairs to the Community Center generator to ensure it remains functional as an emergency hub. Furthermore, the district upgraded the Wi-Fi and telephone infrastructure at the district office and Community Center to improve administrative efficiency. Community

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

safety actions have focused on traffic calming. The district has collaborated with the County DPW to narrow Bel Marin Keys Boulevard via painted striping to reduce speeding. The board is also evaluating the installation of road humps near Montego Park and relocated speed radar signs to better influence driver behavior.

## FISCAL HEALTH

The sections that follow evaluate the district's fiscal health, inclusive of revenue sources and major expenditure categories.

### *Annual Audit Findings*

Bel Marin Keys Community Services District is required to undergo an annual financial audit, with the results published in an Annual Financial Report, in which the auditors are required to issue a report of whether the financial statements of the district accurately present the financial position of the district. The Annual Financial Reports from the current study window range from Fiscal Year Ending (FYE) June 30, 2021, to FYE June 30, 2024. These reports did not present any findings and each stated, "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District 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."

Between 2024 and 2026, the district engaged in a major administrative undertaking in the remediation of backlogged financial audits. The District Manager performed extensive research into missing documents from FYs 2023 and 2024, using bank records to reconstruct the district's financial history for the auditor. As of February 2026, the FY 2022-23 and 2023-24 audits have been completed and approved. To ensure future consistency, the district has contracted with RBA Bookkeeping to prevent further knowledge gaps, and with O'Connor & Company CPA for the FY 2024-25 audit, with work scheduled to commence in April 2026.

The table below shows the actual historical General Fund revenues and expenditures from FY 2021-22 through FY 2023-24.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Table 24 Historical General Fund Revenues and Expenditures by Fiscal Year

	FY 2021-22	FY 2022-23	FY 2023-24
<b>Actual Revenues Governmental Funds</b>			
Taxes	\$1,667,040	\$1,237,773	\$1,278,902
Investment Earnings	\$1,489	\$16,829	\$90,502
Charges for Services	\$6,750	\$20,191	\$17,702
<b>Total Revenues</b>	<b>\$1,675,279</b>	<b>\$1,274,793</b>	<b>\$1,387,106</b>
<b>Actual Expenditures</b>			
Salaries and Benefits	\$146,856	\$138,469	\$202,129
Services and Supplies	\$538,734	\$513,527	\$525,849
Capital Outlay	\$169,531	\$80,668	\$1,121,198
Debt Service	\$658,336	\$321,994	-
<b>Total Expenditures</b>	<b>\$1,513,457</b>	<b>\$1,054,658</b>	<b>\$1,849,176</b>
<b>Surplus/(Deficit)</b>	<b>\$161,822</b>	<b>\$220,135</b>	<b>(\$462,070)</b>

During the course of the study window, the district's governmental funds averaged approximately \$26,704 in excess expenditures over revenues (significantly driven by planned one-time capital outlay expenses), and the district's net position grew to \$8.08 million. The most significant anomaly during the review period was the sunseting of Measures E and F funds (as well as their capital debt service requirements) in 2023. While the large capital outlay expenditure in 2024 may seem anomalous in comparison to the prior two years, the final figure was actually \$396,302 less than what the district budgeted for the year, showing that the district had planned for significant capital expenditures during that year.

#### *Operating Revenues*

On average, during the course of the study window, tax revenues made up approximately 98% of General Fund revenues, inclusive of property tax and Educational Revenue Augmentation Fund (ERAF) tax, and Measures A, D, E, and F funds. In 2024, the voters of the district approved Measure G, which adds an additional \$1,800 per year parcel tax following the depletion of the bond measure funds from Measures E and F. While Measure D parcel taxes continue to provide funding, those funds are restricted to marine infrastructure maintenance, not improvements.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

Measure G expands the option to cover that gap as the district estimates needing approximately \$31.5 million in infrastructure improvement projects over the next 20 years.

#### *Operating Expenditures*

The district's largest expenditure category is services and supplies, which includes costs associated with maintaining marine-based infrastructure, at approximately 41% of all budgeted expenditures<sup>74</sup>. Having retired both of the large bonds the district was paying on, the district's personnel costs and capital outlay are the only other significant annual expenditures.

### PERFORMANCE STANDARDS

Marin LAFCo utilized four different methodologies to evaluate the Bel Marin Keys Community Services District's fiscal performance. The four approaches to evaluating performance include a review of reserve fund balances, pensions/other post-employment benefits (OPEB), debt ratio, and evaluation of revenue and expenditure trends (seen above). The methodologies and findings are outlined below.

#### *Reserve Fund Balance*

The district maintains robust fund balances, primarily within its General Fund and special revenue funds. The unrestricted/unassigned balance in 2022 was \$1,294,554. By FYE 2024, the total governmental fund balance was \$3,443,478, of which \$2,543,969 was unassigned. This expansion in unrestricted cushion offers the district considerable flexibility to absorb unforeseen shocks. Many local governments set a policy target of 20–50% of annual operating expenditures; BMKCS D's actual ratio by that definition is well above typical minimums, indicating reserves sufficient for well over half a year (and likely close to a full year) of operations.

#### *Pension and OPEB Obligations*

Unlike many California public agencies, the district does not carry a massive unfunded liability for pensions or other post-employment benefits (OPEB). The district provides a SIMPLE IRA plan rather than a traditional defined benefit pension like CalPERS. As a SIMPLE IRA is a defined-contribution, it is effectively 100% funded by definition, so the district has no "unfunded" liability for future retirees beyond its annual contributions. In FY 2024, the district's contribution was \$2,217.

#### *Debt Ratio*

The debt ratio is a fundamental financial metric that measures the proportion of an agency's assets that are financed through debt, calculated by dividing total liabilities by total assets. This

<sup>74</sup> This annual percentage would be significantly higher if not for significant Capital Outlay costs in FY 2024 and high debt service payments in FY 2022 swaying the average percentages.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

ratio reveals the extent to which a local government relies on borrowed funds versus owned resources, providing critical insights into its financial structure and overall fiscal health. For special districts, maintaining appropriate debt levels is essential as excessive debt can constrain future financial flexibility and potentially lead to fiscal stress or even bankruptcy.

Unlike the pension funded ratio, which specifically measures the percentage of pension liabilities covered by pension assets, the debt ratio offers a broader perspective on an agency's overall financial position by examining its entire liability structure relative to its asset base. The debt ratio serves as one of several critical indicators that collectively portray an agency's fiscal condition. The following aspects are typically considered when evaluating public agency financial health in relation to debt ratio:

#### 1. Short-term Financial Stability

The debt ratio helps assess an agency's ability to meet immediate financial obligations by indicating the level of leverage in its capital structure. A lower debt ratio suggests greater financial flexibility and capacity to address short-term needs without additional borrowing.

#### 2. Long-term Fiscal Sustainability

By examining the relationship between debt and assets, the ratio provides insights into an agency's long-term financial trajectory and its ability to sustain service levels while meeting future obligations. Agencies with lower debt ratios generally have more capacity to invest in infrastructure and respond to emerging community needs.

#### 3. Financial Flexibility and Resilience

The debt ratio directly impacts an agency's financial flexibility—its ability to respond to economic downturns, emergencies, or changing service demands. An agency with a high debt ratio has less "fiscal space" to maneuver during challenging times, as more of its revenue must be dedicated to debt service rather than operational needs or new initiatives.

BMKCS D's debt ratio has moved from moderately leveraged but well-managed to effectively debt-free. As of June 30, 2024, the district had a debt ratio of less than 1%. In FY 2021, total liabilities were approximately \$1.09 million against \$6.47 million in assets (approximately 17% leverage, or 6:1 assets/liabilities). Most of that was the Bank of Marin Measure E/F loans plus a small PG&E streetlight loan. By FY 2022, total liabilities dropped to about \$368,000 versus \$6.42 million in assets (about 6% leverage) as they paid down roughly \$619,000 of principal that year alone. At the start of FY 2023, long-term obligations totaled approximately \$318,000. During the course of the year, they paid off 100% of that remaining principal, retiring the Measure E and F loans. At this stage, the district's liabilities are just routine payables and small compensated absences. As of FY 2024, the district remained debt-free with no long-term debt

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

line and only approximately \$37,000 of current liabilities against approximately \$8 million in assets.

## DETERMINATIONS

### *Service Review Determinations per Government Code Section 56430*

As set forth in Section 56430(a) of the CKH Act, “In order to prepare and to update the SOI in accordance with Section 56425, the Commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the Commission. The Commission shall include in the area designated for a service review the county, the region, the sub-region, or any other geographic area as is appropriate for analysis of the service or services to be reviewed and shall prepare a written statement of its determinations with respect to each of the following.” Pursuant to Government Code Section 56430, the requisite CKH determinations for this municipal service review for the Bel Marin Keys Community Services District are presented below:

#### **1) Growth and population projections for the affected area**

- a. The Bel Marin Keys Community Services District serves an estimated population of 1,564 as of 2026, reflecting modest growth from 1,530 residents recorded in the 2010 Census. Annual population growth since 2010 has averaged approximately 0.14%, a rate modestly above Marin County's countywide average of 0.056% over the same period.
- b. Marin LAFCo determines that, given the fully built-out condition of the district's service area and the absence of identified RHNA development sites within or immediately contiguous to the boundary, population growth within the district will remain minimal and incremental. The district's current service infrastructure and staffing levels are commensurate with the stable, low-growth demographic profile of the community. No significant expansion of services or infrastructure to accommodate new development demands is anticipated within the next five-year period.

#### **2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence**

- a. Pursuant to Government Code Section 56033.5, disadvantaged unincorporated communities (DUCs) are inhabited territories containing 12 or more registered voters where the annual median household income (MHI) is less than 80 percent of the statewide annual MHI. According to the California Department of Housing and Community Development, the statewide MHI in California in 2025 is \$118,100, establishing the DUC threshold at \$94,480.
- b. The estimated median household income for the BMKCSD service area is \$167,039, which significantly exceeds both the statewide median household income of \$118,100

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

and the DUC income threshold of \$94,480. The district's MHI is also higher than the Marin County median household income of \$142,785.

- c. Marin LAFCo determines that there are no disadvantaged unincorporated communities within or contiguous to the sphere of influence of the Bel Marin Keys Community Services District at this time. This determination is consistent with the demographic and socioeconomic profile of the Bel Marin Keys community, which is an affluent residential waterfront enclave with high property values and household incomes well above state and county averages. No DUC-related infrastructure deficiencies have been identified within the study area.

### 3) Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies

- a. Lagoon Maintenance (including marine infrastructure and dredging) | Bel Marin Keys CSD is authorized to provide lagoon maintenance service as it is described in Government Code section 61100(a). With the recent passage of Measure G specifically for marine infrastructure improvements, and the continuation of Measure D to help cover infrastructure maintenance, Marin LAFCo determines the district has the capacity to continue to provide this service at or above the current level for the foreseeable future.
- b. Parks and Recreation | Bel Marin Keys CSD is authorized to provide parks and recreation services as it is described in Government Code section 61100(e). Bel Marin Keys CSD manages eight small parks as well as the main community center. The recent (2022) extension of Measure A funding, which is the primary funding source for the district's parks and recreation activities, provides the district with the means to continue this service provision. Marin LAFCo determines that Bel Marin Keys CSD has the capability and capacity to continue providing parks and recreation services within its boundaries at the current service levels.
- c. Street Lighting | Bel Marin Keys CSD is authorized to provide street lighting service as it is described in Government Code section 61100(g). Marin LAFCo determines that Bel Marin Keys CSD has the capability and capacity to continue providing street lighting services within its boundaries at the current service levels.
- d. Landscape Maintenance | Bel Marin Keys CSD is authorized to provide landscape maintenance service as it is described in Government Code section 61100(g). The district has historically provided this service by way of contract with an outside agency. The district issued a request for qualifications (RFQ) for the service in May of 2025 for a new three-year service term. As of the writing of this study, the specific recipient of that updated contract has not been named in a subsequent public meeting of record. Marin

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

LAFCo determines that Bel Marin Keys CSD has the capability and capacity to continue providing landscape maintenance services within its boundaries at the current service levels.

- e. Flood Protection | Bel Marin Keys CSD is authorized to provide flood protection services as it is described in Government Code section 61100(g). Bel Marin Keys is situated in a high-risk flood zone, protected by a network of levees that separate the community from the tidal influence of San Pablo Bay and the seasonal surges of Novato Creek. The district's actions in this sector include local maintenance, collaboration with the Marin County Flood Control and Water Conservation District's Flood Zone 1, and participation in the massive Hamilton-Bel Marin Keys Unit V Wetland Restoration project. Marin LAFCo determines that Bel Marin Keys CSD has the capability and capacity to continue providing flood protection services within its boundaries at the current service levels.

#### 4) Financial ability of agencies to provide services

- a. BMKCSO has received clean, unqualified audit opinions for all audited fiscal years within the study window (FYE June 30, 2021 through FYE June 30, 2024). Each Annual Financial Report stated that the financial statements "present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District...in accordance with accounting principles generally accepted in the United States of America." While the district experienced administrative delays in completing the FY 2022-23 and 2023-24 audits, both have now been completed and approved as of February 2026, and the district has taken corrective action by engaging RBA Bookkeeping for ongoing financial management and O'Connor & Company CPA for the FY 2024-25 audit.
- b. Tax revenues constitute approximately 98% of General Fund revenues, inclusive of property tax, ERAF allocations, and voter-approved parcel tax measures (Measures A, D, G). The district's revenue base is stable and anchored primarily in property values within a high-income community, providing strong ongoing financial predictability. The voter approval of Measure G in March 2024—a 21-year parcel tax of \$1,800 per taxable parcel generating approximately \$1.26 million annually with a 2.5% annual escalator—represents a significant proactive step to address the estimated \$31.5 million in long-term infrastructure improvement needs over the next 20 years.
- c. The district's total governmental fund balance grew to \$3,443,478 by FYE 2024, of which \$2,543,969 is unassigned. This level of unrestricted reserves significantly exceeds the standard public agency policy target of 20–50% of annual operating expenditures, indicating reserves sufficient for well over half a year—and likely approaching a full

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

year—of operations. This reserve position provides the district substantial capacity to absorb unforeseen financial shocks or emergency capital expenditures.

- d. Marin LAFCo determines that BMKCSD is in sound financial condition and has demonstrated the ability to provide its authorized services on a financially sustainable basis. The district's debt-free balance sheet, robust and growing unrestricted fund reserves, absence of pension liabilities, and a new dedicated infrastructure parcel tax collectively reflect strong fiscal management. The district has the financial capacity to meet its current operational obligations and to fund a multi-decade capital improvement program for its marine and flood protection infrastructure.

#### 5) Status of and, opportunities for, shared facilities.

- a. The Bel Marin Keys Community Services District does not maintain any standing contracts for the provision of services outside its jurisdictional boundaries, and no other agencies have current agreements to provide services through BMKCSD. Government Code Sections 56133 and 56134 set forth LAFCo's oversight role for out-of-agency services, and the district is in compliance with these provisions.
- b. The district participates in meaningful regional collaboration with respect to its specialized services. BMKCSD's dredging program is coordinated with the Long Term Management Strategy (LTMS) for San Francisco Bay, with dredged material from the lagoons being categorized and beneficially reused as "cover" or "non-cover" sediment in the Bel Marin Keys Unit V wetland restoration project. This approach converts a recurring local maintenance obligation into a regional environmental asset and avoids deep-ocean disposal costs.
- c. The district actively participates in the Marin County Flood Control and Water Conservation District (Flood Zone 1) Advisory Board, coordinating on Novato Creek sediment management that has direct implications for BMKCSD's flood protection mission. This collaborative relationship avoids duplicative independent action and leverages the Flood Control District's technical and financial resources for shared hydrological benefit.
- d. Marin LAFCo determines that the distinction between BMKCSD services and those provided by other public agencies within the service area is clear and well-coordinated. The district's active participation in regional wetland restoration and creek management initiatives demonstrates a constructive approach to shared facilities and collaborative service delivery. No significant opportunities for facility sharing or consolidation have been identified that would meaningfully enhance service efficiency within the current study period.

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

#### 6) Accountability for community service needs, including governmental structure and operational efficiencies

- a. Bel Marin Keys CSD is governed by a five-member Board of Directors that is elected to four-year terms. Regularly scheduled monthly Board meetings are held, and all meetings are open to the public and are publicly noticed a minimum of 72 hours prior to the meeting in accordance with the Brown Act.
- b. Bel Marin Keys CSD maintains an up-to-date website that contains district information, documents, and updates. The district has recently undertaken a complete overhaul of its website/online presence, and hopes to launch the updated website in the spring of 2026.
- c. Bel Marin Keys CSD has demonstrated accountability and transparency in its disclosure of information and cooperation during the process of this municipal service review. The district cooperated in a timely manner with all document requests and staff questions.
- d. Marin LAFCo determines that BMKCSO is accountable to its community and provides appropriate governance oversight for the services it delivers. The district's governing structure is appropriate for the scale and nature of its service obligations. The website deficiencies identified should be corrected promptly to achieve full compliance with state transparency requirements. Subject to those corrections, the district demonstrates a commitment to public accountability, open governance, and financial integrity that is consistent with the standards expected of an independent special district.

#### 7) Any other matter related to effective or efficient service delivery

- a. BMKCSO provides a unique and highly specialized suite of services—namely the maintenance of a 200-acre man-made lagoon system and associated marine infrastructure—that has no equivalent in the broader regional governmental landscape. This specialized mission makes the district essentially irreplaceable as a standalone governance entity, as no adjacent agency possesses the technical expertise, jurisdictional standing, or appropriate governance structure to assume these responsibilities.
- b. The district's activated service powers are consistent with those established at the last Commission SOI and MSR update in 2019. No changes to the district's authorized service powers are proposed at this time. All services not listed above—including law enforcement, fire and emergency medical services, building and planning, water supply, wastewater, solid waste, and stormwater drainage—remain latent powers or are expressly provided by other agencies. During the course of this study, district staff expressed to Marin LAFCo that there has been a difference of opinion between the district and the County of Marin as to which agency bears responsibility for storm

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

drainage management within the district's jurisdictional boundary. As storm drainage is not now and has never been one of the service powers that Marin LAFCo has ever recognized as being active for the district, it cannot be bound to the provision of that service without formally requesting it to be activated by Marin LAFCo. As such, the duty of storm drainage service provision defaults to the County of Marin.

- c. The negotiation currently underway between the district and the State Coastal Conservancy regarding the potential transfer of ownership of the South Levee represents a significant structural matter for future governance efficiency. If completed, this transfer would consolidate flood protection asset ownership under BMKCSO, eliminating ambiguity about maintenance responsibility, but would correspondingly increase the district's long-term capital liability. Marin LAFCo recommends that this transfer be accompanied by a thorough fiscal analysis to ensure Measure G revenues and reserves are sufficient to fund both South Levee maintenance and the district's existing North Lock modernization program over the relevant planning horizon.
- d. Marin LAFCo determines that there are no additional governance or service delivery matters that would require Commission action at this time beyond those addressed in the preceding determinations. The district's operational model—combining a small permanent staff with specialized contractors operating under board direction—is well-suited to the technical demands and scale of its service portfolio.

#### *Sphere of Influence Determinations per Government Code Section 56425*

In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development of local governmental agencies to advantageously provide for the present and future needs of the county and its communities, the Commission shall develop and determine the sphere of influence of each local agency, as defined by Government Code section 56036, and enact policies designed to promote the logical and orderly development of areas within the sphere. In determining the sphere of influence of each local agency, the Commission shall consider and prepare a written statement of its determinations with respect to the following:

#### **1) Present and planned land uses in the area, including agricultural and open space lands**

- a. Land use within the BMKCSO jurisdictional boundary is governed by the Marin Countywide Plan and the Marin County Housing Element. Approximately 45% of district lands are designated residential single-family; approximately 35% are designated waterways and open anchorage; approximately 15% are designated open space and agricultural; and the remaining area is designated for public facilities and parks. This land use pattern reflects the district's character as a planned, water-oriented residential community. The district's land area is fully built out with respect to residential

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

development. The Marin County 2023–2031 Housing Element identified no RHNA development sites within or contiguous to the BMKCSO boundary.

- b. Marin LAFCo determines that present and planned land uses within the BMKCSO sphere of influence are stable and consistent with the district's current service capacity. The fully built-out, single-family residential and waterway character of the service area does not present land use pressures that would require expansion of the sphere of influence or changes to authorized services. The sphere of influence boundary is appropriate for the existing and planned land uses within the area.

#### 2) Present and probable need for public facilities and services in the area

- a. The Bel Marin Keys community has a present and ongoing need for the specialized suite of services provided by BMKCSO, particularly lagoon maintenance, marine infrastructure management, and flood protection. These services are essential to the safety, habitability, and property value of all 764 residential parcels within the district, and no other governmental entity is positioned to provide them.
- b. The most pressing near-term service needs are concentrated in the district's marine infrastructure—specifically the modernization of the North Lock electrical and mechanical systems, ongoing dredging to maintain navigable depths, and the armoring of the South Levee with rip rap. These needs are anticipated in the district's capital planning and are being funded through Measure G.
- c. The probable long-term need for flood protection infrastructure maintenance is significant and will intensify as sea-level rise projections materialize over the 50-year service life of the new BMK Unit V levee completed in 2021. The district's engagement in the Hamilton–Bel Marin Keys Unit V Phase 2 tidal restoration work is expected to provide ongoing flood buffer benefits that reduce demand on the community's primary levee system.
- d. No new or expanded public facilities or services are needed beyond the district's current and authorized service portfolio to serve the existing fully built-out community. The need for public facilities and services within the sphere is well-matched to the district's current service capacity and financial resources.
- e. Marin LAFCo determines that there is a stable and ongoing need for the public facilities and services provided by BMKCSO within its existing sphere of influence. The district's services are uniquely suited to the needs of this waterfront community, and the service demand profile is expected to remain consistent with the current level of service delivery for

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

the foreseeable future, with incremental increases in capital infrastructure maintenance requirements as existing systems age.

#### **3) Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**

- a. BMKCS D's lagoon and marine infrastructure systems are functionally operational and providing essential services to the community. However, the North Lock's aging electrical components and the pending South Levee rip rap project represent known capacity constraints and deficiencies that require near-term capital investment. The district has proactively identified these needs, secured voter-approved dedicated funding through Measure G, and engaged qualified engineers and contractors to address them.
- b. The district's water quality management program for the lagoons is active and responsive. Recurring algae blooms in 2024 and 2025 prompted accelerated treatment schedules, and the district's investment in aeration and circulation infrastructure is reducing reliance on chemical interventions. The commissioning of a comprehensive North Lagoon diffuser network mapping study in January 2026 represents a forward-looking approach to long-term ecological service adequacy.
- c. Flood protection services are adequate for the present risk environment, bolstered significantly by the completion of the Phase 1 BMK Unit V levee in 2021. The district's continued engagement in Novato Creek sediment management and South Levee maintenance supports service adequacy. The district's ongoing negotiations regarding South Levee ownership transfer will determine the scope of future direct maintenance obligations.
- d. Parks, recreation, street lighting, and landscape maintenance services are presently adequate to meet community needs. Active capital improvement programs funded through Measure A ensure that aging park amenities are systematically maintained and upgraded.
- e. Marin LAFCo determines that BMKCS D has the present capacity to adequately provide its authorized services within the existing sphere of influence. While certain marine infrastructure components are aging, the district has demonstrated the fiscal means, technical expertise, and operational planning needed to address these deficiencies in a timely manner. No service gaps exist that would warrant immediate structural changes to the district's governance or service delivery model.

#### **4) Existence of any social or economic communities of interest in the area, if the Commission determines that they are relevant to the agency.**

- a. Marin LAFCo determines that there are no social or economic communities of interest within or contiguous to the BMKCS D sphere of influence that are relevant to the

## NOVATO AREA

### MSR & SPHERE OF INFLUENCE STUDY

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Commission's sphere of influence determination at this time. The existing sphere of influence boundary appropriately reflects the unified, self-contained nature of the Bel Marin Keys residential community.

**5) Present and probable need for public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

a. Marin LAFCo determines that there are no disadvantaged unincorporated communities within or contiguous to the BMKCSD sphere of influence, and therefore, no present or probable need for DUC-targeted public facilities or services exists within the sphere. This determination is consistent with the high median household income and fully served, incorporated-adjacent character of the Bel Marin Keys community.