Marin Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

NOTICE OF REGULAR MEETING AND AGENDA
Marin Local Agency Formation Commission

April 9, 2026, ▪ 6:30 PM

Marin Wildfire Prevention Authority Meeting Room | Suite 335 | 1600 Los Gamos Dr., San Rafael, CA (enter through Main Lobby "A" facing the freeway.)

PUBLIC ACCESS AND PUBLIC COMMENT INSTRUCTIONS FOR HYBRID ATTENDEES

The public may attend in person or, as a courtesy and if technology allows, via teleconference. LAFCo cannot guarantee uninterrupted access, and the meeting will proceed despite technical issues unless required by the Brown Act. Watch the live meeting on Zoom at https://us02web.zoom.us/j/89889719068 or listen by calling +1 669 444 9171 with Meeting ID 898 8971 9068#. Alternatively, the public may listen in to the meeting by dialing **+1 669 444 9171** and entering **Meeting ID 898 8971 9068#** when prompted.

SPOKEN PUBLIC COMMENTS FOR HYBRID ATTENDEES:

Spoken comments will be accepted through the teleconference meeting. To address the Commission, click on the link https://us02web.zoom.us/j/89889719068 to access the Zoom-based meeting.

1. Please enter your name and email; your name will be visible online and used to notify you when it's your turn to speak.
2. When your item is called, click the "raise hand" icon; you'll be notified shortly before speaking.
3. Limit your remarks to 3 minutes when called.

CALL TO ORDER BY CHAIR

ROLL CALL BY CLERK

AGENDA REVIEW

The Chair or designee will consider any requests to remove or rearrange items by members.

PUBLIC OPEN TIME

This portion of the meeting is reserved for persons desiring to address the Commission on any matter not on the current agenda. All statements that require a response will be referred to staff for reply in writing or will be placed on the Commission's agenda for consideration at a later meeting. Speakers are limited to three minutes.

CONSENT CALENDAR ITEMS (discussion and possible action)

All items calendared as consent are considered ministerial or non-substantive and subject to a single motion approval. The Chair or designee will also consider requests from the Commission to pull an item for discussion.

1. Approval of Minutes for February 12, 2026, Regular Meeting
2. Commission Ratification of Payments from February 1, 2025, to March 31, 2026
3. Accept and File Marin LAFCo Audit for Fiscal Year 2024-2025 Audit and Authorize Audit for Fiscal Year 2025-2026

PUBLIC HEARING

4. Presentation of the Novato Region Municipal Service Review and Sphere of Influence Update Public Draft. This is a hearing for the commission to review and make recommendations. (The hearing will be continued to the next meeting.)
5. Adoption of Proposed Operating Draft Budget for Fiscal Year 2026-2027

BUSINESS ITEMS (discussion and possible action)

Business Items involve administrative, budgetary, legislative, or personnel matters and may or may not be subject to public hearings.

6. Update and Discussion on CALAFCO Related Matters including Marin LAFCo Membership with CALAFCO

EXECUTIVE OFFICER REPORT

a) Budget Update FY 2025-2026
b) Current and Pending Proposals
c) Marin LAFCo Workplan
d) Request From Budget Committee to Discuss Whether to Have Formal Performance Evaluation of Legal Services

COMMISSIONER ANNOUNCEMENTS AND REQUESTS

CLOSED SESSION

Public Employee Performance Evaluation (Gov. Code 54957)
Title: Executive Officer

Conference with Labor Negotiators (Gov. Code 54957.6)
Agency Designated Representative: Chair Coler and Vice Chair Rodoni
Unrepresented employee: Jason Fried, Executive Officer

ADJOURNMENT TO THE NEXT MEETING

June 11, 2026, at 6:30 P.M. | Marin Wildfire Prevention Authority

Attest: Claire Devereux
Clerk/Jr. Policy Analyst

Any writings or documents pertaining to an open session item provided to a majority of the Commission less than 72 hours prior to a regular meeting shall be made available for public inspection at the Marin LAFCo Administrative Office, 1401 Los Gamos Drive, Suite 220, San Rafael, CA 94903, during normal business hours.

Pursuant to GC Section 84308, if you wish to participate in the above proceedings, you or your agent are prohibited from making a campaign contribution of $500 or more to any Commissioner. This prohibition begins on the date you begin to actively support or oppose an application before LAFCo and continues until 3 months after a final decision is rendered by LAFCo. If you or your agent have made a contribution of $500 or more to any Commissioner during the 12 months preceding the decision, in the proceeding that Commissioner must disqualify himself or herself from the decision. However, disqualification is not required if the Commissioner returns that campaign contribution within 30 days of learning both about the contribution and the fact that you are a participant in the proceedings. Separately, any person with a disability under the Americans with Disabilities Act (ADA) may receive a copy of the agenda or a copy of all the documents constituting the agenda packet for a meeting upon request. Any person with a disability covered under the ADA may also request disability-related modification or accommodation, including auxiliary aids or services, in order to participate in a public meeting. Please contact the LAFCo office at least three (3) working days prior to the meeting for any requested arrangements or accommodations.

Marin LAFCo
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1401 Los Gamos Drive, Suite 220
San Rafael, California 94903

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AGENDA REPORT
April 9th, 2026
Item No. 1 (Consent Item)

TO: Local Agency Formation Commission

FROM: Claire Devereux, Clerk/Junior Analyst

SUBJECT: **Approval of Minutes for February 12th, 2026, Regular Meeting**

Background

The Ralph M. Brown Act was enacted by the State Legislature in 1953 and establishes standards and processes therein for the public to attend and participate in meetings of local government bodies and those local legislative bodies created by State law, the latter category applying to LAFCos.

Discussion

The action minutes for the February 12th regular meeting accurately reflect the Commission's actions as recorded by staff. A video recording of the meeting is also available online for viewing at https://www.marinlafco.org/meetings

Staff Recommendation for Action

1. Staff recommendation – Approve the draft minutes prepared for the February 12th, 2026, meeting with any desired corrections or clarifications.

2. Alternative option – Continue consideration of the item at the next regular meeting and provide direction to staff, as needed.

Procedures for Consideration

This item has been placed on the agenda as part of the consent calendar. Accordingly, a successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation as provided unless otherwise specified by the Commission.

Attachment:
1) Draft Minutes for February 12th 2026

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Eric Lucan, Regular, County of Marin
Stephanie Moulton-Peters, Alternate, County of Marin
Barbara Coler, Chair, Town of Fairfax
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Rachel Farac, Alternate, City of Novato
Lew Kious, Regular, Almonte Sanitary District
Craig Murray, Regular, Las Gallinas Valley Sanitary District
Cathryn Hilliard, Alternate, Southern Marin Fire Protection District
Larry Chu, Regular, Public Member
Roger Smith, Alternate, Public Member

DRAFT

NOTICE OF REGULAR MEETING MINUTES
Marin Local Agency Formation Commission
Thursday, February 12th, 2026

CALL TO ORDER
Chair Coler called the meeting to order at 6:35 P.M.

ROLL CALL BY COMMISSION CLERK
Roll was taken, and a quorum was met. The following were in attendance:

Commissioners Present:	Barbara Coler (virtual) Dennis Rodoni Steve Burdo Lew Kious (virtually arrived at 6:48) Eric Lucan Larry Chu (Virtual) Craig Murray
Alternate Commissioners Present:	Roger Smith Cathryn Hilliard (voting till 6:48)
Marin LAFCo Staff Present:	Jason Fried, Executive Officer Jeren Batchelder-Seibel, Deputy Executive Officer Claire Devereux, Clerk/Jr. Policy Analyst
Marin LAFCo Counsel Present:	Malathy Subramanian
Alternate Members Absent:	Stephanie Moulton-Peters Rachel Farac

AGENDA REVIEW

Vice-Chair Rodoni opened public comment. Seeing that no one wished to speak, the public comment was closed.

PUBLIC OPEN TIME
Vice-Chair Rodoni opened the public open time. Seeing no one wishing to speak, the public open time was closed.

CONSENT CALENDAR ITEMS (discussion and possible action)
1. Approval of Minutes for December 11, 2025, Regular Meeting
2. Commission Ratification of Payments from December 1, 2025, to January 31, 2026
3. Update to Contract with Alyssa Schiffman for Bookkeeping Services
4. Approval of Policy & Personnel Committee Recommended Amendments and Additions to the Policy Handbook.

Commissioner Murray inquired if legal counsel reviewed the contract.

Staff confirmed that they did.

Approved: M/S by Commissioners Burdo and Murray to approve the consent calendar.
Ayes: Commissioners Burdo, Lucan, Chu, Coler, Rodoni, Hilliard, and Murray
Nays:
Abstain:
Absent:
Motion: Approved unanimously

PUBLIC HEARING

5. Approval of Resolution 26-01 Annexation of 673 Atherton Ave. (143-101-34), Novato into Novato Sanitary District with Waiver of Notice, Hearing, and Protest Proceedings and Finding it Exempt from CEQA pursuant to State CEQA Guidelines Section 15319.

Jr. Policy Analyst Devereux gave the staff report

Commissioner Murray asked whether properties outside the Urban Growth Boundary in Novato must first experience a septic system failure before connecting to sewer service.

Jr. Policy Analyst Devereux stated that in this case of the development of a home, the County typically does not permit a septic system if a property is within about 400 feet of an available sewer connection.

Applicant Jim Delia introduced himself.

Vice-Chair opened public comment. Seeing no speakers, public comment was closed.

Approved: M/S by Commissioners Lucan and Burdo to approve Resolution 26-01 Annexation of 673 Atherton Ave. (143-101-34), Novato into Novato Sanitary
Ayes: Commissioners Burdo, Lucan, Chu, Coler, Rodoni, Hilliard, and Murray
Nays:
Abstain:
Absent:
Motion: Approved unanimously

BUSINESS ITEMS (discussion and possible action)

Business Items involve administrative, budgetary, legislative, or personnel matters and may or may not be subject to public hearings.

6. Discussion And Possible Approval Of The New Board Structure For CALAFCO Being Presented At Its Special Meeting On February 23

Interim CALAFCO EO McIntyre noted that if the proposal passes, allowing executive officers to run for the Board, the four regional executive officers (EO) currently serving as board members would no longer serve on the board.

Serrano stated the upcoming vote is an important step in continuing improvements, following organizational challenges in late 2024/2025. He noted the effort reflects member input and aims to utilize the experience and knowledge of EOs and staff statewide. Serrano encouraged the Commission to consider supporting the proposal.

Chair Coler thanked staff for their efforts and expressed support for EOs serving as voting members of the CALAFCO Board. She also asked when a proposal for a new regional structure might be brought forward.

Interim CALAFCO EO McIntyre explained that CALAFCO will seek additional feedback from member LAFCOs during the May staff workshop. The working group will continue discussions and gather input over the summer, with the potential to present a regional structure proposal to the membership at the October meeting.

Serrano explained that a CALAFCO restructuring committee drafted a proposed regional map but decided not to bring it forward for a vote due to limited feedback from member LAFCOs. He noted the committee wants additional input before presenting a revised proposal for consideration later in the year.

Chair Coler suggested holding a follow-up workshop to gather additional feedback and help keep the regional restructuring proposal on track for consideration at the October conference meeting. She also thanked staff.

Commissioner Kious expressed concern about the lack of progress and emphasized the need to focus resources on developing a clear plan so LAFCOs can move forward.

Commissioner Burdo asked whether the bylaws would allow all board representatives to be EO and expressed concern that at least some members should be elected officials representing constituents.

EO Fried responded that EO's are unlikely to run against commissioners for board seats and would more likely step in only if no commissioner is running, serving as a backstop rather than replacing elected officials.

Interim CALAFCO EO McIntyre noted that commissioners typically serve as voting delegates at conferences and would elect board members, providing a safeguard that commissions are likely to select commissioners before EO's.

Serrano acknowledged concerns that EO's might take board seats, explaining that the change is intended only as an option if no commissioners volunteer. He noted the goal is to avoid vacancies and maintain representation.

Commissioner Murray asked how the proposed at-large structure would prevent larger counties or cities from dominating representation and ensure smaller LAFCOs remain represented.

EO Fried responded that regional representation should continue to provide balance between large and small LAFCOs and that the change is intended as a temporary, one-year step while a new regional structure is developed.

Commissioner Murray asked about the "certificates of membership" language in Section 2.7 of the bylaws.

EO Fried explained that CALAFCO is structured as a 501(c)(3) nonprofit corporation, and the language reflects standard corporate provisions that are not being changed; only the redlined amendments are proposed for approval.

Vice-Chair opened public comment. Seeing no speakers, public comment was closed.

Approved: M/S by Commissioners Coler and Lucan to move forward
Ayes: Commissioners Burdo, Lucan, Chu, Coler, Rodoni, Hilliard, and Murray
Nays:
Abstain:
Absent:
Motion: Approved unanimously

7. Discussion and Possible Action on Whether to Retain Marin LAFCo Membership with CALAFCO

Commissioner Rodoni asked when the Commission would need to decide whether to renew CALAFCO membership and how dues would be handled if the reorganization process does not move forward as expected.

EO Fried explained the Commission could decide as early as April or June, though dues are not required until later in the year. He noted that it may be possible to pay dues in installments.

Interim CALAFCO EO McIntyre highlighted several improvements at CALAFCO over the past year, including updated bylaws and policies, orientation for new board members, board self-evaluations, regional officer participation, leadership rotation, and the development of a code of ethics and communications plan.

Serrano stated that significant improvements are being made, and they are working to rebuild trust with members. He encouraged Marin LAFCo to remain involved, noting its leadership and participation are important to progress.

Chair Coler thanked staff for their work and recognized the renewed energy, particularly under McIntyre's. She noted ongoing concerns and asked whether there are plans to revisit the dues structure and when they are due.

EO Fried explained that CALAFCO follows a July 1–June 30 fiscal year. Dues are typically invoiced in June and paid around July 1, with about a 60-day window to pay before membership lapses at the end of August.

Chair Coler expressed support for the current CALAFCO leadership team while emphasizing the Commission's desire to see measurable progress. She asked whether proposed changes to CALAFCO's regional structure and membership dues could be brought forward at the October meeting or adopted earlier if ready.

Interim CALAFCO EO McIntyre acknowledged concerns, noting that some tiers appear inequitable. She explained that members' feedback has focused more on regional restructuring than on dues. She also noted that they have begun holding special meetings outside the October conference, and that the February special meeting was intended to address issues more quickly.

EO Fried stated that, to his knowledge, no discussions have yet occurred regarding changes to the CALAFCO dues structure and noted that the Board of Directors would need to initiate that discussion.

Commissioner Murray thanked CALAFCO leadership for their efforts. He also acknowledged concerns about the dues structure but supported continuing discussions and delaying action for now.

Commissioner Rodoni suggested requesting that the CALAFCO Board agendize discussion of the dues structure once the new board is in place, noting the Commission's interest in addressing both restructuring and dues.

Commissioner Chu noted potential future budget pressures and emphasized the importance of resolving dues issues soon. He added that the inequities in the current formula appear solvable and expressed willingness to help analyze.

Chair Coler suggested adding a discussion of the dues structure to the upcoming February 23 CALAFCO meeting.

Interim CALAFCO EO McIntyre responded that the agenda has already been published and cannot be changed due to notice requirements, but she will report Marin LAFCo's interest in discussing the dues structure to the Board.

Vice-Chair opened public comment. Seeing no speakers, public comment was closed.

Commissioner Rodoni expressed support for paying another year of dues but preferred waiting until the next meeting to review the outcome of the February CALAFCO meeting.

EXECUTIVE OFFICER REPORT

a) Budget Update FY 2025-2026

The agency remains under budget overall, though some line items may require adjustments.

b) Current and Pending Proposals

Aside from the item heard at the meeting, there are no pending applications.

c) Marin LAFCo Workplan

The work plan was updated and reprioritized for the year, and the Countywide Police Study will be restored. For the SQV Annexation, staff is awaiting technical information from RVSD before advancing discussions.

d) Committee Assignments

Updated committee assignments were provided for Commission review.

e) Fire Study Update

The Commission agreed to schedule the Fire Services Study for the June meeting to allow additional review time.

f) Correspondence

The annual audit is nearing completion. Commissioners were told to respond to the auditor if they have concerns.

COMMISSIONER ANNOUNCEMENTS AND REQUESTS

Vice-Chair Rodoni opened announcements and requests.
Vice-Chair Rodoni adjourned the meeting at 8:00

ADJOURNMENT TO NEXT MEETING

June 11th, 2026, at 6:30 P.M. | Marin Wildfire Prevention Authority

Attest: Claire Devereux
Clerk/Jr. Policy Analyst

AGENDA REPORT
April 9, 2026
Item No. 2 (Consent Item)

TO: Local Agency Formation Commission

FROM: Jason Fried, Executive Officer

SUBJECT: Commission Ratification of Payments from February 1, 2025, to March 31, 2026

Background

Marin LAFCo adopted a Policy Handbook delegating the Executive Officer to make purchases and related procurements necessary to oversee the agency's day-to-day business. The Policy Handbook also directs that all payments made by the Executive Officer be reconciled by LAFCo's contracted bookkeeper. Additionally, all payments will be reported to the Commission at the next Commission meeting for formal ratification.

The following item is presented for the Commission to consider the ratification of all payments made by the Executive Officer from February 1, 2026, to March 31, 2026, totaling $99,428.64. The payments are detailed in the attachment.

Staff Recommendation for Action

1. Staff Recommendation—Ratify the payments made by the Executive Officer between February 1, 2026, and March 31, 2026, as shown in the attachment.

2. Alternate Option - Continue consideration of the item at the next regular meeting and provide directions to staff as needed.

Procedures for Consideration

This item has been placed on the agenda as part of the consent calendar. Accordingly, a successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

Attachment:
1) Payments from February 1, 2026, to March 31, 2026

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Rachel Farac, Alternate, City of Novato
Cathryn Hilliard, Alternate, Southern Marin Fire Protection District

Expenses by Vendor Detail v.2

Marin Local Agency Formation Commission

February 1-March 31, 2026

TRANSACTION TYPE	DATE	NUM	MEMO/DESCRIPTION	ITEM SPLIT ACCOUNT	AMOUNT
BURDO, STEVE					
Check	02/18/2026	21256	Feb 2026 Commission Meeting	05 Commissioner Per Diems	-125.00
Total for BURDO, STEVE					**-$125.00**
CARDMEMBER SERVICES					
Check	02/16/2026	eft		2110340 Bank of Marin CC	-3,320.63
Expense	02/18/2026				2,687.20
Check	03/16/2026	eft		2110340 Bank of Marin CC	-2,687.20
Expense	03/19/2026				4,679.73
Total for CARDMEMBER SERVICES					**$1,359.10**
CHU, LAURENCE					
Check	02/18/2026	21253	Feb 2026 Commission Meeting	05 Commissioner Per Diems	-125.00
Total for CHU, LAURENCE					**-$125.00**
Cinquini & Passarino Inc					
Check	02/24/2026	21261	Invoice # 13514	930 Reimburseable GIS Apps	-123.75
Total for Cinquini & Passarino Inc					**-$123.75**
COLER, BARBARA					
Check	02/18/2026	21252	Feb 2026 Commission Meeting	05 Commissioner Per Diems	-125.00
Total for COLER, BARBARA					**-$125.00**
COMMUNITY MEDIA CENTER OF MARIN					
Check	03/18/2026	21265	Invoice # 2526.09.30.126	55 Professional Services	-330.00
Total for COMMUNITY MEDIA CENTER OF MARIN					**-$330.00**
CONNECT YOUR CARE					
Check	02/13/2026	eft		126 Health Insurance	-1.11
Check	03/17/2026	eft		126 Health Insurance	-1.11
Total for CONNECT YOUR CARE					**-$2.22**
Davis Farr LLP					
Check	02/18/2026	10064	Invoice # 4294	55 Professional Services	-6,000.00
Check	03/11/2026	10065	Invoice # 4379	55 Professional Services	-4,400.00
Total for Davis Farr LLP					**-$10,400.00**
Delta Dental of California					
Check	02/12/2026	eft		122 Dental Insurance	-72.63
Check	02/25/2026	eft		122 Dental Insurance	-72.63
Check	03/12/2026	eft		122 Dental Insurance	-72.63
Total for Delta Dental of California					**-$217.89**
Hilliard, Cathryn					
Check	02/18/2026	21258	Feb 2026 commission meeting	05 Commissioner Per Diems	-125.00
Total for Hilliard, Cathryn					**-$125.00**
Kaiser Foundation Health Plan					
Check	02/05/2026	eft		126 Health Insurance	-1,073.54
Check	02/19/2026	eft		126 Health Insurance	-1,073.54

Expenses by Vendor Detail v.2

Marin Local Agency Formation Commission

February 1-March 31, 2026

TRANSACTION TYPE	DATE	NUM	MEMO/DESCRIPTION	ITEM SPLIT ACCOUNT	AMOUNT
Check	03/04/2026	eft		126 Health Insurance	-1,073.54
Check	03/19/2026	eft		126 Health Insurance	-1,073.54
Total for Kaiser Foundation Health Plan					**-$4,294.16**
LUCAN, ERIC					
Check	02/18/2026	21259	Dec 2025 Commission Meeting	05 Commissioner Per Diems	-125.00
Total for LUCAN, ERIC					**-$125.00**
MARIN COUNTY RETIREMENT					
Check	02/12/2026	21251	PP#4: 1/18-1/31/26		-3,495.20
Check	02/25/2026	21262	PP#5: 2/1-2/14/26		-3,495.20
Check	03/11/2026	21264	PP#6: 2/15-2/28/26		-3,495.20
Check	03/25/2026		PP#7: 3/1-3/14/26		-3,495.20
Total for MARIN COUNTY RETIREMENT					**-$13,980.80**
MURRAY, CRAIG K					
Check	02/18/2026	21257	2026 Feb Commission Meeting	05 Commissioner Per Diems	-125.00
Total for MURRAY, CRAIG K					**-$125.00**
NATIONWIDE					
Check	02/13/2026	eft		220304 Deferred Comp Withheld	-1,250.00
Check	02/27/2026	eft		220304 Deferred Comp Withheld	-1,250.00
Check	03/13/2026	eft		220304 Deferred Comp Withheld	-1,250.00
Check	03/27/2026	eft		220304 Deferred Comp Withheld	-1,250.00
Total for NATIONWIDE					**-$5,000.00**
PAYCHEX					
Check	02/13/2026	eft		35 Misc Services	-87.05
Check	02/27/2026	eft		35 Misc Services	-87.05
Check	03/13/2026	99406402		35 Misc Services	-87.05
Check	03/27/2026	eft		35 Misc Services	-87.05
Total for PAYCHEX					**-$348.20**
PAYROLL					
Check	02/13/2026	eft	PP#4: 1/18-1/31/26		-9,975.47
Check	02/27/2026	eft	PP#5: 2/1-2/14/26		-9,754.92
Check	03/13/2026	eft	PP#6: 2/15-2/28/26		-9,975.48
Check	03/27/2026	eft	PP#7: 3/1-3/14/26		-9,754.91
Total for PAYROLL					**-$39,460.78**
PAYROLL TAXES					
Check	02/13/2026	eft	PP#4: 1/18-1/31/26		-3,581.77
Check	02/27/2026	eft	PP#5: 2/1-2/14/26		-3,447.25
Check	03/13/2026	eft	PP#6: 2/15-2/28/26		-3,581.76
Check	03/27/2026	eft	PP#7: 3/1-3/14/26		-3,447.26
Total for PAYROLL TAXES					**-$14,058.04**
Richard Tremante					
Check	02/24/2026	21260	March 2026 Rent	45 Office Lease/Rent	-3,197.00

Expenses by Vendor Detail v.2

Marin Local Agency Formation Commission

February 1-March 31, 2026

TRANSACTION TYPE	DATE	NUM	MEMO/DESCRIPTION	ITEM SPLIT ACCOUNT	AMOUNT
Check	03/24/2026	21266	April 2026 Rent	45 Office Lease/Rent	-3,197.00
Total for Richard Tremante					**-$6,394.00**
RODONI, DENNIS JAMES					
Check	02/18/2026	21254	Feb 2026 Commission Meeting	05 Commissioner Per Diems	-125.00
Total for RODONI, DENNIS JAMES					**-$125.00**
SCHIFFMANN, ALYSSA					
Check	02/11/2026	21250	Invoice # 318	55 Professional Services	-2,041.00
Check	03/03/2026	21263	Invoice # 323	55 Professional Services	-2,084.54
Total for SCHIFFMANN, ALYSSA					**-$4,125.54**
Teamsters Local 856 Health & Welfare					
Check	03/12/2026	eft		126 Health Insurance	-1,045.00
Total for Teamsters Local 856 Health & Welfare					**-$1,045.00**
The Hartford					
Check	02/06/2026	eft		121 Life Insurance	-88.82
Check	03/05/2026	eft		121 Life Insurance	-38.66
Total for The Hartford					**-$127.48**
VOID					
Check	02/18/2026	21255	Feb 2026 Commission Meeting	05 Commissioner Per Diems	0.00
Total for VOID					**$0.00**
VSP					
Check	02/06/2026	eft		123 Vision Service Plan	-4.88
Total for VSP					**-$4.88**
TOTAL					**-$99,428.64**

AGENDA REPORT
April 9th, 2026
Item No. 3 (Consent Item)

TO: Local Agency Formation Commission

FROM: Jason Fried, Executive Officer

SUBJECT: Accept and File Marin LAFCo Audit for Fiscal Year 2024-2025 Audit and Authorize Audit for Fiscal Year 2025-2026

Background

Marin LAFCo annually performs an independent audit. For the sixth year, we used Davis Farr LLP to perform our audit. Staff have been satisfied with the quality of work performed, and today are presenting to the Commission the audit and support letters for Fiscal Year 2024-2025. The full audit can be read in Attachment 1. In addition, they presented two letters: Significant Audit Findings (Attachment 2) and Independent Auditor's Report (Attachment 3).

The independent audit of Marin LAFCo's financial statements for the fiscal year ending June 30, 2025, resulted in a clean opinion. The auditors did not report any material weaknesses or significant deficiencies in internal controls or compliance matters. During the fiscal year, the Commission implemented GASB Statement No. 101 related to compensated absences, which resulted in a restatement of the beginning net position to reflect the updated accounting treatment

With the completion of the Fiscal Year 24-25 Audit, we will be looking to get our Fiscal Year 25-26 Audit done once books get closed out at the end of this calendar year. Staff would recommend that we use them for a seventh year under the new contract with them, as they were good at sticking to the timelines they presented to staff for completion of the current audit.

Staff Recommendation for Action

1. Staff recommendation – Accept and file the FY 2024-2025 audit, giving staff any instructions on any issues they want to see addressed. Authorize the Executive Officer to enter into an agreement for the FY 2025-2026 audit with Davis Farr for a not-to-exceed amount of $10,920.
2. Alternate Option – Continue consideration of the item to the next regular meeting, and provide direction to staff, as needed.

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Lew Kious, Regular, Almonte Sanitary District
Craig Murray, Regular, Las Gallinas Valley Sanitary District
Cathryn Hilliard, Alternate, Southern Marin Fire Protection District
Larry Chu, Regular, Public Member
Roger Smith, Alternate, Public Member

Procedures for Consideration

This item has been placed on the agenda as part of the consent calendar. So, a successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation as provided unless otherwise specified by the Commission.

Attachment:

1. Fiscal Year 24-25 Audit
2. Significant Audit Findings
3. Independent Auditor's Report

MARIN LOCAL AGENCY FORMATION COMMISSION

Basic Financial Statements

Year ended June 30, 2025

(With Independent Auditor's Report Thereon)

MARIN LOCAL AGENCY FORMATION COMMISSION

Basic Financial Statements

Year ended June 30, 2025

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DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Commissioners
Marin Local Agency Formation Commission
San Rafael, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Marin Local Agency Formation Commission (LAFCo), as of and for the year June 30, 2025, and the related notes to the financial statements, which collectively comprise Marin LAFCo's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Marin LAFCo, as of June 30, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Marin LAFCo and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described further in Note 2 to the financial statements, during the year ended June 30, 2025, Marin LAFCo implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. As a result, the financial statements for the year ended June 30, 2025 reflect a restatement as described further in Note 10 to the financial statements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Marin LAFCo's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Marin LAFCo's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Marin LAFCo's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about Marin LAFCo's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, *budgetary comparison information* and *pension and other post-employment benefit schedules* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Report on Summarized Comparative Information

We have previously audited Marin LAFCo's 2024 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated March 27, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated on February 27, 2026, our consideration of Marin LAFCo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marin LAFCo's internal control over financial reporting and compliance.

DavisFarr LLP

Irvine, California
February 27, 2026

The Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of the Marin Local Agency Formation Commission (LAFCo) for the fiscal year ended June 30, 2025. The required financial statements include the Statement of Net Position and Governmental Funds Balance Sheet; and the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances.

These statements are supported by notes to the basic financial statements. All statements must be considered together to obtain a complete understanding of the financial picture at LAFCo.

Financial Highlights

- LAFCo finished June 30, 2025 with a net position of $384,320. This amount represents an overall decrease of $11,820 from the prior fiscal year total of $396,140. The net position includes all pension and post-employment liabilities.

Fund Level

- LAFCo finished June 30, 2025 with a total fund balance of $449,474.

The Basic Financial Statements

The Basic Financial Statements comprise the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of LAFCo's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of LAFCo's activities as a whole, and comprise the Statement of Net Position and Statement of Activities. The Statement of Net Position provides information about the financial position of LAFCo as a whole, including any capital assets and long-term liabilities on the full accrual basis. The Statement of Activities provides information about all of LAFCo's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of LAFCo's programs. The Statement of Activities explains in detail the change in Net Position for the year.

The Fund Financial Statements report LAFCo's operations in more detail than the Government-wide statements and focus primarily on short-term activities of LAFCo's Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

The Government-wide Financial Statements

Government-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of LAFCo as a whole.

The Statement of Net Position and the Statement of Activities present information about the following: *Governmental Activities* – LAFCo's basic services are considered governmental activities. These services are supported by specific general revenues from local agencies.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of LAFCo's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Major Funds present the major activities of LAFCo for the year and may change from year-to-year as a result of changes in the pattern of LAFCo's activities.

In LAFCo's case, there is only one Major Governmental Fund.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets (of which LAFCo has none) and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Governmental Activities

Table 1
Governmental Net Position

	Governmental Activities			
	2025	2024	$ Change	% Change
Current assets	$ 449,474	$ 431,918	$ 17,556	4%
Capital assets, net of accumulated depreciation	104,662	139,546	(34,884)	-25%
Net OPEB Asset	15,089	7,837	7,252	93%
Total Assets	569,225	579,301	(10,076)	-2%
Deferred outflows of resources	126,442	149,811	(23,369)	-16%
Current liabilites	36,574	29,010	7,564	26%
Non-current liabilities	248,298	278,619	(30,321)	-11%
Total Liabilities	284,872	307,629	(22,757)	-7%
Deferred inflows of resources	26,475	25,343	1,132	4%
Net position:				
Net investment in capital assets	(9,168)	(7,220)	(1,948)	0%
Unrestricted	378,399	395,523	(17,124)	-4%
Restricted for OPEB	15,089	7,837	7,252	93%
Total net position	$ 384,320	$ 396,140	$ (11,820)	-3%

Table 2 presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized below.

Table 2
Changes in Governmental Net Position

	Governmental Activities			
	2025	2024	$ Change	% Change
Revenues				
Program revenues:				
Charges for Services	$ 47,596	$ 11,074	$ 36,522	330%
General revenues:				
Assessments	587,727	536,245	51,482	10%
Interest Income	24,036	19,211	4,825	25%
Total revenues	659,359	566,530	92,829	339%
Program Expenses				
General government	655,108	627,701	27,407	4%
Total expenses	655,108	627,701	27,407	4%
Change in Net Position	$ 4,251	$ (61,171)	$ 65,422	-107%

Debt Administration

LAFCo does not utilize long-term debt to fund operations or growth.

Economic Outlook

LAFCo is responsible under statute to annually review its organizational needs and adopt an operating budget accordingly with mandatory funding drawn from local agencies. State law also specifies the operating budget shall be equal to the budget adopted for the previous fiscal year unless LAFCo formally finds any reduced costs will allow the Commission to nonetheless meet its prescribed regulatory and planning duties. These statutory provisions provide LAFCo full discretion in setting and collecting local agency apportionments to meet budgeted expenses with the latter aligned to support annual workplans.

The economic condition of LAFCo as it appears on the balance sheet reflects financial stability. LAFCo will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

Contacting LAFCo's Financial Management

This financial report is intended to provide our citizens, taxpayers, and creditors with a general overview of LAFCo's finances. Questions about this report should be directed to 1401 Los Gamos Drive, Suite 220, San Rafael, CA 94903.

MARIN LOCAL AGENCY FORMATION COMMISSION

Statement of Net Position

June 30, 2025

(With prior year comparative information)

	Governmental Activities	
	2025	2024
Assets:		
Cash and investments (note 3)	$ 448,684	431,918
Prepaid items	790	-
Capital assets, net (note 4)	104,662	139,546
Net OPEB asset (note 8)	15,089	7,837
Total assets	569,225	579,301
Deferred outflow of resources:		
Deferred outflow-pension (note 7)	120,237	137,983
Deferred outflow-OPEB (note 8)	6,205	11,828
Total deferred outflow of resources	126,442	149,811
Liabilities:		
Accounts payable	7,504	4,370
Accrued liabilities	29,070	24,640
Noncurrent liabilities:		
Due within one year:		
Compensated absences (note 6)	14,495	32,992
Lease liability (note 6)	35,434	32,936
Due in more than one year:		
Compensated absences (note 6)	53,496	13,370
Lease liability (note 6)	78,396	113,830
Net pension liability (note 7)	66,477	85,491
Total liabilities	284,872	307,629
Deferred inflow of resources:		
Deferred inflow-pension actuarial (note 7)	8,319	10,268
Deferred inflow-OPEB actuarial (note 8)	18,156	15,075
Total deferred inflow of resources	26,475	25,343
Net position:		
Net investment in capital assets	(9,168)	(7,220)
Unrestricted	378,399	395,523
Restricted for OPEB	15,089	7,837
Total net position	$ 384,320	396,140

See accompanying notes to the basic financial statements

MARIN LOCAL AGENCY FORMATION COMMISSION

Statement of Activities

Year ended June 30, 2025

(With prior year comparative information)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities 2025	Governmental Activities 2024
Governmental activities:						
General government	$ 651,156	47,596	-	-	(603,560)	(611,726)
Interest	3,952	-	-	-	(3,952)	(4,901)
Total governmental activities	$ 655,108	47,596	-	-	(607,512)	(616,627)
General revenues:						
Assessments					587,727	536,245
Interest income					24,036	19,211
Total general revenues					611,763	555,456
Change in net position					4,251	(61,171)
Net position, beginning of year, as previously reported					396,140	457,311
Restatement - change in accounting principle (note 10)					(16,071)	-
Net position, beginning of year, as restated					380,069	-
Net position, end of year					$ 384,320	396,140

See accompanying notes to the basic financial statements

MARIN LOCAL AGENCY FORMATION COMMISSION

Balance Sheet - Governmental Fund

June 30, 2025

(With prior year comparative information)

	General Fund	
	2025	2024
Assets		
Cash and investments	$ 448,684	431,918
Prepaid items	790	-
Total assets	$ 449,474	431,918
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$ 7,504	4,370
Accrued liabilities	29,070	24,640
Total liabilities	36,574	29,010
Fund balance:		
Nonspendable	790	-
Unassigned	412,110	402,908
Total fund balance	412,900	402,908
Total liabilities and fund balance	$ 449,474	431,918

See accompanying notes to the basic financial statements

MARIN LOCAL AGENCY FORMATION COMMISSION

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2025

Fund balances of governmental fund	$ 412,900
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Non-Current Assets	
Non-current asset that have not been included in the governmental fund	
Right-to-use assets	177,337
Accumulated amortization	(72,675)
Net OPEB asset	15,089
Long-Term Liability Transactions	
Long-term liabilities applicable to the LAFCo's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position.	
Compensated absences	(67,991)
Lease liability	(113,830)
Net pension liability	(66,477)
Deferred Outflows and Inflows of Resources	
Certain deferred outflows and inflows of resources are not due and payable in the current period and are not current assets or financial resources, therefore these items are not reported in the governmental fund.	
Deferred outflows - pension related	120,237
Deferred outflows - OPEB related	6,205
Deferred inflows - pension related	(8,319)
Deferred inflows - OPEB related	(18,156)
Net position of governmental activities	$ 384,320

See accompanying notes to the basic financial statements

MARIN LOCAL AGENCY FORMATION COMMISSION

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund

Year ended June 30, 2025

(With prior year comparative information)

	General Fund	
	2025	2024
Revenues:		
Intergovernmental	$ 587,727	536,245
Charges for services	47,596	11,074
Interest income	24,036	19,211
Total revenues	659,359	566,530
Expenditures:		
Current:		
General government:		
Salaries and benefits	472,108	432,969
Services and supplies	140,371	110,084
Debt service:		
Principal	32,936	30,571
Interest	3,952	4,901
Total expenditures	649,367	578,525
Net change in fund balances	9,992	(11,995)
Fund balances at beginning of year	402,908	414,903
Fund balances at end of year	$ 412,900	402,908

See accompanying notes to the basic financial statements

MARIN LOCAL AGENCY FORMATION COMMISSION

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2025

Net changes in fund balances - total governmental funds	$	9,992
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital Related Items		
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as amortization expense.		
Amortization expense		(34,884)
Long-Term Liability Transactions		
Some expenses reported in the Statement of Activities do not require the use of current financial resources. Therefore, these expenses are not reported as expenditures in governmental funds. Repayment of debt service is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balances because current financial resources have been used. For the LAFCo as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities.		
Net change in pension related items		3,217
Net change in OPEB related items		(1,452)
Payment on lease liability		32,936
Net change in compensated absences		(5,558)
Change in net position of governmental activities	$	4,251

See accompanying notes to the basic financial statements

(1) Reporting Entity

(a) Organization of LAFCo

Marin Local Agency Formation Commission (LAFCo) was formed in 1963. LAFCo is responsible for coordinating logical and timely changes in local government boundaries, conducting special studies that review ways to reorganize, simplify, and streamline governmental structure, and preparing a sphere of influence for each city and special district within its county. LAFCo's efforts are directed toward seeing that services are provided efficiently and economically while agricultural and open-space lands are protected. LAFCo also conducts service reviews to evaluate the provision of municipal services within its county.

(b) Principles that Determine the Scope of Reporting Entity

LAFCo consists of seven voting members and exercises the powers allowed by state statutes. This follows section 56325 of the Government Code. The basic financial statements of LAFCo consist only of the funds of LAFCo. LAFCo has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by, or dependent on, LAFCo.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

LAFCo's basic financial statements are prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

Government-wide Financial Statements
LAFCo's financial statements reflect only its own activities; it has no component units. The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through intergovernmental revenues and charges for services.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of LAFCo's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods and services offered by the program. Revenues that are not classified as program revenues, including all intergovernmental revenues, are presented as general revenues.

(2) Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. General Fund operations are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. LAFCo's resources are accounted for based on the purposes for which they are to be spent and the means by which spending activities are controlled. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of LAFCo or meets the following criteria: Total assets, liabilities, revenues or expenditures (or expenses) of the individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type. The General Fund is always a major fund.

Governmental Funds

General Fund: This is the operating fund of LAFCo. The major revenue source for this fund is intergovernmental revenues. Expenditures are made for intergovernmental revenues projects and administration.

(b) Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when "measurable and available." LAFCo considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual are intergovernmental, certain charges for services and interest revenue. Charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which LAFCo gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed.

(2) Summary of Significant Accounting Policies (Continued)

LAFCo may fund programs with a combination of charges for services and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. LAFCo's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

(c) LAFCo Budget

Pursuant to Section 56381, et seq of the Government Code, LAFCo adopts a proposed budget by May 1 and a final budget by June 15 of each year.

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Budget/actual comparisons in this report use this budgetary basis. These budgeted amounts are as originally adopted or as amended by LAFCo. Individual amendments were not material in relation to the original appropriations that were amended.

(d) Capital Assets

Physical assets acquired through purchase or contribution with an acquisition value in excess of $1,500 are capitalized on the financial statements and accounted for at their historical costs.

LAFCo is a lessee for right-to-use assets as detailed in Footnote 6. LAFCo recorded a lease payable in the financial statements. At the commencement of the lease, LAFCo initially measures the lease payable at the present value of payments expected to be paid during the lease term. Subsequently, the lease payable is reduced by the principal portion of lease payments made. LAFCo used the estimated borrowing rate as the discount rate for leases and the lease term includes the noncancellable period of the lease.

Capital assets of LAFCo are depreciated using the straight-line method over the following estimated useful lives:

Furniture and fixtures	10 years
General office equipment	5 years
Computer hardware	5 years
Computer software	3 years
Right-to-use assets	Life of lease

(2) Summary of Significant Accounting Policies (Continued)

(e) Compensated Absences

It is LAFCo's policy to permit employees to accumulate earned but unused vacation. The LAFCo implemented GASB Statement No. 101, Compensated Absences, in fiscal year 2025 and has restated prior periods in accordance with its provisions. The compensated absences calculation includes vacation, personal leave, sick leave, and other paid time off attributable to services already rendered. A liability is recognized only for leave that is (1) earned and attributable to services already rendered, (2) accumulates or can be carried forward, and (3) more likely than not to be used for time off or paid upon termination.

(f) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net assets by the government that is applicable to a future reporting period. There are pension and OPEB related items that meet this definition.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net assets by LAFCo that is applicable to a future reporting period. There are pension and OPEB related items that meet this definition.

(g) Fund Balance

In the fund financial statements, governmental fund balances are reported in the following classifications:

Non-spendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Commissioners serve as LAFCo's highest level of decision-making authority and have the authority to establish, modify or rescind a fund balance commitment via minutes action.

Assigned fund balance includes amounts intended to be used by LAFCo for specific purposes, subject to change, as established either directly by the Commissioners or by management officials to whom assignment authority has been delegated by the Commissioners.

(2) Summary of Significant Accounting Policies (Continued)

Unassigned fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, LAFCo specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, LAFCo's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

(h) Net Position

The net position reported on the Statement of Net Position in the government-wide financial statements consist of the following categories:

Net investment in capital assets describes the portion of net position that is represented by the current net book value of LAFCo's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that LAFCo cannot unilaterally alter.

Unrestricted describes the portion of net position that is not restricted to use.

(i) Use of Estimates

The basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those amounts.

(j) Comparative Financial Statements

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the LAFCo's prior year financial statements, from which selected financial data was derived. The LAFCo's has reclassified certain prior year information to conform with current year presentations.

(2) Summary of Significant Accounting Policies (Continued)

(k) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the LAFCo's Marin County Employee's Retirement Association (MCERA) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date (VD)	June 30, 2023
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023, to June 30, 2024

(l) Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, and information about the plan (OPEB Plan), have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to the liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2023
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023, to June 30, 2024

(3) Cash and Investments

LAFCo's cash on deposit with Marin County Treasury and Bank of Marin at June 30, 2025 consisted of the following:

Demand deposits	$	216,850
County Payroll Deposit		30,048
Marin County Investment Pool		199,987
Pooled County Investment		1,799
	$	448,684

(3) Cash and Investments (Continued)

Credit Risk, Carrying Amount and Market Value of Investments

LAFCo maintains specific cash deposits with Marin County. Marin County is restricted by state code in the types of investments it can make. Furthermore, the Marin County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than the state code as to terms of maturity and type of investment. Also, Marin County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134.

Marin County's investment policy authorizes Marin County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool.

Fair Value Measurements – LAFCo categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, and Level 3 inputs are other significant unobservable inputs. LAFCo's investments in the County Treasurer's Pool was $199,987 as of June 30, 2025. County Investment Pools are not subject to fair value measurements. However, the certificates of deposit, local government bonds and money market funds are valued using Level 1 inputs.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Deposits may be covered by federal deposit insurance. The California Government Code and the LAFCo's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure LAFCo's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Any deposits in excess of depository insurance limits at the end of the year are collateralized by securities held at the depository financial institution's trust department.

(3) Cash and Investments (Continued)

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Marin Investment Pool).

(4) Capital Assets

A summary of changes in capital assets is as follows:

	Balance at July 1, 2024	Additions	Deletions	Balance at June 30, 2025
Capital assets being amortized:				
Right-to-use lease assets	$ 177,337	-	-	177,337
Total capital assets being amortized	177,337	-	-	177,337
Less accumulated amortization:				
Right-to-use lease assets	(37,791)	(34,884)	-	(72,675)
Total accumulated amortization	(37,791)	(34,884)	-	(72,675)
Total capital assets being amortized, net	$ 139,546	(34,884)	-	104,662

(5) Contingencies

LAFCo may be involved from time to time in various claims and litigation arising in the ordinary course of business. LAFCo management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters should not have a materially adverse effect on LAFCo's financial position or results of operations.

(6) Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2025:

	Balance at July 1, 2024*	Additions	Reductions	Balance at June 30, 2025	Due Within One Year
Compensated absences	$ 62,433	5,558	-	67,991	14,495
Lease payable - Office	146,766	-	(32,936)	113,830	35,434
Total	$ 209,199	5,558	(32,936)	181,821	49,929

** - Balance at June 30, 2024 has been restated to implement GASB Statement No. 101 The change in the compensated absence liability is presented as a net change.*

(6) Long-Term Liabilities (Continued)

Office Lease

On April 26, 2023, LAFCo extended their lease agreement for another five years through June 30, 2028, for the use of an office space which resulted in an increase of $177,337 to the lease liability. As of June 30, 2025, the value of the lease liability is $113,830. LAFCo is required to make monthly principal and interest payments of $2,956 up to $3,458 through the life of the lease. The value of the right-to-use asset is $177,337 and had an accumulated amortization of $72,675 as of June 30, 2025.

The future principal and interest payments as of June 30, 2025, are as follows:

Year Ending June 30	Principal	Interest	Total
2026	$ 35,434	2,930	38,364
2027	38,068	1,832	39,900
2028	40,328	652	40,980
Total Lease Payments	$ 113,830	5,414	119,244

(7) LAFCo's Employees' Retirement Plan

A. Plan Description

LAFCo's retirement plan is administered by the Marin County Employees' Retirement Association (MCERA), a retirement system established in July 1950 and governed by the California Constitution; the County Employees Retirement Law of 1937 (CERL or 1937 Act, California government Code Section 31450 et seq.); the Public Employees' Pension Reform Act of 2013 (PEPRA, Government Code Section 7522); the provisions of California Government Code Section 7500 et seq; and the bylaws, procedures, and policies adopted by MCERA's Board of Retirement. The Marin County Board of Supervisors may also adopt resolutions, as permitted by the CERL and PEPRA, which may affect the benefits of MCERA members.

MCERA operates as a cost-sharing multiple employers defined benefit plan for the County and eight other participating employers: City of San Rafael, Local Agency Formation Commission (LAFCo), Marin City Community Services District, Marin County Superior Court, Marin/Sonoma Mosquito and Vector Control District, Novato Fire Protection District, Southern Marin Fire Protection District, and Tamalpais Community Services District. Separate actuarial valuations are performed for these other agencies and districts, and the responsibility for funding their plans rest with those entities. Post-retirement benefits are administered by MCERA to qualified retirees.

(7) LAFCo's Employees' Retirement Plan (Continued)

Copies of MCERA's annual financial reports, which include required supplementary information (RSI) for the Plan may be obtained from their office at One McInnis Parkway, Suite 100, San Rafael, CA 94903 or online at www.mcera.org.

Administration

Retirement system administration is managed by the Retirement Board. All Retirement Board members, except the County Director of Finance, serve for a term of three years. By statute, retirement Board members include the following:

- The Director of Finance of the County (ex-officio).
- Four members who are qualified electors of the County and not connected with County government in any capacity, except one may be a County Supervisor. The Board of Supervisors appoints these members.
- Two General members of MCERA elected by the General membership.
- One Safety member and one Safety member alternative elected by the Safety membership.
- One retired member and one retired member alternate elected by the retired membership.

Membership

MCERA provides service retirement, disability, and death and survivor benefits to its general and safety members. Safety membership primarily includes law enforcement and firefighters of MCERA, as well as other classifications as allowed under the CERL and adopted by the employer. General membership is applicable to all other occupational classifications. The retirement benefits within the plan are tiered based on the participating employer and the date of the member's entry into MCERA membership.

B. Benefit Provisions

Vesting

Members become vested in retirement benefits upon completion of five years of credited service.

Service Retirement

MCERA's service retirement benefits are based on the years of credited service, final average compensation, and age at retirement, according to the applicable statutory formula. Members who qualify for service retirement are entitled to receive monthly retirement benefits for life.

General members hired prior to January 1, 2013 are eligible to retire once they attain the age of 50 (except tiers 3a and 4, whereby the minimum age is 55) and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. A member who is age 70 or older is eligible to retire regardless of service credit. General members who are first hired on or after January 1, 2013 are eligible to retire once they have attained the age of 52, and have acquired 5 years of retirement service credit, or age 70, regardless of service.

(7) LAFCo's Employees' Retirement Plan (Continued)

Disability Retirement

A member with five years of service, regardless of age, who becomes permanently incapacitated for the performance of duty is eligible to apply for a non-service-connected disability retirement. Any member who becomes permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment is eligible to apply for a service-connected disability retirement, regardless of service length or age.

Death Benefits

MCERA provides specified death benefits to beneficiaries and members' survivors. The death benefits provided depend on whether the member is active or retired. The basic active member death benefit consists of a members' retirement contributions plus interest plus one month's pay for each full year of service (up to a maximum of six month's pay). Retiring members may choose from five retirement benefit payment options. Most retirees elect to receive the unmodified allowance which provides the maximum benefit to the retiree and continuance of 60% of the retiree's allowance to the surviving spouse or registered domestic partner after the retiree's death. Other death benefits may be available based on the years of service, marital status, and whether the member has minor children.

Cost of Living Adjustment

Retirement allowances are indexed for inflation. Most retirees receive automatic basic cost of living adjustments (COLA's) based upon the Urban Consumer Price Index (UCPI) for the San Francisco Bay Area. These adjustments go into effect on April 1 of each year. Annual COLA increases are statutorily capped at 2%, 3%, or 4% depending upon the member's retirement tier. When the UCPI exceeds the maximum statutory COLA for the member's tier, the difference is accumulated for use in future years when the UCPI is less than the maximum statutory COLA. The accumulated percentage carryover is known as the COLA Bank.

As of June 30, 2025, LAFCo's reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous Plan as follows:

	Increase (Decrease)		
Measurement date	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2023	$ 1,016,311	930,820	85,491
Balance at June 30, 2024	971,416	904,939	66,477
Net changes during 2023-24	$ (44,895)	(25,881)	(19,014)

(7) LAFCo's Employees' Retirement Plan (Continued)

LAFCo's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2025, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024, updated to June 30, 2025. LAFCo's proportion of the net pension liability was based on a projection of LAFCo's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. LAFCo's proportionate share of the net pension liability for the Plan as of June 30, 2024, and 2025 was as follows:

Measurement Dates	
Proportion - June 30, 2023	0.0296%
Proportion - June 30, 2024	0.0271%
Change – Increase (Decrease)	0.0025%

For the year ended June 30, 2025, LAFCo recognized pension expense of $38,921. At June 30, 2025, LAFCo reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 53,358	-
Adjustment due to differences in proportions	19,761	4,548
Differences between expected and actual experience	11,824	1,170
Differences between projected and actual earnings on pension plan investments	10,218	-
Differences between employer's contributions and proportionate share of contributions	25,076	-
Changes in assumptions	-	2,601
Total Deferred Outflows/Inflows of Resources	$ 120,237	8,319

The $53,358 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026.

(7) LAFCo's Employees' Retirement Plan (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2026	$ 24,793
2027	34,700
2028	2,281
2029	(3,214)
Thereafter	-

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

Actuarial Assumptions - The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date:	June 30, 2023
Timing:	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year
Actuarial Cost Method:	Entry Age Asset
Valuation Method:	Market Value
Amortization Method:	Level percentage of payroll with separate periods for Extraordinary Actuarial Gains or Loss (15 years remaining as of (6/30/2023)
Discount Rate:	6.75%
Price Inflation:	2.50%
Salary Increases:	3.00% plus merit component based on employee classification and years of service
Post-retirement COLA for Future Retirees:	Post-retirement COLAs are assumed at the rate of 2.5% for members with a 4% COLA cap, 2.4% for members with a 3% COLA cap, and 1.9% for members with a 2% COLA cap.
Post-retirement COLA for Current Retirees	Post-retirement COLAs for current retirees are assumed to be the same as future retirees with the same COLA cap, plus any remaining COLA bank up to the COLA cap.
Mortality Improvement:	Future mortality improvements are reflected by applying the SOA MP-2020 projection scale on a generational bases from the base year of 2010.

(7) LAFCo's Employees' Retirement Plan (Continued)

A complete description of the methods and assumptions used to determine contribution rates for the year ended June 30, 2025, can be found in the June 30, 2024, actuarial report.

Discount Rate - The discount rate used to measure the total pension liability was 6.75% as of June 30, 2025. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions intended to fund benefits of current plan members and their beneficiaries are included.

Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2025.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	32.0%	4.85%
Fixed Income	23.0%	1.75%
International Equity	22.0%	4.95%
Public Real Assets	7.0%	3.70%
Private Equity	8.0%	6.00%
Real Estate	8.0%	3.25%
Total	100.0%	

(7) LAFCo's Employees' Retirement Plan (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents LAFCo's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what LAFCo's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	5.75%
Net Pension Liability	$76,266
Current Discount Rate	6.75%
Net Pension Liability	$14,842
1% Increase	7.75%
Net Pension Liability (Asset)	$(35,856)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MCERA financial reports.

(8) Other Postemployment Benefit (OPEB)

Plan Description

LAFCo provides a defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides lifetime healthcare insurance for eligible retirees through the CalPERS Health Benefit Program, which covers both active and retired members.

For retirees hired between October 1, 1993 and December 31, 2007 (Plan 3), LAFCo would pay a percentage of retirees' single-coverage premiums up to a dollar cap based on years of service at retirement, where the dollar cap is reviewed each year by the Board of Supervisors. Through January 1, 2007 the cap was increased to cover single Blue Cross Prudent Buyer Classic and Delta Dental premiums. The Board of Supervisors has implemented a policy to limit annual increases in the cap to no more than 3%, subject to annual approval regarding whether any increase will be granted and, if so, the amount of the increase. Cap increases were 3% effective January 1, 2008 and January 1, 2009. No cap increases have been adopted since that time. The dollar cap is currently $442.65 per year of service up to $8,853 per year.

For retirees hired on or after January 1, 2008 (Plan 4), LAFCo would pay $150 per year of service up to $3,000 per year for the retiree's single health plan premiums only.

Funding Policy

LAFCo's Board of Commissioners will not be funding the plan in the current year but will follow a pay-as-you-go approach. The Board will review the funding requirements and policy annually.

(8) Other Postemployment Benefit (OPEB) (Continued)

Membership of LAFCo as of the valuation date consisted of the following:

Active plan members	3
Inactive employees or beneficiaries currently receiving benefit payments	1
Total	4

Contribution

As of June 30, 2025, LAFCo has accumulated $80,398 in an irrevocable trust toward this liability. With LAFCo's approval, the discount rate used in this valuation is 5.60% as of June 30, 2023; the long term expected return on trust assets.

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Funding method	Entry Age Normal Cost, level percent of pay
Asset valuation method	Market value of trust assets
Long term return on assets	6.20%
Discount rates	5.60%
Participants valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary increase	3.00%
General inflation	2.50% per year
Mortality improvements	MacLeod Watts Scale 2022 applied generationally
Healthcare trend	5.6% in 2023, fluctuates until ultimate rate of 4% in 2076

(8) Other Postemployment Benefit (OPEB) (Continued)

Change in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2023 (MD)	$ 64,450	72,287	(7,837)
Service cost	2,555	-	2,555
Interest	3,685	4,034	(349)
Differences between actual and expected experience	-	-	-
Changes of assumptions	(5,381)	-	(5,381)
Benefit payments	-	-	-
Contributions - employer	-	2,156	(2,156)
Net investment income	-	1,945	(1,945)
Administrative expenses	-	(24)	24
Net Changes	859	8,111	(7,252)
Balance at June 30, 2024 (MD)	$ 65,309	80,398	(15,089)

Sensitivity of Net OPEB Liability (Asset) to Changes in the Discount Rate and Medical Cost Inflation

The discount rate used for the fiscal year end June 30, 2024, is 5.60%. Medical Cost Inflation was assumed to start at 6.5% (increase effective January 1, 2025) and grade down to 3.9% for years 2075 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown in the table below.

Discount Rate – 1%	Current Discount Rate	Discount Rate + 1%
(4.60%)	(5.60%)	(6.60%)
$(9,916)	(15,089)	(19,856)

Medical Trend – 1%	Current Medical Trend	Medical Trend + 1%
$(16,332)	(15,089)	(13,720)

(8) Other Postemployment Benefit (OPEB) (Continued)

Deferred Resources and Expected Future Recognition
For the fiscal year ended June 30, 2025, LAFCo recognized OPEB expense of $1,452. At June 30, 2025, LAFCo reported deferred resources from OPEB from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,283	15,963
Net Difference between projected and actual earnings on investments	3,299	-
Changes in assumptions	623	2,193
Total Deferred Outflows/Inflows of Resources	$ 6,205	18,156

In addition, future recognition of these deferred resources is shown below.

Fiscal Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2026	$ (817)
2027	1,018
2028	(1,979)
2029	(2,265)
2030	(1,876)
Thereafter	(6,032)

(9) Risk Management

LAFCo is exposed to various risks of loss related to torts, theft of, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. LAFCo has purchased outside insurance coverage at the following amounts:

- General Liability coverage up to $2,500,000 per occurrence
- Workers' Compensation coverage up to $750,000 per occurrence
- Cyber coverage up to $750,000 per occurrence
- Pollution Liability coverage up to $2,000,000 per occurrence
- Personal Liability coverage for board members and directors up to $500,000 per occurrence

(9) Risk Management (Continued)

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years, and there were no reductions in LAFCo's insurance coverage during the year ending June 30, 2025. Liabilities are recorded when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated net of the respective insurance coverage.

(10) Restatement – Change in Accounting Principle

The LAFCo implemented GASB Statement No.101, Compensated Absences, in fiscal year 2025. Management reviewed the LAFCo's liability for compensated absences with the provisions of GASB Statement No. 101, and based on this review, the Governmental Activities beginning net position as of July 1, 2024, was restated from $396,140 to $380,069 for a change of $16,071 to reflect the application of the new guidance.

REQUIRED SUPPLEMENTARY INFORMATION

MARIN LOCAL AGENCY FORMATION COMMISSION

Schedule of Plan Proportionate Share of the Net Pension Liability

Last Ten Years

Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Proportion of the collective net pension liability	0.0130%	0.0296%	0.0303%	0.0000%
Proportionate share of the net pension liability	$ 14,842	85,491	94,745	-
Covered-employee payroll	$ 352,530	309,366	313,897	280,726
Proportionate share of the net pension liability as a percentage of covered-employee payroll	4%	28%	30%	0%
Plan fiduciary net position as a percentage of the total pension liability	96.90%	91.60%	90.59%	0.00%

Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Proportion of the collective net pension liability	0.0070%	0.0000%	0.0104%	0.0088%
Proportionate share of the net pension liability	$ 32,044	-	34,351	32,451
Covered-employee payroll	$ 271,662	113,308	123,490	206,613
Proportionate share of the net pension liability as a percentage of covered-employee payroll	12%	0%	28%	16%
Plan fiduciary net position as a percentage of the total pension liability	85.15%	0.00%	88.34%	86.27%

Measurement Date	June 30, 2016	June 30, 2015
Proportion of the collective net pension liability	0.0021%	0.0000%
Proportionate share of the net pension liability	$ 10,037	-
Covered-employee payroll	$ 232,415	173,394
Proportionate share of the net pension liability as a percentage of covered-employee payroll	4%	0%
Plan fiduciary net position as a percentage of the total pension liability	81.45%	84.31%

MARIN LOCAL AGENCY FORMATION COMMISSION

Schedule of Contributions

Last Ten Years

Fiscal Year Ending June 30	2025	2024	2023	2022	2021
Actuarially determined contribution	$ 53,358	41,588	35,749	44,081	37,025
Contributions in relation to the actuarially determined contributions	(53,358)	(41,588)	(35,749)	(44,081)	(37,025)
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll during the fiscal year	$ 375,161	352,530	309,366	313,897	280,726
Contributions as a percentage of covered payroll	14.22%	11.80%	11.56%	14.04%	13.19%

Fiscal Year Ending June 30	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 50,702	13,234	14,430	46,997	68,104
Contributions in relation to the actuarially determined contributions	(50,702)	(13,234)	(14,430)	(46,997)	(68,104)
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll during the fiscal year	$ 271,662	113,308	123,490	206,613	232,415
Contributions as a percentage of covered payroll	18.66%	11.68%	11.69%	22.75%	29.30%

Notes to Schedule

Valuation Date	6/30/23 (to determine FY2024-25 contributions)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2024-25)

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate periods for Extraordinary Actuarial Gains or Loss (15 years remaining as of (6/30/2023), the remaining UAL as of June 20, 2013 (7 years as of 6/30/2023), and additional layers for unexpected changes in UAL after 6/30/2013 (24 years for gains and losses with a 5-year phase-in/out and 22 years for assumption changes with a 3-year phase-in/out).
Remaining Amortization period	7 years remaining as of June 30, 2023
Asset valuation method	Market value
Inflation	2.50%
Salary increases	3.00% plus merit component based on employee classification and years of service
Investment Rate of Return	3.48%, net of investment expenses
Retiree Mortality	Rates of mortality for retired members and their beneficiaries are based on the Public General 2010 Health Retiree Mortality Table, with generational improvements projected from 2010 using Projection Scale MP-2020, with no adjustments.
Disabled Mortality	Rates of mortality among disabled members are based on the Public General 2010 Disabled Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, with no adjustments.

MARIN LOCAL AGENCY FORMATION COMMISSION

Schedule of Change in the Net OPEB Liability (Asset) and Related Ratios

Last Ten Years*

Measurement Date	2024	2023	2022	2021
Total OPEB liability:				
Service cost	$ 2,555	3,258	3,078	2,226
Interest	3,685	3,788	3,987	3,505
Difference between expected and actual experience	-	(5,855)	(9,711)	3,595
Changes of assumptions	(513)	(1,121)	770	(1,360)
Benefit payments, including refunds of employee contributions	(4,868)	-	-	(898)
Total OPEB liability - beginning of year	64,450	64,380	66,256	59,188
Total OPEB liability - end of year	$ 65,309	64,450	64,380	66,256
Plan Fiduciary Net Position				
Net investment income	$ 4,034	2,487	(10,049)	13,132
Contributions				
Employer	2,156	-	-	898
Benefit payments, including refunds of employee contributions	-	-	-	(898)
Administrative expense	(24)	(20)	(20)	(24)
Change due to investment experience	1,945	-	-	-
Net change in plan fiduciary net position	8,111	2,467	(10,069)	13,108
Plan fiduciary net position - beginning of year	72,287	69,820	79,889	66,781
Plan fiduciary net position - end of year	$ 80,398	72,287	69,820	79,889
Net OPEB liability(asset) - end of year	$ (15,089)	(7,837)	(5,440)	(13,633)
Covered-employee payroll	$ 352,530	$ 313,029	323,489	280,829
Net OPEB liability as a percentage of covered-employee payroll	-4.28%	-2.50%	-1.68%	-4.85%

Measurement Date	2020	2019	2018	2017
Total OPEB liability:				
Service cost	$ 2,161	-	-	-
Interest	3,365	3,309	3,413	3,529
Difference between expected and actual experience	-	372	-	-
Changes of assumptions	-	348	-	-
Benefit payments, including refunds of employee contributions	(5,400)	(5,013)	(5,456)	(5,615)
Total OPEB liability - beginning of year	59,062	60,046	62,089	64,175
Total OPEB liability - end of year	$ 59,188	59,062	60,046	62,089
Plan Fiduciary Net Position				
Net investment income	$ 3,431	5,013	2,544	1,894
Contributions				
Employer	5,400	4,208	21,071	25,102
Benefit payments, including refunds of employee contributions	(5,400)	(5,013)	(5,456)	(5,615)
Administrative expense	(31)	(13)	(76)	(15)
Net change in plan fiduciary net position	3,400	4,195	18,083	21,366
Plan fiduciary net position - beginning of year	63,381	59,186	41,103	19,737
Plan fiduciary net position - end of year	$ 66,781	63,381	59,186	41,103
Net OPEB liability(asset) - end of year	$ (7,593)	(4,319)	860	20,986
Covered-employee payroll	$ 229,570	125,319	144,601	217,782
Net OPEB liability as a percentage of covered-employee payroll	-3.31%	-3.45%	0.59%	9.64%

* Fiscal year 2018 was the first year of implementation, therefore only eight years are shown.

MARIN LOCAL AGENCY FORMATION COMMISSION

Schedule of Contributions - OPEB

Last Ten Years*

Fiscal year	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 854	2,156	2,191	1,606	1,801	2,036	1,526	15,615
Contributions in relation to the actuarially determined contributions	-	2,156	-	-	-	898	4,552	21,071
Contribution deficiency (excess)	$ 854	-	2,191	1,606	1,801	1,138	(3,026)	(5,456)
Covered employee payroll	$ 378,883	$ 352,530	313,029	323,489	280,829	229,570	125,319	144,601
Contributions as a percentage of covered employee payroll	0.00%	0.61%	0.00%	0.00%	0.00%	0.39%	3.63%	14.57%

Notes to Schedule:
Fiscal Year End: June 30, 2025
Valuation Date: June 30, 2023

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar basis, open 30 years
Amortization period	30 years remain
Asset valuation method	Market value
Inflation	2.5%
Healthcare cost trend rates	6.5% in 2025, fluctuates until ultimate rate of 3.9% by 2076
Salary increases	3.0%
Investment rate of return	5.50%
Retirement age	From 55 to 75
Mortality	2021 CalPERS Experience Study
Mortality improvement	MacLeod Watts Scale 2022

* Fiscal year 2018 was the first year of implementation, therefore only eight years are shown.

MARIN LOCAL AGENCY FORMATION COMMISSION

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund

Year ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	$ 587,727	587,727	587,727	-
Charges for services	-	-	47,596	47,596
Investment income	-	-	24,036	24,036
Total revenues	587,727	587,727	659,359	71,632
Expenditures:				
General government:				
Salaries and benefits	478,500	478,500	472,108	6,392
Services and supplies	189,727	189,727	140,371	49,356
Debt service:				
Principal	-	-	32,936	(32,936)
Interest	-	-	3,952	(3,952)
Total expenditures	668,227	668,227	649,367	18,860
Net change in fund balances	(80,500)	(80,500)	9,992	90,492
Fund balances at beginning of year	402,908	402,908	402,908	-
Fund balances at end of year	$ 322,408	322,408	412,900	90,492

See accompanying notes to the required supplementary information

MARIN LOCAL AGENCY FORMATION COMMISSION

Notes to the Required Supplementary Information

Year ended June 30, 2025

(1) Budgetary Reporting

The LAFCo established accounting control through formal adoption of an annual budget for the General Fund. The budget is prepared on a basis consistent with generally accepted accounting principles. The adopted budget can be amended by the LAFCo to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations and transfers between funds requires LAFCo approval. However, the Executive Officer may authorize changes within funds. Expenditures may not exceed total appropriations at the individual fund level.

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Board of Commissioners
Marin Local Agency Formation Commission
San Rafael, California

We have audited the financial statements of the governmental activities and each major fund of the Marin Local Agency Formation Commission (the "LAFCo") as of and for the year ended June 30, 2025, and have issued our report thereon dated February 27, 2026. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 12, 2026, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the LAFCo solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence under the American Institute of Certified Public Accountants ("AICPA") independence standards, contained in the Code of Professional Conduct.

We identified self-review threats to independence as a result of non-attest services provided. The non-attest services included preparing the financial statements and proposing journal entries. To mitigate the risk, management has compared the draft financial statements and footnotes to the underlying accounting records to verify the accuracy and has reviewed a disclosure checklist to ensure footnotes are complete and accurate. Additionally, we utilized a quality control reviewer to perform a second review of journal entries and the financial statements. We believe these safeguards are sufficient to reduce the independence threats to an acceptable level.

Significant Risks Identified

We have identified the following significant risk:

- The new compensated absences accounting standard, Governmental Accounting Standards Board (GASB) Statement No. 101. We reviewed the LAFCo's calculations and ensured the financial statements and footnotes are accurate and complete.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the LAFCo is included in Note 2 to the financial statements. As described in Note 2 to the financial statements during the year, the LAFCo changed accounting policies related to compensated absences by adopting GASB Statement No. 101, Compensated Absences. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the Statement of Activities. Additionally, the LAFCo changed accounting policies regarding risk disclosures related to government vulnerabilities due to concentrations and constraints by adopting GASB Statement No. 102, Certain Risk Disclosures. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate related to the net pension liability, net OPEB liability/asset, and related accounts based on actuarial information. We evaluated the key factors and assumptions used to develop the amounts by the actuary and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting LAFCo's financial statements relate to the net pension liability and the net OPEB liability/asset.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to LAFCo's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated February 27, 2026.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Marin LAFCo, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Marin LAFCo's auditors.

This report is intended solely for the information and use of the Board of Commissioners, and management of Marin LAFCo and is not intended to be and should not be used by anyone other than these specified parties.

DavisFarr LLP

Irvine, California
February 27, 2026

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Marin Local Agency Formation Commission
San Rafael, California

Independent Auditor's Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of Marin Local Agency Formation Commission (LAFCo), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise LAFCo's basic financial statements, and have issued our report thereon dated February 27, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LAFCo's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LAFCo's internal control. Accordingly, we do not express an opinion on the effectiveness of LAFCo's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect, and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of LAFCo's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of weaknesses, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether LAFCo's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DavisFarr LLP

Irvine, California
February 27, 2026

AGENDA REPORT
April 9th, 2026
Item No. 4 (Public Hearing)

TO: Local Agency Formation Commission

FROM: Jeren Batchelder-Seibel, Deputy Executive Officer

SUBJECT: **Presentation of the Novato Area Municipal Service Review and Sphere of Influence Update Public Draft (Information Only)**

Background

On March 27th, 2026, staff released the draft (attached) of the Novato Area Municipal Service Review (MSR) and Sphere of Influence Update for public comment. Upon release, staff sent the draft to staff of each of the participating LAFCo jurisdictions with the request that it be passed along to the respective boards and councils. In addition, it was sent to all other LAFCo member agencies.

LAFCo is accepting public comment on this draft through the end of the day on Friday, May 15th. As of the writing of this staff memo, LAFCo has received no official comments.

During the April meeting, the Commission will hear from staff about what is in the draft report's recommendations of what, if anything, each agency should make an effort to address moving forward. Commissioners will be able to ask questions to staff. In addition, the public will be given time to make comments on the draft MSR.

Staff Recommendation for Action

No formal action is needed for this item at this time, but discussion and general direction on any desired changes should be given, and this item should be continued to the next meeting for final approval.

Attachment:

1. Public Draft of Novato Area MSR

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Lew Kious, Regular, Almonte Sanitary District
Craig Murray, Regular, Las Gallinas Valley Sanitary District
Cathryn Hilliard, Alternate, Southern Marin Fire Protection District
Larry Chu, Regular, Public Member
Roger Smith, Alternate, Public Member

Novato Area Municipal Service Review and Sphere of Influence Study

Prepared by Marin LAFCo



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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.

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,

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, LAFCos consider 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.

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;

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[1], 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.

[1] Just over 50% of LAFCos have special district members on the Commission, while the remaining do not.

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

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. Additional information is also available online by visiting 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.

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.

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.

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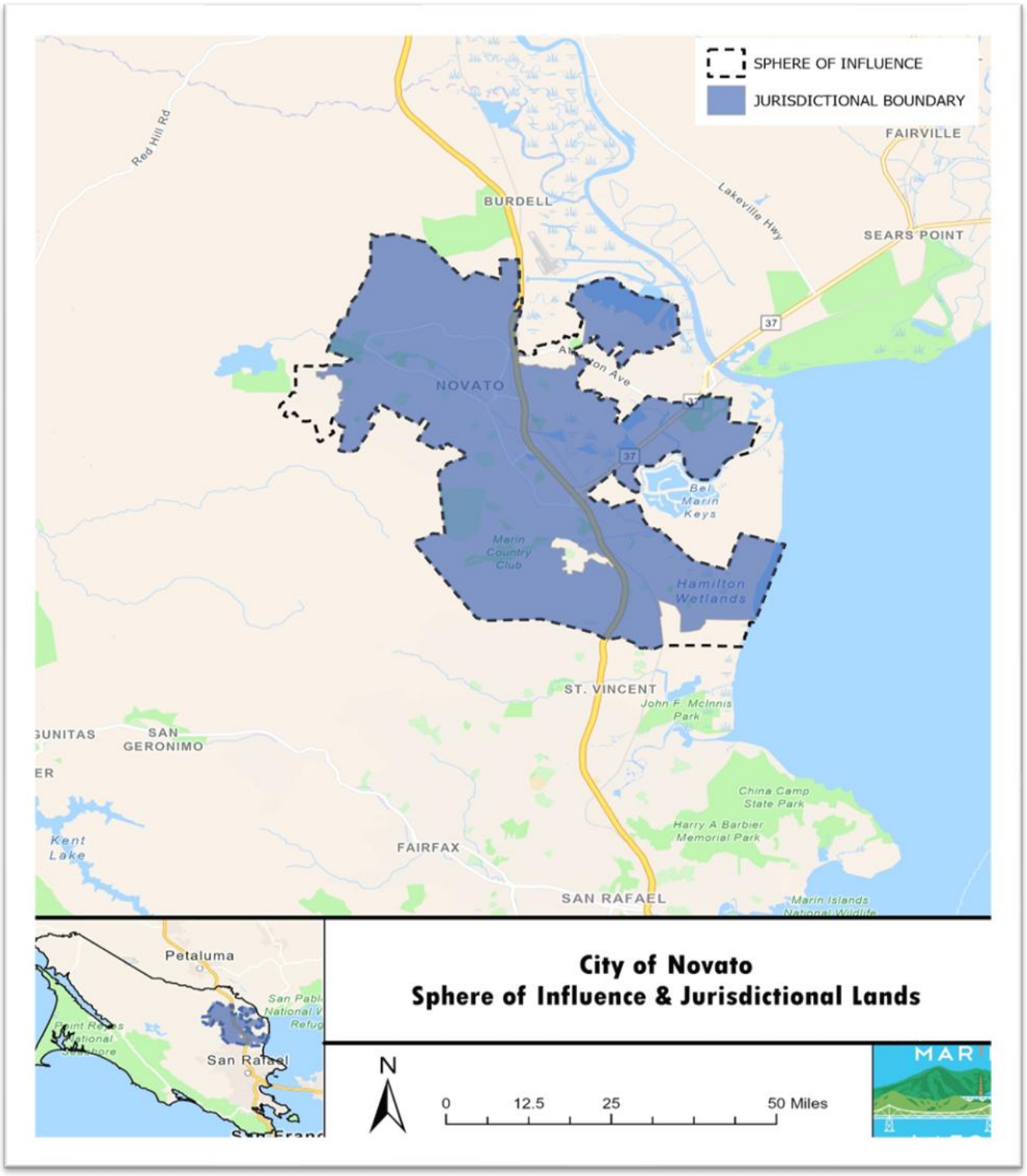
CITY OF NOVATO

AGENCY AT A GLANCE

Agency Name	City of Novato
Formation Date	January 20, 1960
Administrative Office Location	922 Machin Avenue, Novato, CA
Website	www.novato.gov
City Manager	Amy Cunningham
Employees	194
Public Meetings	The Novato City Council meets on the 2nd and 4th 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[2]

[2] California Department of Finance 2025 Estimate

Figure 1 City of Novato Sphere of Influence & Jurisdictional Lands



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[3], 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[4].

The table below presents a demographic and land use profile[5] of City of Novato in comparison to Marin County as a whole.

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

	Novato	Marin County
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[6]	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%

[3] California Department of Finance
[4] Marin LAFCo Resolution No. 20-10
[5] All population data points, including projections, are sourced from the California Department of Finance
[6] Includes both detached and attached

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[7] 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

[7] 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.

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[8]. 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

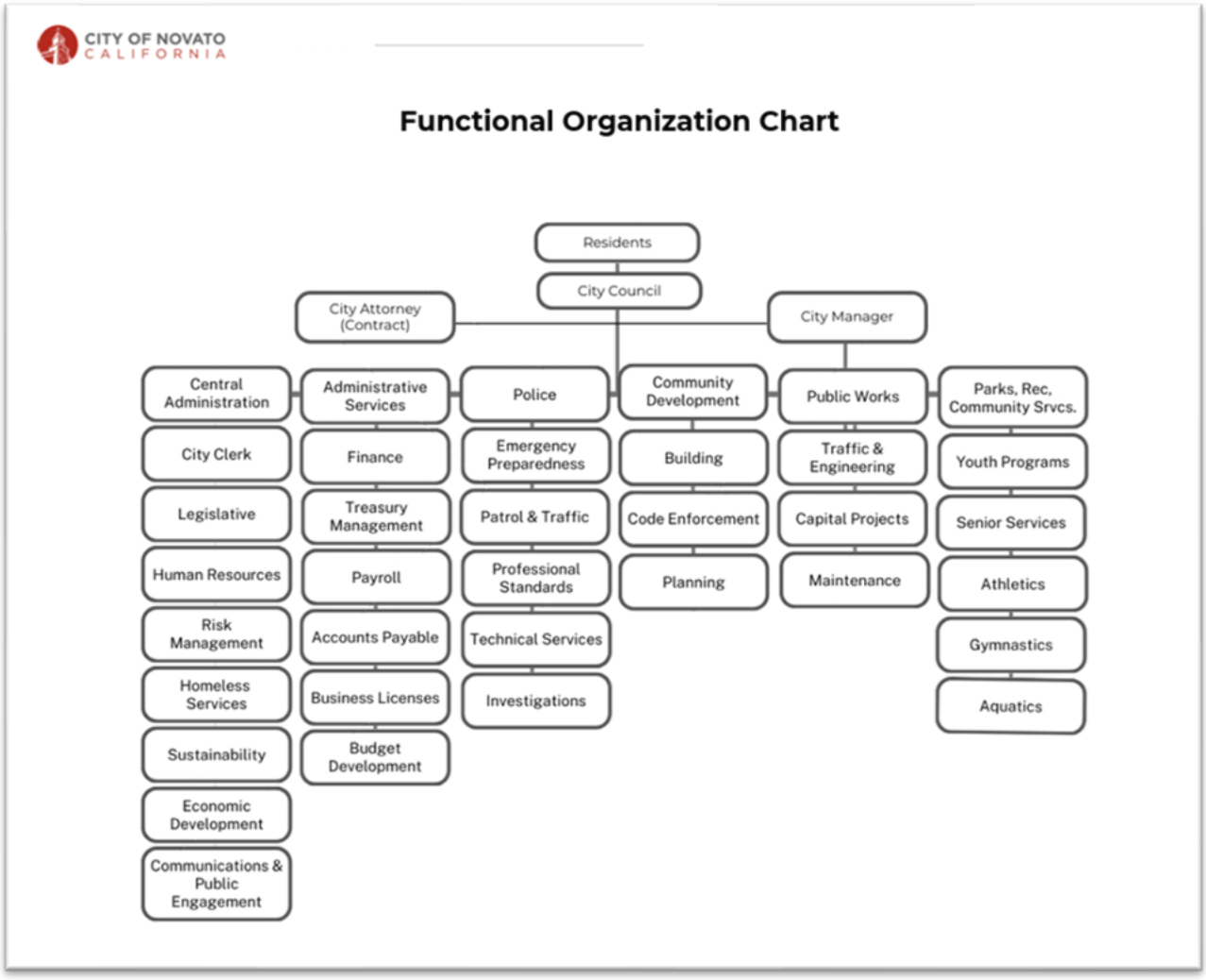
City Council duties include establishing legislation and policies governing the City; adopting all ordinances, resolutions, and major contracts; approving and modifying annual budgets; making appointments to advisory boards, commissions, and committees; and appointing the City Manager and City Attorney. 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

[8] City of Novato Ordinance 1650

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[9] 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

[9] Novato City Staff correspondence

current certifications for Assembly Bill 1234 (AB 1234) and Assembly Bill 1661 (AB 1661)[10]. 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[11]. 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

[10] 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.

[11] CKH Act Section 56375(a)(8)(B) does allow for exemptions for a DUC to be annexed.

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

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.

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

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

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[12] for housing production and is actively pursuing reforms, such as the Housing Element Program 3.I[13], 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%

[12] 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)

[13] Housing Element Program 3.I 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.”

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 6th Cycle Housing Element (2023 - 2031) was adopted on May 7, 2024[14], 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.

[14] City of Novato Resolution 2024-031

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

	Income Group			
Site Category	**Extremely/Very Low/Low**	**Moderate**	**Above Moderate**	**TOTAL**
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
Total Capacity	**952**	**367**	**1,308**	**2,627**
Surplus	**+61**	**+35**	**+448**	**+537**

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

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 2025for 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.

Over the course of the study window, the department's calls for service peaked[15] 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[16] 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 202 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

[15] 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.

[16] Part 1 crimes are the most serious offenses tracked by the FBI's Uniform Crime Reporting program.

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:

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[17] 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.

[17] 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.

- **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

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[18] 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.

[18] 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.

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
Actual Revenues					
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
Total Revenues	$47,166,165	$42,693,079	$48,628,395	$50,285,841	$54,440,879
Actual Expenditures					
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
Total Expenditures	$39,237,252	$41,939,301	$50,476,110	$47,133,978	$51,593,863
Surplus/(Deficit)	$7,928,913	$753,778	($1,847,715)	$3,151,863	$2,847,016

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

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.[19][20]

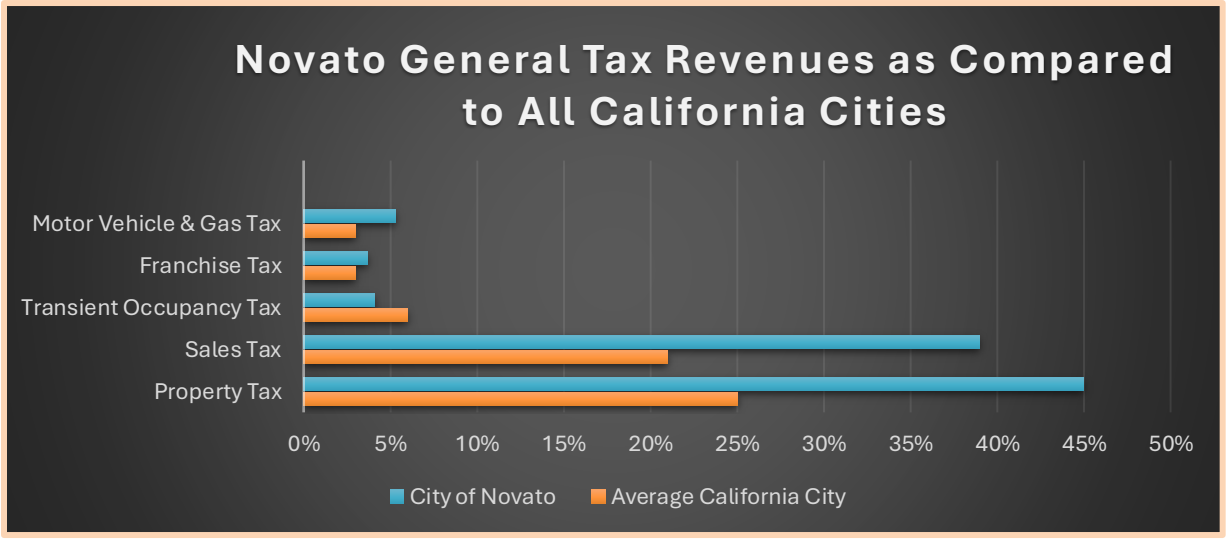
The City of Novato has a fairly unique general tax revenue profile. The City relies more heavily on sales tax and property tax revenues than the majority of other municipalities in the State, based on the sum total of all tax types collected.

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.

[19] City of Novato 2025 ACFR; Pg. 165

[20] California State Controller's Office; Municipalities Revenues Comparison

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.[21] 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

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

[21] This amount is inclusive of planned transfers out totaling $2,413,447.

[22] PRCS = Parks Recreation and Community Services

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.

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%.[23]

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.

[23] Annual Review of Funding Levels and Risks FYE 2023

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%[24], 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 ÷ $409,714,124)

[24] 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.

Additionally, the Government Finance Officers Association (GFOA) and industry standards suggest that annual debt service[25] should generally not exceed 7-10% of operating revenues[26]. 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%[27] 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[28] 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

[25] Debt service is the amount of interest and sinking fund payments due annually on long-term debt.
[26] GFOA Publication, "How Much Debt is Too Much?"
[27] State of California ACFR 2023
[28] Local Fiscal Health Dashboard Methodology

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_2 equivalents ($MTCO_2e$); by 2015, they had fallen to roughly 313,100 $MTCO_2e$, 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 $MTCO_2e$ 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 $MTCO_2e$ 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 $MTCO_2e$ by 2035. Community-scale renewable energy (primarily rooftop solar) is expected to reduce a further 10,000 $MTCO_2e$ 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 $MTCO_2e$ 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,

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-Marin 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 $MTCO_2e$ 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.

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

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.

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

$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.

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

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

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.

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

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

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

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

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.**

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

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.

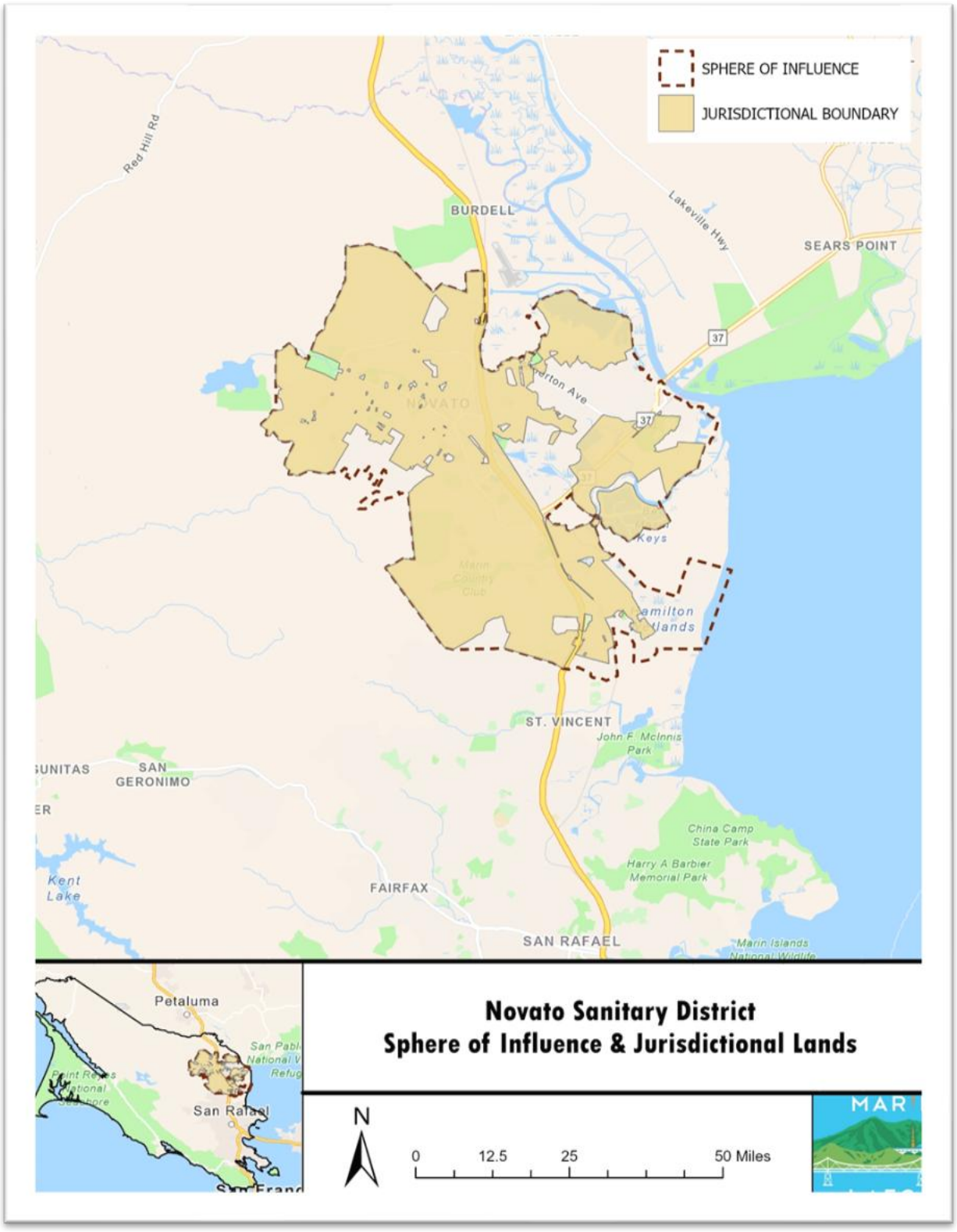
NOVATO SANITARY DISTRICT

AGENCY AT A GLANCE

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

[29] 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.

Figure 5 Novato Sanitary District Sphere of Influence & Jurisdictional Lands



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[30].

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

[30] Marin LAFCo Resolution No. 20-12

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[31] 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.

[31] Marin LAFCo Resolution No. 20-12

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 Fuette – 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.

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

Website Components	Checkmark (Yes)
Required Items (SB 929 Criteria and SDLF Benchmarks)	
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	
TOTAL SCORE (out of a possible 20)	**19**

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)[32] and Assembly Bill 1661 (AB 1661)[33]. [34]

[32] State-mandated ethics training for public officials.
[33] State-mandated sexual harassment training.
[34] 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.

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[35]. 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

[35] CKH Act Section 56375(a)(8)(B) does allow for exemptions for a DUC to be annexed.

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 6th Cycle Housing Element (2023 - 2031) was adopted on May 7, 2024[36], 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, 3rd Street and Grant Avenue, Downtown Novato (4th and Grant), and approximately 400 additional units between 1st and 2nd Streets along 4th 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

[36] City of Novato Resolution 2024-031

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

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

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

for Sanitary Sewer Systems[37]. 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[38] 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.

[37] Water Quality Order No. WQ 2022-0103-DWQ

[38] 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.

- **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.

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
Actual Revenues					
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
Total Revenues	$23,710,574	$23,346,190	$24,339,397	$26,081,253	$27,510,460
Actual Expenditures					
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
Total Expenditures	$18,631,662	$11,807,057	$23,960,662	$20,860,258	$21,127,290
Surplus/(Deficit)	$5,078,912	$11,539,133	$378,735	$5,220,995	$6,383,170

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.

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

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.

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[39] was 72.3%.[40]

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

[39] CalPERS is a similar pension plan to MCERA that is offered to public employees throughout the State of California and has reciprocity with MCERA.

[40] CalPERS Annual Comprehensive Financial Report, 2023-24

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.

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[41]

Debt-to-Assets Ratio: 0.23 (calculated as $47,750,907 ÷ $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

[41] 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.

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**

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.

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.

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-

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.

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

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

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

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,

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.

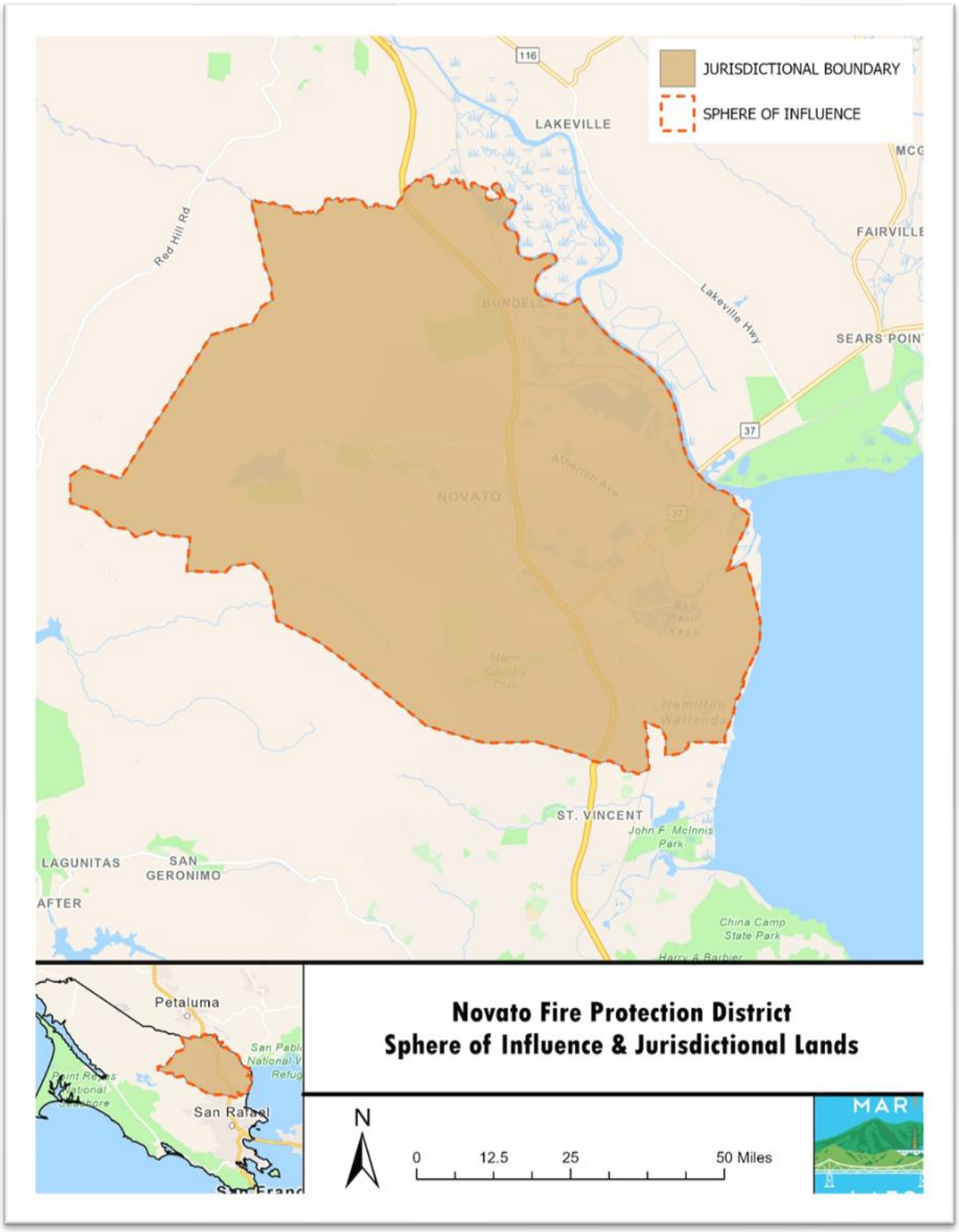
NOVATO FIRE PROTECTION DISTRICT

AGENCY AT A GLANCE

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

[42] For calendar year 2026, the NFPD Board has scheduled its meetings in January, February, March, and December, for the 2nd Wednesday of the month as a special meeting, with all other meetings remaining on the 1st Wednesday.
[43] 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.

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



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[44].

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

	NFPD	Marin County
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

[44] Marin LAFCo Resolution No. 23-19

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[45] 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[46]. 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

[45] Marin LAFCo Resolution No. 23-19

[46] Marin LAFCo Resolution No. 09-03

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)
Required Items (SB 929 Criteria and SDLF Benchmarks)	
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	✓

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	
TOTAL SCORE (out of a possible 20)	**18**

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)[47] and Assembly Bill 1661 (AB 1661)[48]. [49]

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[50]. 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

[47] State-mandated ethics training for public officials.
[48] State-mandated sexual harassment training.
[49] 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.
[50] CKH Act Section 56375(a)(8)(B) does allow for exemptions for a DUC to be annexed.

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 6th Cycle Housing Element (2023 - 2031) was adopted on May 7, 2024[51], 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, 3rd Street and Grant Avenue, Downtown Novato (4th and Grant), and approximately 400 additional units between 1st and 2nd Streets along 4th 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.

[51] City of Novato Resolution 2024-031

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

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[52], 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[53]. 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[54] 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.

[52] NFPD's fire stations are numbered 61, 62, 63, 64, and 65

[53] 67 emergency personnel and 21 administrative

[54] Approximately 68% of the District's annual calls for service are for Rescue/Emergency Medical

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

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

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

Unit Hour Utilization (UHU)[55] 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

[55] All reported performance metrics are sourced from the NFPD Standards of Coverage Analysis Update 2025

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 "90th 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 90th 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 90th 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.

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
Actual Revenues Governmental Funds					
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
Total Revenues	$33,555,545	$37,724,528	$39,314,370	$42,984,091	$45,566,246
Actual Expenditures					
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
Total Expenditures	$28,924,918	$31,114,726	$35,393,952	$34,841,879	$36,307,644
Surplus/(Deficit)	$4,630,627	$6,609,802	$3,920,418	$8,142,212	$9,258,602

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[56] 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[57]. 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

[56] NFPD Resolution No. 2025-06

[57] This is inclusive of budgeted allocations for Acting Pay, Holiday Pay, FLSA Pay, and Overtime Pay.

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[58] 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[59] was 72.3%.[60] 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.

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

[59] CalPERS is a similar pension plan to MCERA that is offered to public employees throughout the State of California and has reciprocity with MCERA.

[60] CalPERS Annual Comprehensive Financial Report, 2023-24

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 no with 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

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[61]

Debt-to-Assets Ratio: 0.23% (calculated as $163,962 ÷ $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[62] should generally not exceed 7-10% of operating revenues[63]. 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%[64] in FY 2022-23.

[61] 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.
[62] Debt service is the amount of interest and sinking fund payments due annually on long-term debt.
[63] GFOA Publication, "How Much Debt is Too Much?"
[64] State of California ACFR 2023

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.

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-

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

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.

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

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

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

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

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

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.

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.

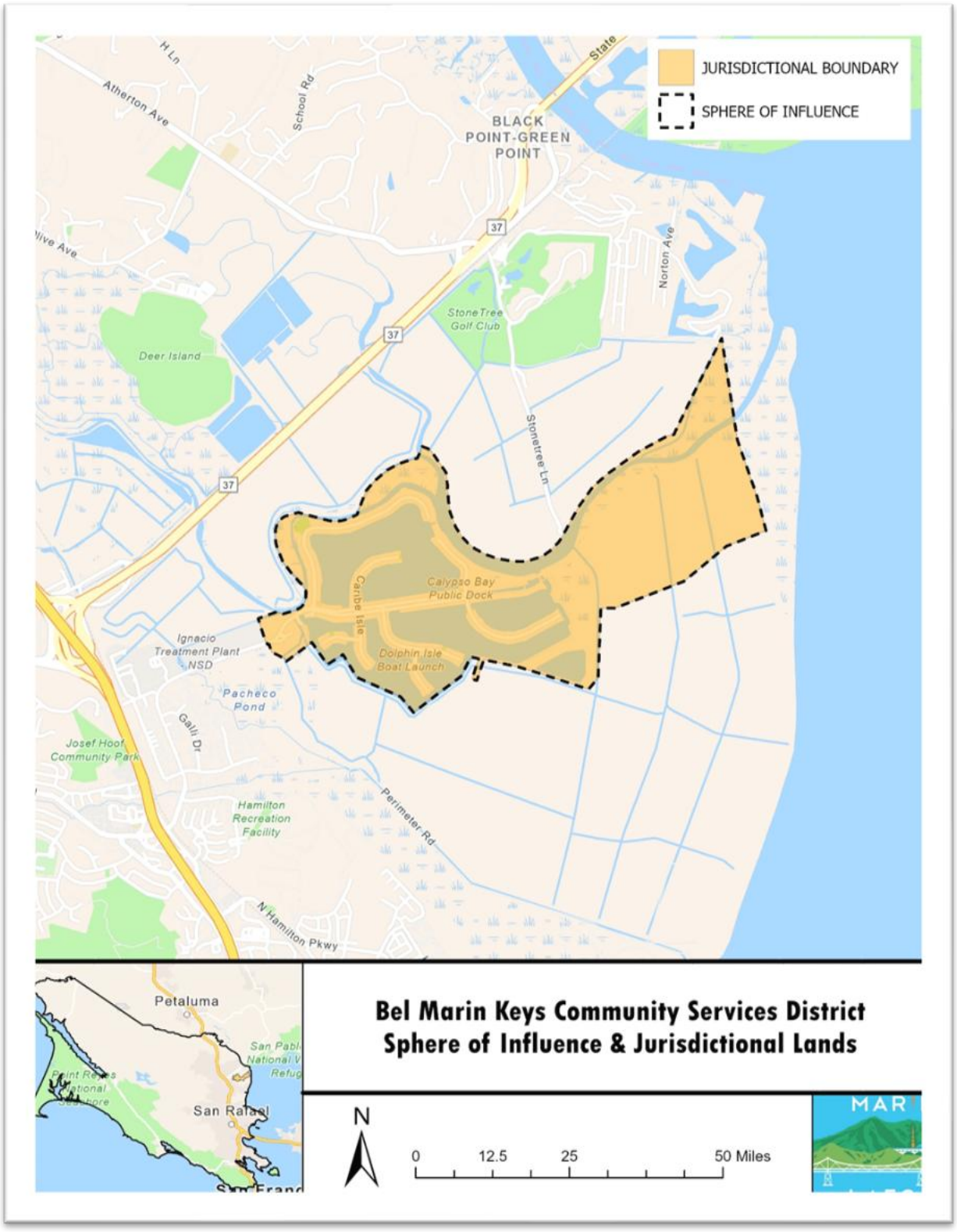
BEL MARIN KEYS COMMUNITY SERVICES DISTRICT

AGENCY AT A GLANCE

Agency Name	Bel Marin Keys Community Services District
Formation Date	June 26, 1961
Administrative Office Location	4 Montego Key, Novato, CA
Website	www.bmkcsd.us
District Manager	Lisa Lue
Employees	2.25 FTE
Public Meetings	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.
Governing Body	Five-member Board of Directors; each elected to a four-year term
Municipal Services Provided	Lagoon Maintenance (including marine infrastructure and dredging), Parks & Recreation (Open Space), Flood Protection, Street Lighting, and Landscape Maintenance
Jurisdictional Area Size	1.54 Square Miles
Population Estimate	1,564[65]

[65] 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.

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



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[66]. 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

	BMKCSD	Marin County
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

[66] Marin LAFCo Resolution No. 20-15

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[67]. 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 BMKCSD 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 BMKCSD 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 BMKCSD 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 BMKCSD 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.

[67] Marin LAFCo Resolution No. 20-15

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)
Required Items (SB 929 Criteria and SDLF Benchmarks)	
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 or Copies of LAFCos' Service and Sphere Reviews	✓
TOTAL SCORE (out of a possible 20)	**16**

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)[68] and Assembly Bill 1661 (AB 1661)[69]. [70]

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.

[68] State-mandated ethics training for public officials.
[69] State-mandated sexual harassment training.
[70] 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.

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[71]. 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. [72]

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

[71] CKH Act Section 56375(a)(8)(B) does allow for exemptions for a DUC to be annexed.

[72] 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 BMKCSD.

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.

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	BMKCSD
Library	County	County of Marin
Landscape Maintenance	Special District	BMKCSD
Lighting	Special District	BMKCSD
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 BMKCSD 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

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[73] 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.

[73] 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.

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

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.

BMKCSD 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 BMKCSD'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 BMKCSD 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

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

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 2021-22through FY 2023-24.

Table 24 Historical General Fund Revenues and Expenditures by Fiscal Year

	FY 2021-22	FY 2022-23	FY 2023-24
Actual Revenues Governmental Funds			
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
Total Revenues	$1,675,279	$1,274,793	$1,387,106
Actual Expenditures			
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	-
Total Expenditures	$1,513,457	$1,054,658	$1,849,176
Surplus/(Deficit)	$161,822	$220,135	($462,070)

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 sunsetting 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.

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[74]. 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; BMKCSD'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

[74] 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.

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.

BMKCSD'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

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

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

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. BMKCSD 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

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.

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 BMKCSD 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. BMKCSD 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

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 BMKCSD, 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 BMKCSD 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

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

b. Marin LAFCo determines that present and planned land uses within the BMKCSD 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 BMKCSD, 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 BMKCSD 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

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. BMKCSD'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 BMKCSD 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 BMKCSD sphere of influence that are relevant to the

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.

AGENDA REPORT
April 9th, 2026
Item No. 5 (Public Hearing)

TO: Local Agency Formation Commission
FROM: Jason Fried, Executive Officer
(On behalf of Budget & Work Plan Chair Rodoni & members Burdo and Murray)
SUBJECT: **Review and Approval of Proposed Budget for Fiscal Year 2026-2027**

Background
At the March 16, 2026, Budget and Work Plan Committee meeting, the Fiscal Year 26-27 budget was discussed. For the proposed budget in the expenditures section, staff presented to the committee what we think is the highest amount needed for each line item. Then, to fund that, we look to both agency contributions and carry-forward amounts. Finally, when we get closer to the June Commission meeting, staff will work with the Budget Chair to revisit all numbers in the proposed budget to make sure they are the best numbers available as part of the final approval.

State Government Code section 56381 states that all LAFCos need to approve a proposed budget by May 1st and a final budget by June 15th of each year. The attached budget being presented today is the proposed budget, which will fulfill the May 1st deadline.

Staff's goal with this budget started with using the current budget and then determining which line items need to be adjusted due to changes in costs and upcoming needs. For the base budget on the expenditure side, some line-item changes are needed from last year to this year based on forecasting the needs of LAFCo in FY 26-27. Some key line-item changes include:

- Salary –Our budget increase is to allow for a COLA as well as step increases for staff who have earned it. This will be helpful in the retention of the staff and would benefit LAFCo in the long run. The number given during the proposed budget process has normally been higher than what is in the final budget. When the June meeting comes, this number will likely be lower, given that all staff reviews will have been completed, and the Commission has negotiated any change in the salary for the Executive Officer position, so a more accurate number will be presented with final approvals.
- Benefits – Next year's benefit costs are not known, so we always have an increase to allow benefit costs to go up.
- Pension –Similar to the salary line item, this will likely be lowered prior to the final budget once actual staff salaries are known. This line item will also see a small increase due to the MCERA increase in LAFCo employer contribution rate of 12.54% for FY 25-26 to 12.72% for FY 26-27.

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Rachel Farac, Alternate, City of Novato
Lew Kious, Regular, Almonte Sanitary District
Craig Murray, Regular, Las Gallinas Valley Sanitary District
Cathryn Hilliard, Alternate, Southern Marin Fire Protection District
Larry Chu, Regular, Public Member
Roger Smith, Alternate, Public Member

- Conferences (Line Item 10) – CALAFCO had several of its hotel contracts agreed to years in advance, which were pre-COVID pricing. Due to COVID, those agreements got pushed out, which helped keep costs down, but all those agreements have ended, so now CALAFCO is having to deal with higher prices, which get passed on in the cost to attend the conference, plus hotels have also increased room costs. This year, we may go over the line-item amount, so the committee is suggesting an increase to this line item to cover future costs.
- General Insurance (Line Item 15) – We have received our preliminary estimate for insurance for next year. The increase reflects an estimated 16% increase for insurance.
- IT & Communications Services (Line Item 20) – Our website provider recently launched a new system to deal with document remediation. Over the course of the year, their monthly subscription was only a few hundred more than the current annual subscription of the company we have been using. The new system also saves hours of staff time to get documents ADA-compliant. In addition, staff have seen monthly subscriptions for software we use increase year to year, so in anticipation of this occurring again next year, we left a little buffer for that.
- Legal Services (Line Item 25) – We now have a reserve for legal services with a policy to use unused funds from this line item to help build the reserve. Last year, the committee took a position to slowly lower the line item over the next few years as a way to help build the reserve. The committee continued this practice this year by lowering the amount by $1000. This will allow us to build the reserve to a healthy level.
- Office Lease/Rent (Line Item 45) – Our office lease is under contract, so this is the increase in that line item for the increase in costs for next year based on our contract.
- Professional Services (Line Item 55) – We have a new contract for our GASB reports, and our Audit will see a year-to-year increase. This increase will help cover those costs.

On the income side, we have two main line items: the agency contribution and the carry-forward fund balance. The carry-forward fund right now is made up of three parts: $25,000 from previous years' unspent funds, $10,296 from interest and application fees collected so far this year, and an estimated $25,000 in unspent funds from our current year. The second two numbers are simply a placeholder until we get closer to the end of the year and can put in an updated number for what is expected to be left over from this year's unspent fund, and how much we have collected in application fees and interest. The total carry-forward amount is about 45% less than we had for the current FY. Three factors are contributing to such a large decrease in the carry-forward line item. First, as mentioned in previous Commission meetings, we have experienced a very low number of applications this year. So far this year, we have only gotten 2 applications, where we normally average between 4-6 in a year. This equals $7,000-$12,000 less for the carry-forward line item. The second factor is now that we have a legal reserve that comes from unspent funds from the previous year, the $15,476 that we placed in the legal reserve this year in the past would have been used in the carry-forward line item. The third factor is that while we will come in under budget for the year, given the increase in cost, the amount we will be under budget is less than in

previous years, which means less carry-forward amount. Given this, the committee viewed a few different options on how to deal with the fact that with such a low carry-forward amount, it would mean a draft budget seeing a 9.89% increase in agency contributions. The option the committee went with was to use our general fund reserve to get the carry-forward amount to what the current year is. Taking this action will lower our draft budget request to member agencies to a 6.23% increase. Staff would anticipate that the increase to member agencies will decrease by a little bit, as has occurred in the last several years, from the proposed budget being presented today to the final budget, which is presented at the June Commission meeting.

Most agencies have union contracts that help dictate what COLA increase will be for the next FY. Marin LAFCo is an unrepresented employer, so it has no union contract to refer to for COLA. In addition to reviewing the budget, the Committee also reviewed the need for LAFCo to set a COLA for next year. The Committee is recommending a 3% COLA. The question is, does the Commission agree with that recommendation?

Staff Recommendation for Action

1. Committee Recommendation – Approve the proposed budget with any desired changes and approve a 3% COLA for the next FY.
2. Alternate Option – Give staff further instructions on next steps.

Attachment:

1. Proposed Budget FY 26-27

Line Items	Final FY 26-27	Draft FY 26-27	Final FY 25-26	% Change FY 25-26 to FY Draft 26-27
Expense				
5110110 · Salary		$445,000.00	$419,000.00	5.84%
5130120 · Benefits		$42,000.00	$39,250.00	6.55%
5130500 · Pension		$55,500.00	$52,000.00	6.31%
5130525 · Retiree Health		$6,000.00	$6,000.00	0.00%
05 · Commissioner Per Diems		$9,000.00	$9,000.00	0.00%
10 · Conferences		$12,000.00	$10,000.00	16.67%
15 · General Insurance		$8,500.00	$7,500.00	11.76%
20· IT & Communications Services		$27,000.00	$26,000.00	3.70%
25 · Legal Services		$34,000.00	$35,000.00	-2.94%
30 · Memberships & Dues		$8,500.00	$8,500.00	0.00%
35 · Misc Services		$4,250.00	$3,500.00	17.65%
40 · Office Equipment Purchases		$4,139.00	$4,139.00	0.00%
45 · Office Lease/Rent		$39,900.00	$38,364.00	3.85%
50 · Office Supplies and Postage		$3,500.00	$3,500.00	0.00%
55 · Professional Services		$40,000.00	$36,500.00	8.75%
60 · Publications/Notices		$1,500.00	$1,500.00	0.00%
70 · Training		$1,700.00	$1,700.00	0.00%
75 · Travel		$3,500.00	$3,500.00	0.00%
Total Expense	$0.00	$745,989.00	$704,953.00	5.50%
Income				
Carry Forward Balance		$87,360.91	$87,360.91	0.00%
4710510 · Agency Contributions	$0.00	$658,628.09	$617,592.09	6.23%
Total Income	$0.00	$745,989.00	$704,953.00	

	Amount	Notes	
General Reserve Fund	$159,162.34	25% of total expenses - Almost fully funded	
Consultant Reserve Fund	$50,000	Per Marin LAFCo policy 3.10(B)(ix) - fully funded	
Office Equipment Replacement Fund	$11,063	Prior FY unspent funds from line item 40, not to exceed $20,000 (through FYE 25)	
Legal Reserve Fund	$15,476	Prior FY unspent funds from line item 25, not to exceed $50,000 (through FYE 25)	

AGENDA REPORT
April 9th, 2026
Item No. 6 (Business)

TO: Local Agency Formation Commission

FROM: Jason Fried, Executive Officer

SUBJECT: Discussion and Possible Decision on CALAFCO Membership for FY 26-27

Background

At our February meeting, we had a discussion about what has occurred within CALAFCO over the past year and if we wanted to continue our membership with the association in FY 26-27. The Commission did not make a decision and wanted staff to bring this back at our April meeting for updates and discussion.

Since our last meeting, CALAFCO held a special meeting to vote on bylaw changes that were presented to the membership to vote on February 23. The membership voted 40-2 in favor of the bylaw changes. The Board of Directors had a regular scheduled Board meeting on February 27. That agenda did not have on it any discussion about a review of the dues structure. Joe Serrano, CALAFCO regional office for the coastal region, did on two different agenda items try to create a committee to review the dues structure. Unfortunately, he did not get support from the board to do so. Instead, the board asked staff to bring something back at its next meeting in May for it to review, but wanted the agenda item to include a broader discussion about the overall finances of CALAFCO. More than one board member mentioned this would likely be a multi-year review. The regional restructuring committee is currently focusing on the upcoming staff workshop in May and the session being held on this issue there.

Staff Recommendation for Action

Staff views membership in CALAFCO as a policy decision for the Commission to make. The Commission can either make a formal decision to stay or leave CALAFCO at the meeting or decide to wait until the June meeting before making a formal decision.

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Las Gallinas Valley Sanitary District
Cathryn Hilliard, Alternate
Southern Marin Fire Protection District
Larry Chu, Regular
Public Member
Roger Smith, Alternate
Public Member

AGENDA REPORT
April 9, 2026
Executive Officer Report – Section A

TO: Local Agency Formation Commission

FROM: Jason Fried, Executive Officer

SUBJECT: Budget Update for FY 2025-2026

Background

LAFCo adopted a budget for FY 2025-2026 totaling $704,953.00. From July 1, 2025, through March 31, 2026, LAFCo has spent $475,260.50. This report covers 9 months, which is about 75% of the year. We have already spent 67% of our budget this year. You will note that five line items are higher than the expected amount for where we are, being nine months into the new FY. Two line items, Membership and Dues (30) and General Insurance (15), consist of bills with large sums that are paid at the start of the fiscal year in the case of line item 15 and are mostly paid for in the case of line item 30. The third line item, Conferences (10) covers the cost already paid to CALAFCO to attend its annual conference and the recent CSDA conference staff attended along with some of the costs for the upcoming CALAFCO staff workshop. The cost for hotel and conference fees has gone up, and once we factor in the final costs for the staff workshop this item may be over budget. The budget committee did discuss if we should change the conference line item to increase this item and decrease some other line item. The Committee decision was to simply leave this alone and make note that this line item may go over budget by a few hundred dollars. A new item, County of Marin – Group Health (120) which covers the various benefits the commission provides to staff get is just over at 76%. When we do our budget we do not know what the following calendar year benefits costs so we use a generic estimate. It looks like that estimate may have been a little low for the increases we have seen for 2026 benefit costs. Staff will monitor this item as the year moves forward. In addition, line item 45 (Office Lease/Rent) is above 75% because that number includes the April rent check. While some line items are over budget as noted above, overall, we are still under budget for the year.

While not over budget in this report the Misc Services (35) line item last time was slightly over budget but this time comes in just below. Staff will also be monitoring this item as it could creep back over before the end of the FY.

As a reminder, we have moved our bookkeeping system to an updated version, so our budget report looks slightly different from previous versions but covers the same information provided in the past.

Attachment:
1. FY 2025-2026 Budget Report

Administrative Office
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Cathryn Hilliard, Alternate
Southern Marin Fire Protection District
Larry Chu, Regular
Public Member
Roger Smith, Alternate
Public Member

Marin Local Agency Formation Commission
FY26 Budget Report
July 1, 2025 - June 30, 2026

Account	Actual	Budget	Over/ (Under) Budget	% of Budget
Income				
400 Agency Contributions	605,170.01	605,170.00	0.01	100%
410 Prior Year Carryover	99,783.00	99,783.00	0.00	100%
Total Income	**$704,953.01**	**$704,953.00**	**$0.01**	**100%**
Expenses				
Salary and Benefit Costs				
100 Salaries	293,120.73	419,000.00	(125,879.27)	70%
120 County of Marin - Group Health	29,653.79	39,250.00	(9,596.21)	76%
130 MCERA / Pension	36,141.53	52,000.00	(15,858.47)	70%
140 Retiree Health	1,450.00	6,000.00	(4,550.00)	24%
Total for Salary and Benefit Costs	**$360,366.05**	**$516,250.00**	**-$155,883.95**	**70%**
Services and Supplies				
05 Commissioner Per Diems	4,750.00	9,000.00	-4,250.00	53%
10 Conferences	7,960.74	10,000.00	-2,039.26	80%
15 General Insurance	6,972.98	7,500.00	-527.02	93%
20 IT & Communications Services	16,355.87	26,000.00	-9,644.13	63%
25 Legal Services	10,012.94	35,000.00	-24,987.06	29%
30 Memberships & Dues	7,409.00	8,500.00	-1,091.00	87%
35 Misc Services	2,503.31	3,500.00	-996.69	72%
40 Office Equipment Purchases	0.00	4,139.00	-4,139.00	0%
45 Office Lease/Rent	31,970.00	38,364.00	-6,394.00	83%
50 Office Supplies & Postage	1,389.66	3,500.00	-2,110.34	40%
55 Professional Services	24,554.79	36,500.00	-11,945.21	67%
60 Publications/Notices	133.29	1,500.00	-1,366.71	9%
70 Training	0.00	1,700.00	-1,700.00	0%
75 Travel - Mileage	881.87	3,500.00	-2,618.13	25%
Total for Services and Supplies	**$114,894.45**	**$188,703.00**	**-$73,808.55**	**61%**
Total for Expenses	**$475,260.50**	**$704,953.00**	**-$143,367.10**	**67%**
Net Operating Income	**$229,692.51**	**$0.00**	**-$284,694.94**	

Marin Local Agency Formation Commission
FY26 Budget Report
July 1, 2025 - June 30, 2026

Account	Actual	Budget	Over/ (Under) Budget	% of Budget
Other Income				
800 Interest Earnings	3,456.45	0.00	3,456.45	
810 Fees for Services	6,840.02	0.00	6,840.02	
820 Belvedere/Tiburon Special Study	25,683.09	0.00	25,683.09	
830 Remubursed GIS Apps	660.00	0.00	660.00	
Total for Other Income	**$36,639.56**	**$0.00**	**$36,639.56**	
Other Expenses				
920 Belvedere/Tib Special Study	22,785.97	0.00	22,785.97	
930 Reimburseable GIS Apps	660.00	0.00	660.00	
Total for Other Expenses	**$23,445.97**	**$0.00**	**$23,445.97**	
Net Other Income	**$13,193.59**	**$0.00**	**$13,193.59**	
Net Income	**$242,886.10**	**$0.00**	**$242,886.10**	

AGENDA REPORT
April 9th, 2026
Executive Officer Report B

TO: Local Agency Formation Commission

FROM: Claire Devereux, Clerk/Jr. Policy Analyst

SUBJECT: Current and Pending Proposals

Background

The Commission is invited to discuss the item and provide direction to staff on any related matter as needed for future discussion and/or action.

No applications are currently pending.

Attachment

1. Chart of Current and Pending Proposals

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File #	Status	Proposal	Description	Government Agency	Latest Update
1395	Approved	Annexation of 673 Atherton Ave., Novato into Novato Sanitary District	Landowners are requesting approval to annex one parcels, approximately 1.06 acres, to Novato Sanitary District. The application has situs addresses of 673 Atherton Ave., Novato with APN 143-101-34	Novato Sanitary District	Approve don 2/12/26
1394	Approved	Annexation of 2349 Novato Blvd. into Novato Sanitary District	Landowners (Sheedy) are requesting approval to annex two parcels, approximately 8.3 acres, to Novato Sanitary District. The application has situs addresses of 2349 Novato Blvd, Novato with APN's 132-031-04 & -08	Novato Sanitary District	Approved on 10/09/25
1393	Approved	Annexation of 280 Mesa Rd. into Bolinas Community Public Utility District	Landowner (Monroe) is requesting approval to annex one parcel, approximately 9.95 acres, to Bolinas Community Public Utility District to gain water connection after the purchase of water rights. The parcel has a situes address of 280 Mesa Rd. and APN: 188-170-53	Bolinas Community Public Utility District	Approved on 8/14/25
1392	Approved	Annexation of 4301 Paradise Dr into Sanitary District No. 2 of Marin County	Tiburon Fire Protection District is requesting approval to annex one parcel approximately .69 acres, for the remodel and update of the firehouse. The parcel has a situs address of 4301 Paradise Dr and APN 034-291-28 &38	Sanitary District No. 2 of Marin County	Approved on 8/14/25

AGENDA REPORT
April 9th, 2026
Executive Officer Report C

TO: Local Agency Formation Commission

FROM: Jason Fried, Executive Officer
Jeren Batchelder-Seibel, Deputy Executive Officer
Claire Devereux, Clerk/Jr. Policy Analyst

SUBJECT: Marin LAFCo Work Plan

Background

The Commission is invited to discuss the item and provide direction to staff on any related matter as needed for future discussion and/or action.

Updates from the last meeting are highlighted in Orange.

The following significant changes were made to the chart:

1. Last year, the staffs of RVSD, SD2, and SRSD started discussions about what a consolidated agency could look like, asking LAFCo staff some questions. This year LAFCo staff were asked to join a meeting on this. The conclusion of that meeting is that staff for each agency will take to their agency board in April a resolution in support of such a concept. If all boards approve moving forward, then staff intends to bring a proposal to the Commission to start this work. With this in mind staff has put the work on the consolidation of SQVSMD into RVSD on hold. If this project moves forward, staff would look to add the SQVSMD area into a consolidated district. If consolidation of the three major agencies does not move forward, staff will reengage on the SQVSMD item.
2. The Marin LAFCo website now has the full digital catalog of Resolutions uploaded and publicly available. After the completion of the Resolution catalog, we are working on creating an application log with applications from 2025-2018 available.
3. The draft has been updated to incorporate commissioner comments and additions and is currently undergoing final editing prior to its release for public comment in April.
4. The Novato Area MSR is being presented at this evening's meeting.

Attachment

1. Marin LAFCo Work Plan

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AGENDA REPORT
April 9th, 2026
Executive Officer Report D

TO: Local Agency Formation Commission

FROM: Jason Fried, Executive Officer

SUBJECT: Request From Budget Committee to Have Formal Review of Legal Services

Background

At the March 2026 budget committee meeting, it was noted that the Commission has not done a formal review of legal services in several years. The last review was done in 2020. The Committee wanted to do a review since one had not been done in a while. Doing a review is at the discretion of the full Commission, so this item is being presented today to find out if the full Commission wishes to do such a review in the future. The Committee did say it is not an urgent matter, so it could be done as our agenda permits. If the Commission wishes to do a review, staff would then work with the Chair to find an agenda that works for such a review.

Staff has no opinion on this matter as the review of legal services lies solely with the Commission.

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