

DATE: February 3, 2012

TO: Members, Local Agency Formation Commission

FROM: Peter Banning, Executive Officer

SUBJECT: Executive Officer's Report and Recommendation:
Annexation of the territory of the City of Sausalito to the Southern
Marin Fire Protection District (File #1304)
- Request for Reconsideration

Background

The Commission adopted a resolution approving the Annexation of the City of Sausalito to the Southern Marin Fire Protection District (SMFPD) on November 10, 2011. The Commission's Resolution of Approval is included with this staff report as Attachment 1. Staff received a Request for Reconsideration on December 10, 2011, the last day of the period for submittal of such requests. The Commission may choose to adopt a new and revised resolution reversing or amending its earlier approval or deny the Request for Reconsideration, leaving its earlier resolution unchanged.

Reconsideration Policy & Procedure

State law and the Commission's adopted Policies, Procedures and Guidelines (Section III. F.) state that the purpose of the reconsideration process is to provide a mechanism for the Commission to review new information that could not have been included in the development of the resolution adopted by the Commission in making determinations on a change of organization. Government Code Section 56895 reads in part "The Request (for reconsideration) shall state the specific modification to the resolution being requested and shall state what new or different facts that could not have been presented previously are claimed to warrant the reconsideration."

Chairperson: Jeffrey Blanchfield
Members: Judy Arnold, Einar Asbo, Carla Condon, Barbara Heller, Dennis J. Rodoni, Kathrin Sears
Alternates: Susan Adams, Christopher Burdick, Craig K. Murray, Herb Weiner
Executive Officer: Peter V. Banning

Marin Local Agency Formation Commission

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A request for reconsideration may be filed by anyone within 30 days of the date of adoption of a resolution making determinations. Such requests must be made in writing, state the specific modification to the resolution being requested, identify new or different facts or applicable new law not previously considered by the Commission and include the required processing fee.

The Executive Officer must place the request for reconsideration on the agenda of the next meeting of the Commission for which the required notice can be given. At that meeting, the Commission considers the request and receives testimony. The Commission may continue the hearing for a maximum of 35 days.

At the conclusion of the public hearing, the Commission will act on the request by approving or disapproving the requested modification to its adopted resolution making determinations. The Commission may adopt a new resolution making determinations superseding the resolution previously issued.

Grounds for Reconsideration

The Request for Reconsideration has been submitted by Linda Pfeifer and Carolyn Ford - members of the Sausalito City Council - and John Flavin, a resident of Sausalito. The specific change in the Commission's resolution making determinations sought in the Request is to "... deny the approved annexation or to reconsider the approved annexation given disclosure of new information unknown at the time of the LAFCO vote." The information that the reconsideration request seeks to place before the Commission for its consideration is summarized as follows:

1. New Information: Double-dipping probability not disclosed, and the estimated potential costs of double-dipping not disclosed.
 - *Language in city's application was not clear that eligible firefighters could "double-dip" by retiring from CalPERS while also receiving a full salary from Southern Marin Fire District.*

The Request defines "double-dipping" as an employee retiring from work with one employer, collecting a pension from that employment and then continuing to work for a different employer. The Request for Reconsideration claims that the liability to Sausalito residents from "double-dipping" would be \$400,000 to \$510,000 per year for six Sausalito firefighters transferring from City employment to work for SMFPD.

2. New Information: Pension liability after annexation not analyzed or communicated to Sausalito Residents.
 - *A comparison of the increased cost and pension liabilities to Sausalito residents "before and after" annexation was never done.*

The Request for Reconsideration asserts retirement pension costs significantly higher than those previously estimated based on alternative, "more realistic" assumptions for the rates of return on investment for CalPERS and MCERA (based on a "Stanford study") and on the assumption that the 10-year vesting period in the MCERA system would be "waived" for firefighters transferring from the City to SMFPD.

3. New Information: Sausalito Residents will be funding replacement of 2008-2009 losses by both MCERA and CalPERS. The estimation of funding these losses is new information.
 - *An analysis showing the extent to which Sausalito residents will have to fund replacement of losses incurred by both MCERA and CalPERS to the fire employees was never done.*

The Request for Reconsideration asserts that Sausalito residents will inherit 26% of the District's costs for MCERA fund losses following annexation and that both CalPERS and MCERA have implemented questionable and costly methods to pay for their losses thereby increasing long-term public costs.

The full text of the Request for Reconsideration follows this staff report as Attachment 2.

Comments of Affected Agencies

The Commission has received several letters in response to the Request for Reconsideration, summarized below and included in this staff report as Attachments 3, 4, 5, 6 and 7.

Letter of Marilyn M. Oliver, FSA, MAAA, Bartel Associates, LLC, December 29, 2011 to Charlie Francis, Administrative Services Director, City of Sausalito:

On the possibility of "double-dipping" by transferring firefighters, Ms. Oliver's letter states that such a choice would be unlikely under the rules of pension system reciprocity. She states ".... We do not believe that this scenario is possible because the Sausalito firefighter must either retire on the same date from both systems or waive reciprocity and work additional years at SMFPD until eligible to retire under MCERA."

With respect to the topic of unfunded actuarial liability, Ms. Oliver states:

The reconsideration document says six firefighters would be eligible for retirement at an annual cost of \$400-500 thousand. Assuming the last day before annexation would be June 20, 2012, only three firefighters aged 50, 51 and 57 would be eligible for CalPERS immediate retirement. We believe the impact would be considerably less than the \$400-500 thousand per year given in the reconsideration document. However it would be necessary for us to prepare an actuarial study to quantify this difference. Please let us know if you would like us to proceed with this study.

Letter of Michael G. Colantuono, Colantuono & Levin, PC, December 29, 2011, to Jeffrey Blanchfield, Chair and Members of Marin LAFCO:

Mr. Colantuono, writing as Special Counsel for the City of Sausalito, concludes that ".... your (LAFCO's) November 10th decision to approve this annexation is fully consistent with the Cortese-Knox-Hertzberg Act and that nothing in the Request for Reconsideration provides substantial evidence that might support, much less require, a contrary decision now." The main body of Mr. Colantuono's argument is:

.... The Request's questioning of pension costs provides one person's idiosyncratic opinion but does not outweigh the professional actuarial work submitted with the City's application for the annexation. Moreover, if pension calculations are made more conservative, as the Request demands, they should be made more conservative for Both the City's pension costs under CalPERS and the District's costs under the Marin County Employees Retirement Association. Even handed application of this conservative viewpoint will raise costs for fire service whether provided by Sausalito or Southern Marin FPD, but will not change the relative impact of annexation on the community's capacity to fund life safety services.

Letter of Adam Politzer, City Manager, City of Sausalito, February 2, 2012 to Jeffrey Blanchfield, Chair and LAFCO Members:

Mr. Politzer's letter recapitulates the letters of Ms. Oliver and Mr. Colantuono and asserts that "Annexation will create no added pension costs for the City or the District nor ultimately for the citizen taxpayers they both serve." On Reconsideration Point #2 - that pension liability information was not communicated to the citizens of Sausalito, Mr. Politzer describes how this issue has been presented to both LAFCO and to the public. Mr. Politzer adds that

.... Pension plans are constrained by regulated actuarial standards, not the arguments of academics and the analysis the City and the District

provided LAFCO was predicated upon that fact. CalPERS and MCERA have to follow the laws and actuarial standards that exist, not the laws and standards about which academics argue. In any event, a pessimistic forecast of earnings on pension pool assets would affect CalPERS and MCERA alike and that pessimism will predict higher pension costs for the City's fire service whether or not the annexation occurs.

On Reconsideration Point #3 - that Sausalito residents will bear liability for funding 2008-09 investment losses of both MCERA and CalPERS if annexation is completed, Mr. Politzer asserts "... the (property tax) revenue transferred (from the City to the District) is a fixed formula that will not be adjusted in the future to reflect any further current or future pension fund losses, should any occur.... The issue of the existence of investment losses by both MCERA and CalPERS was also in the pension assumptions used by the City and District in calculating the amount of revenue to be transferred to the District. This amount of revenue is less than the current cost of fire services for the City."

Letter of Jim Irving, Fire Chief, Southern Marin Fire Protection District, February 2, 2012, to Jeffrey Blanchfield, Chair and LAFCO Members:

Chief Irving states "... With regard to the Request for Reconsideration for this annexation process, the Southern Marin Fire Protection District, having worked collaboratively with the City of Sausalito, concurs with the City of Sausalito's response to the Request for Reconsideration and agrees that the issues raised by Mr. Flavin and Council Member Pfeifer do not represent any new or previously undisclosed information. We therefore request the Commission to unanimously affirm its previous 7 - 0 vote approving Resolution Nos. 11-07 and 11-08"

Letter of Jeff Wickman, Retirement Administrator, Marin County Employees' Retirement Association, January 30, 2012, to Peter Banning, Executive Officer, Marin LAFCO:

Mr. Wickman points out that if annexation occurs, Sausalito firefighters transferring to Southern Marin FPD would have a choice in how to realize their pension benefits. First, they might elect to become reciprocal members of both CalPERS and MCERA, at lower contribution rates based on their age when first entering the CalPERS system, retiring from both simultaneously with their benefit based on combined service credit with both retirement systems and their highest compensation. If so, "MCERA and CalPERS will only pay each of their allocated portion of the benefit, calculated using the unique rules of their own pension system." Additional unfunded pension liability to SMFPD for these employees under reciprocity would be \$3.7 million.

Alternatively, a firefighter could elect to retire from CalPERS (and begin receiving CalPERS benefits) and work for SMFPD as a new member, without reciprocity, paying a higher contribution rate based on age of entry into MCERA. At retirement from MCERA, the employee would then also begin receiving benefits from that system based only on years of service and salary as an employee of SMFPD, calculated independently of any other retirement benefit. "Additional unfunded liability associated with this member joining MCERA would be eliminated."

On Reconsideration Item #3, Mr. Wickman states:

The portion of the total MCERA Unfunded Actuarial Accrued Liability (UAAL) that is attributable to Southern Marin Fire is \$8.3 million as of the June 30, 2010 actuarial valuation. Of this amount, \$5.3 million is attributable to the 2008/2009 market downturn. The cost to fund the UAAL is already included in the current employer contribution rates being paid by Southern Marin Fire. The individual employers, in this case Southern Marin Fire, determine how they will pay for the required contributions to MCERA.

Discussion

If, after hearing the Request for Reconsideration at its February 9th meeting, the Commission concludes that reconsideration is warranted, such action would take the form of adoption of a new resolution reversing the Commission's previous approval of the annexation. The maximum time allowed for continuance of a hearing on reconsideration is 35 days.

Each of the three proposed grounds for reconsideration concerns firefighter retirement costs and the level of analysis that was or was not performed prior to the filing of the application for annexation by the City of Sausalito and the processing of that application by LAFCO. The Commission's public hearing on the annexation included testimony on the alleged inadequacy of analysis of retirement costs by those requesting reconsideration. Proponents of the annexation responded to assertions of inadequate analysis of retirement costs and provided further information through their consultants. After conclusion of the November 10th public hearing, the Commission voted to approve the annexation of the City to SMFPD.

The Request for Reconsideration has been submitted by the same persons who previously testified in opposition to the annexation, making substantially the same arguments on the same topic of adequacy of analysis of retirement costs. All three of the grounds for reconsideration stated in the Request fall under the Request's second assertion that, "*A comparison of the increased cost and pension liabilities to Sausalito residents*

"before and after" annexation was never done." This assertion was made and responses were given at the Commission's public hearing on November 10th. Providing a restatement of the same arguments or new details or variations of the same arguments is not, in staff's opinion, sufficient grounds for the Commission to reconsider its previous approval. The Commission should not be asked to hear again, or hear more of, matters that were the subjects of its normal public hearing process which closed on November 10, 2011.

If the Commission chooses to look beyond the staff's conclusion that the Request for Reconsideration does not represent new information, the grounds for reconsideration should be evaluated in the context of the Commission's usual role and responsibilities in evaluating proposals for changes to local government boundaries and organization. Among the factors considered by LAFCO in its original hearing, the costs of pension benefits could be construed to fall within Government Code Section 56668 under the following subsections:

56668. Factors to be considered in the review of a proposal shall include, but not be limited to, all of the following:

...

(b) The need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.

...

(i) The comments of any affected local agency or other public agency.

(j) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.

...

(m) Any information or comments from the landowner or owners, voters, or residents of the affected territory.

...

56668.3 (1) In the case of district annexation, whether the proposed annexation will be for the interest of landowners or present or future inhabitants within the district and within the territory proposed to be annexed to the district.

Within the scope of the above factors for consideration, the allegedly unknown costs of pension benefits or liabilities would need to exceed the \$1.4 million in cost savings shown by the applicants' analysis in order for the approved annexation to not be "....

for the interest of landowners or present or future inhabitants...." and to stand as a basis for the Commission to reverse its approval. In addition, the costs would also have to outweigh the other, non-monetary advantages of annexation to the District in terms of adequacy and safety of fire protection service that would be preserved in the current functionally consolidated operations of the City and SMFPD that would be retained if annexation is completed.

1. Double-dipping probability not disclosed, and the estimated potential costs of double-dipping not disclosed.
 - *Language in city's application was not clear that eligible firefighters could "double-dip" by retiring from CalPERS while also receiving a full salary from Southern Marin Fire District (SMFD).*

There are 15 Sausalito employees who would be transferred from the City to SMFPD following annexation. For purposes of their pension benefits, the transfer of their employment would be similar to changing jobs between employers with different pension systems, a common occurrence. Three of those employees are now eligible to retire under the City's CalPERS benefit system. It is legally possible that such an employee could "retire" and collect benefits from CalPERS and be paid salary for working for SMFPD. CalPERS benefits would be based on final salary and years of service in employment in Sausalito only.

However, to do so would require that employee to forfeit the advantages of reciprocity with MCERA, SMFPD's retirement system. The employee would then not be vested in MCERA and would be thereby ineligible to receive any pension benefit from MCERA for the minimum vesting period of ten years. If, after ten years, that employee then retired and received benefits from MCERA, those benefits would be based only on years of service working for SMFPD, not total years of service in both the City and SMFPD systems, as would be the case under the provisions for reciprocity. The benefits received would be offset by higher rates of contribution based on age of entry into the MCERA system. There would also be a substantial risk that the employee would not continue employment with SMFPD (for whatever reason) for the ten-year vesting period and thereby receive no benefits at all from MCERA other than his/her own contributions and earned interest.

What is referred to as "double-dipping" in the Request for Reconsideration represents an economically irrational scenario for analysis. That the City did not analyze and disclose the very low probability that its employees would make such a choice is of no consequence and should not be considered as grounds for reconsideration. Staff sees no basis for expecting additional and previously unknown costs attributable to annexation.

2. Pension liability after annexation not analyzed or communicated to Sausalito Residents.

- *A comparison of the increased cost and pension liabilities to Sausalito residents "before and after" annexation was never done.*

This assertion was made and responses were given at the Commission's public hearing on November 10th. Providing a restatement of the same arguments is not sufficient grounds for the Commission to reconsider its previous approval. That the City of Sausalito did not provide analysis of pension cost issues in the form or format desired by proponents of reconsideration is immaterial.

The asserted need for communicating the details of pension cost analysis with Sausalito residents falls primarily within the City's role as the public agency applicant for the annexation and is not directly related to the Commission's role in evaluating the proposal or relevant to the factors for consideration listed above. The assertion is therefore insufficient grounds for the Commission to reconsider its approval. The use of alternative actuarial assumptions to estimate rates of return for CalPERS and MCERA and the re-estimation of retirement costs based on those alternative assumptions are likewise not new information or grounds for reconsideration.

3. Sausalito residents will be funding replacement of 2008-2009 losses by both MCERA and CalPERS. The estimation of funding these losses is new information.

- *An analysis showing the extent to which Sausalito residents will have to fund replacement of losses incurred by both MCERA and CalPERS to the fire employees was never done.*

As discussed in the letters of Adam Politzer and Jeff Wickman above, the Request for Reconsideration does not take into account adjustments made to the contribution rates to the pension systems following the losses of 2008-2009 or the inclusion of the recalibrated costs of retirement benefits in the property tax transfer agreement adopted by the City and the District.

The transfer of City employees to employment at SMFPD and the resulting extension of pension benefits under the MCERA system by virtue of reciprocity does not mean that the unfunded liabilities of both retirement systems are added together or that Sausalito residents or the City would become subject to the District's special tax or liable for further revenue transfers after annexation.

In this case, the primary component of pension benefit costs (with or without annexation) is the number of employees eligible to receive pension benefits, not

in any change in which pension system is paying those benefits. If annexation proceeds, the number of employees potentially eligible to receive pension benefits remains at its current number. If annexation is denied in reconsideration (or terminated in protest proceedings), total fire protection employees in the City of Sausalito's Fire Department will rise as staffing for independent headquarters functions is re-established. The increase would include new chief officers and other administrative and safety personnel, each requiring new funding for salary and benefits including new pension benefits. These costs are components of the \$1.4 million total estimated cost of re-establishing an independent fire department in the City's analysis of alternatives originally submitted with the City's application.

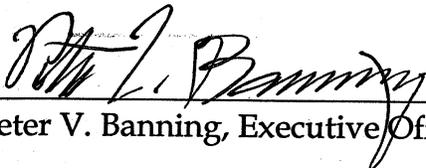
The reversal of the Commission's previous approval of the City's annexation to SMFPD as proposed in the Request for Reconsideration would therefore not "... be for the interest of landowners or present or future inhabitants within the district and within the territory proposed to be annexed to the district" as would be indicated under the Commission's factors to be considered.

Recommendation

In staff's opinion, the request for the Commission's reconsideration of the approved annexation of the City of Sausalito to the Southern Marin Fire Protection District represents only a continuation or repetition of testimony heard by LAFCO on November 10, 2011 and does not provide "... new or different facts that could not have been presented previously....". The information and assertions presented in the Request for Reconsideration do not accurately reflect the outcome of the Commission's approval of the annexation of the City of Sausalito to the Southern Marin Fire Protection District. The maximum time permitted for continuance of the reconsideration hearing is 35 days, insufficient time for the restudy of the pension cost impacts. Staff recommends denial of the Request for Reconsideration.

Recommended Commission Actions, by Motion: Deny the proponents' request that the Commission reverse its approval of annexation of the City of Sausalito to the Southern Marin Fire Protection District;

Respectfully submitted,



Peter V. Banning, Executive Officer

ATTACHMENT 1

MARIN LOCAL AGENCY FORMATION COMMISSION

RESOLUTION NO. 11- 08

**RESOLUTION MAKING DETERMINATIONS AND APPROVING ANNEXATION
TO SOUTHERN MARIN FIRE PROTECTION DISTRICT
INCLUDING NOTICE, HEARING AND ELECTION**

**"Annexation of the City of Sausalito to Southern Marin Fire Protection District
(File 1304)"**

WHEREAS, a proposal for the annexation of certain territory to Southern Marin Fire Protection District in the County of Marin has been filed with the Executive Officer of this Local Agency Formation Commission pursuant to Title 5, Division 3, commencing with Section 56000 of the Government Code; and

WHEREAS, said proposal was made in the form of a resolution of application adopted by the City Council of the City of Sausalito; and

WHEREAS, at the time and in the form and manner prescribed by law, the Executive Officer has given notice of public hearing by this Commission upon said proposal; and

WHEREAS, the public hearing on said proposal was held by this Commission upon the date and at the time and place specified in said notice of public hearing, and all interested persons present were afforded an opportunity to speak and be heard on this matter.

WHEREAS, the Executive Officer has reviewed the proposal and prepared a report, including a recommendation thereon, the proposal and report having been presented to and considered by this Commission.

NOW THEREFORE, the Marin Local Agency Formation **DOES HEREBY RESOLVE, DETERMINE AND ORDER** as follows:

Section 1. The boundaries, as set forth in the proposal are coterminous with the incorporated territory of the City of Sausalito and are hereby approved as submitted subject to the following conditions:

- a. That the Southern Marin Fire Protection District adopt and implement a memorandum of understanding between the District and Southern Marin Professional Fire Fighters, Sausalito Group, IAFF Local 1775; and
- b. The effective date of annexation shall be the earliest possible date following completion of all other annexation proceedings.

Section 2. The territory includes an area of approximately 2.2 square miles, is found to be inhabited, and is assigned the following distinctive short form designation: "Annexation of the City of Sausalito to Southern Marin Fire Protection District (File 1304)".

Section 3. The proposal is consistent with the adopted sphere of influence for Southern Marin Fire Protection District.

Section 4. The Executive Officer is hereby authorized to complete reorganization proceedings in the manner prescribed by Section 57000 of the Government Code.

PASSED AND ADOPTED by the Marin Local Agency Formation Commission on this 10th day of November 2011 by the following vote:

AYES: Commissioners Asho, Arnold, Adams, Blanchfield, Heller, Redoni, Slantz.

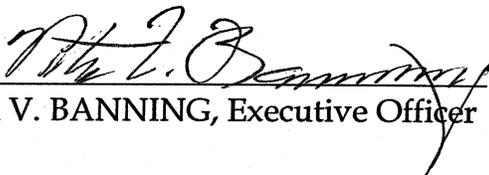
NOES: None

ABSENT: Commissioner Sears.



JEFFERY BLANCHFIELD, Chairperson

ATTEST:



PETER V. BANNING, Executive Officer

ATTACHMENT 2

Dec. 10, 2011

New Information Warrants LAFCO Reconsideration of
Sausalito's Fire Services Annexation to the Southern Marin Fire District

Reconsideration Document by
John Flavin, MBA, JD and Linda Pfeifer, Ed.D.

REQUEST: This is a request for reconsideration of the LAFCO Commission's approval to the annexation of the City of Sausalito to SMFPD pursuant to Government Code Section 56895.

MODIFICATION TO RESOLUTION BEING REQUESTED: To deny the approved annexation or to reconsider the approved annexation given disclosure of new information unknown at the time of the LAFCO vote.

Summary of new facts not previously considered by the Commission:

1. **New Information:** Double-dipping probability not disclosed, and the estimated potential costs of double-dipping not disclosed.
 - *Language in city's application was not clear that eligible firefighters could "double-dip" by retiring from CalPERS while also receiving a full salary from Southern Marin Fire District (SMFD).*
2. **New Information:** Pension liability after annexation not analyzed/communicated to Sausalito Residents
 - *A comparison of the increased cost and pension liabilities to Sausalito residents "before and after" annexation was never done.*
3. **New Information:** Sausalito Residents will be funding replacement of 2008-2009 losses by both MCERA and CalPERS. The estimation of funding these losses is new information.
 - *An analysis showing the extent to which Sausalito residents will have to fund replacement of losses incurred by both MCERA and CalPERS to the fire employees was never done.*

Double-Dipping

1. Reconsideration: Language was not clear that eligible firefighters could “double-dip” by retiring from CalPERS while also receiving a full salary from Southern Marin Fire District (SMFD). The discovery of probably **double-dipping** and the estimated potential cost to residents is new information.

Explanation:

Double-dipping occurs when an employee retires, collects a pension, but then gets a new job and collects a full salary. The result is the employee gets to “dip” into a pension and “dip” into a salary (double-dip). The City of Sausalito’s 15 firefighters are in the CalPERS retirement system. The District (SMFD) is in the MCERA retirement system. The opportunity for double-dipping was never disclosed to council.

Language in City of Sausalito documents (below) did not disclose the risk of double-dipping by Sausalito firefighters annexed to the District or the resulting liability exposure to Sausalito residents.

Section: 4.0 RETIREMENT: New employees will become members of the Marin County Employee Retirement Association (MCERA). Employees may elect to apply for reciprocity between MCERA and CalPERS or file for retirement from CalPERS.
(SOURCE: Sausalito “Employee Transfer Plan” for Fire Annexation)

The language and use of the disjunction “or” (above sentence underlined) infers that the annexed Sausalito firefighter can opt to either continue to accrue retirement or opt to retire, but not both.

The sentence also refers to “reciprocity”, which allows any Sausalito firefighter annexed to the District to get credit for time served in Sausalito under CalPERS, so that the Sausalito firefighter may be eligible to earn a new pension under MCERA immediately after annexation.

The discovery that a Sausalito firefighter who is eligible for CalPERS retirement could go through annexation and gain eligibility for reciprocity, then retire from CalPERS, and still double-dip with a District salary, is new information. There is no “either/or” in this double-dipping scenario.

What Is The Impact?

Liabilities to Sausalito residents could range from **\$400,000 to \$510,000 (per year)** for 6 Sausalito firefighters.

Assumptions: based on current firefighter salary and overtime data

- City has already said that 6 of the 15 Sausalito firefighters are eligible for retirement.
- Assuming only these 6 firefighters in double-dipping calculations...
 - Average Compensation: **\$112,353** (Assumes \$87,800 Averaged Salary + \$24,553 Averaged Overtime)
 - Average Retirement: \$67,412 at 60% or \$84,265 at 75%

Sausalito Residents' Exposure to Pension Liabilities

2. Reconsideration: A comparison of the increased costs and pension liabilities to Sausalito residents "before and after" annexation was never done. The estimated **\$1.4 Million** increase in pension liability is new information.

Explanation:

Currently, CalPERS assumes a 7.75% "rate of return" on their pension investments. MCERA assumes a "rate of return" of 7.5% for their pension fund investments (7.5% figure comes from SMFD Fire Chief Jim Irving).

Before Annexation, Sausalito residents must fund Sausalito firefighter pensions. However, the City of Sausalito did not disclose what this pension liability amount might be. Resident John Flavin has calculated this current pension liability to be approximately **\$2.3 Million**. (Please see attached reference forms for calculations).

After Annexation, this estimated pension liability of \$2.3 Million increases to \$3.7 Million. Why? Because when Sausalito's 15 firefighters get annexed to the District, MCERA waives the normal 10-year eligibility period. As a result, a transferred firefighter could retire before MCERA has accumulated adequate funds to pay its portion of the firefighter's life-time retirement. This shortfall of funding gives rise to the immediate \$3.7 million liability at the time of the annexation and would effectively be borne by Sausalito residents.

Example: If a Sausalito firefighter gets annexed to the District and then retires from CalPERS, but still works for MCERA for 1 year and then retires from MCERA, that firefighter is now entitled to an MCERA pension for the rest of his/her life (in addition to the CalPERS pension he/she already receives). The only problem is, that firefighter hasn't worked for MCERA long enough to fund his/her own pension retirement from MCERA. And what happens if a lot of Sausalito firefighters retire? MCERA had to figure out the "pension liability" for the Sausalito firefighters, and MCERA estimated \$3.7 Million. So now the District (Sausalito residents) have a higher unfunded pension liability of \$3.7 Million.

This 3.7 Million figure was only disclosed to the Council through serendipity, when resident John Flavin asked the question during a council meeting. At a Fire Annexation workshop, the city claimed the Council didn't need to know about the \$3.7M unfunded liability because it was the District's liability and not the city's (never mind the fact that this \$3.7M liability would be funded by the Sausalito resident.)

In addition, the City never disclosed the current unfunded pension liability of Sausalito firefighters. Flavin has calculated that a **\$1.4 Million increase in pension liability** arises from annexation ($\$2.3 \text{ M} - \$3.7 \text{ M} = \$1.4 \text{ M}$ difference).

Greater Risk? Both the \$2.3M *pre-annexation* Sausalito liability estimate and the \$3.7M *post-annexation* District (resident) liability use the high "rate of return" assumptions from CalPERS (7.75%) and MCERA (7.5%). But if we calculated the liability with the more realistic Stanford Study approach, using the trailing 10 year rate of return, we would see CalPERS rate at just 5.5% and MCERA's rate even lower at 5.4%. The lower the rate of return, the higher the unfunded pension liability. So a more realistic assessment of the true unfunded pension liability balloons from \$2.3M to \$5.2M pre-annexation, and from \$3.7M to \$8.0 M post-annexation. The increase is \$2.8 M ($\$5.2\text{M} - \$8.0\text{M} = 2.8\text{M}$ difference).

Impact of MCERA and CalPERS Losses on Sausalito Residents

3. Reconsideration: An analysis showing the extent to which Sausalito residents will have to fund losses incurred by both MCERA and CalPERS Fire employees was never done. The **\$426,898** The estimate to cover CalPERS (approx. \$426,898) and the estimate to cover MCERA (approx. \$787,611) is new information.

Explanation:

After annexation, Sausalito residents will inherit the Districts unfunded pension liabilities which were incurred before Sausalito joined the District. Since Sausalito will represent 26% of the District, Sausalito will be responsible for 26% of these liabilities.

But in addition to incurring the District's unfunded pension liability, Sausalito residents are also incurring the negative amortization of the District's portion of the 2008-2009 MCERA fund losses. What does this mean? MCERA (and CalPERS) have both implemented negative amortization schemes to artificially lower the annual payments for pensions. MCERA and CalPERS call this "smoothing". The net effect of "smoothing" payments is that people wind up paying more in the long run.

For example, CalPERS' losses for 2008 and 2009 related to the fire employees is calculated at **\$4,691,569**. By "smoothing" these payments, Sausalito residents will have paid **\$5,426,861** after 16 years. This is a difference of **\$426,898**. The initial calculated payment of \$270,000 on this amortization grows by 3% annually for 30 years. Meanwhile, Sausalito residents must also pay 26% of the District's calculated share of MCERA's losses for 2008 and 2009, totaling **\$8,532,341**. This means a first year's payment of approximately \$470,118 which increases to **\$787,611** in 16 years and continues to grow at 3.5% annually for the next 14 years

ATTACHMENT 3



February 1, 2012

Charlie Francis
Administrative Services Director/Treasurer
City of Sausalito
420 Litho Street
Sausalito, CA 94965

Re: LAFCO Reconsideration Document

Dear Mr. Francis:

You asked that Bartel Associates review specific items in the December 10, 2011 John Flavin and Linda Pfeifer Sausalito Fire Services Annexation to the Southern Marin Fire Protection District (SMFPD) LAFCO Reconsideration Document (reconsideration document). Below are our comments on these specific items.

Section A: Reciprocity

Per your request we reviewed the portions of the reconsideration document regarding reciprocity provisions and have the following comments.

Item 1:

The reconsideration document indicates that:

“a Sausalito firefighter who is eligible for CalPERS retirement could go through annexation and gain eligibility for reciprocity, then retire from CalPERS, and still double-dip with a District salary”.

The scenario where someone retains reciprocity, retires from CalPERS, and continues to earn MCERA¹ benefits while drawing an SMFPD salary is not possible. Under reciprocity provisions a Sausalito firefighter who moves to SMFPD as part of the annexation will be eligible for reciprocity in that his MCERA employee contribution rate will be based on his entry date into CalPERS. However he is then subject to the requirement that he must start his MCERA and CalPERS retirement benefits on the same date. Thus he would not be able to receive his CalPERS pension, reciprocity, and a SMFPD salary at the same time. If the firefighter elects to begin his CalPERS pension while employed at the District, he loses reciprocity which means that he will pay a much higher MCERA member contribution rate and, upon retirement from SMFPD, will not be eligible for immediate payment of MCERA service retirement benefits until he has 10 years of MCERA service².

¹ Southern Marin Fire Protection District participates in the Marin County Employees' Retirement Association (MCERA). Sausalito firefighters will earn benefits under MCERA for service with the District after the annexation date.

² In some cases less than 10 years of MCERA service may be required - for instance in cases of industrial or ordinary disability or for members aged 70 or over. Also, MCERA benefits vest after 5 years of service. However, in the case of vesting the retirement benefit is not payable before the date that, if the terminating employee had continued working for the District, he would have met the MCERA service retirement requirements, including the 10-year service requirement.

Charlie Francis
February 1, 2012
Page 2



Item 2:

The reconsideration document indicates that:

“If a Sausalito firefighter gets annexed to the District and then retires from CalPERS, but still works for MCERA for 1 year and then retires from MCERA, that firefighter is now entitled to an MCERA pension for the rest of his/her life (in addition to the CalPERS pension he/she already receives).”

See item 1 above, we do not believe that this scenario is possible because the Sausalito firefighter must either retire on the same date from both systems or waive reciprocity and work additional years at SMFPD until eligible to retire under MCERA.

Note: These are solely our interpretations of the relevant materials available from CalPERS and MCERA. We are not attorneys and not qualified to give legal opinions and we suggest that these opinions be reviewed by legal council. We also suggest that this be reviewed by MCERA staff.

Section B: Unfunded Actuarial Liability Impact

Per your request we reviewed the portions of Items 1 and 3 of the reconsideration document regarding CalPERS Unfunded Actuarial Liabilities and have the following comments.

Item 1: The reconsideration document says six firefighters would be eligible for retirement at an annual cost of \$400-500 thousand. Assuming the last day before annexation would be June 30, 2012 only three firefighters aged 50, 51, and 57 would be eligible for CalPERS immediate retirement. We believe the impact would be considerably less than the \$400-500 thousand per year given in the reconsideration document. However it would be necessary for us to prepare an actuarial study to quantify this difference and we have not prepared such a study. Please let us know if you would like us to proceed with this study.

Item 3: The reconsideration document says the City will pay for both CalPERS and MCERA asset losses. Whether this is or is not correct depends on the final basis for the negotiated settlement between the City and the District. We do not have the detail of the final settlement and would need that information in order to provide comments on this item.

If you have any questions or comments concerning this letter please let us know.

We have relied on demographic information supplied by the City. The undersigned is a member of the American Academy of Actuaries and meets Academy Qualification Standards to render the actuarial opinions in Section B. (Opinions in Section A are not actuarial in nature.)

Sincerely,

Marilyn M. Oliver, FSA, MAAA
Vice President

C: John E Bartel

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ATTACHMENT 4

Michael G. Colantuono
MColantuono@CLLAW.US
(530) 432-7359

Colantuono & Levin, PC
11364 Pleasant Valley Road
Penn Valley, CA 95946-9000
Main: (530) 432-7357
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February 1, 2012

Honorable Chair Jeffry Blanchfield and
Members of Marin County LAFCo
555 Northgate Drive, Suite 230
San Rafael, CA 94903

Re: **Request for Reconsideration of Annexation of the City of Sausalito to the Southern Marin Fire Protection District (File No. 1304)**

Dear Chair Blanchfield and Members of the Commission:

Introduction. I write as Special Counsel to the City of Sausalito to provide my opinion with respect to the request for reconsideration identified above. My law practice is restricted to the representation of local governments, including LAFCos. I am General Counsel to Calaveras and Yuba LAFCos and special counsel to several others. I served as a member of the Commission on Local Governance for the 21st Century, which recommended substantial revisions in what is now known as the Cortese-Knox-Hertzberg Act, and, as one of three lawyer-Commissioners, was intimately involved in drafting the legislation which implemented the Commission's recommendations. Should further information regarding my qualifications to render this opinion be required, my biographical profile appears at www.CLLAW.US under the "attorneys" link and my full resume can be provided on request.

Discussion. I have reviewed the Request for Reconsideration identified above, as well as the City's response to it, along with your original decision. While your Commission is, as you know, entrusted with substantial discretion to determine appropriate boundaries for local governments in Marin County, in my judgment, the following are true:

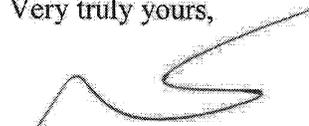
- The annexation of the territory of Sausalito to the Southern Marin Fire Protection District is easily defended as a legal matter in light of the Legislature's objectives in creating LAFCos. The District already serves the people of Sausalito via a contract between the two governments, an arrangement which obscures true service responsibilities and disenfranchises the people of Sausalito as to elections for the board of the District, which is their de facto fire provider. Government Code § 56001 states the Legislature's objectives for LAFCo and these include: "logical formation and modification of the boundaries of local agencies, with a preference granted to accommodating additional growth within, or through the

expansion of, the boundaries of those local agencies which can best accommodate and provide necessary governmental services ... in the most efficient manner feasible. ... [service] responsibility should be given to the agency or agencies that can best provide governmental service.”

- The Request for Reconsideration provides no substantial evidence which would justify a different decision that your Commission unanimously reached on November 10th. The claim that the annexation will allow the firefighters who protect life and safety in Sausalito enhanced pension benefits (which the Request pejoratively and misleadingly calls “double-dipping”) is simply wrong, as demonstrated by the City’s letter. The Request’s questioning of pension costs provides one person’s idiosyncratic opinion but does not outweigh the professional actuarial work submitted with the City’s application for the annexation. Moreover, if pension calculations are made more conservative, as the Request demands, they should be made more conservative for **both** the City’s pension costs under CalPERS and the District’s costs under the Marin County Employees Retirement Association. Evenhanded application of this conservative viewpoint will raise costs for fire service whether provided by Sausalito or Southern Marin FPD, but will not change the relative impact of annexation on the community’s capacity to fund life safety services.
- The Request’s third claim – that the District will be insufficiently funded by virtue of pension costs – amounts to restatement of its first two claims and, for the reasons noted above, provides no new substantial evidence which would justify reconsideration of your unanimous November 10th decision to approve this annexation.

Conclusion. In sum, it is my professional opinion that your November 10th decision to approve this annexation is fully consistent with the Cortese-Knox-Hertzberg Act and that nothing in the Request for Reconsideration provides substantial evidence that might support, much less require, a contrary decision now. Thank you for considering these thoughts. If I can do more to assist your review of this matter, please let me know.

Very truly yours,



Michael G. Colantuono

MGC:mgc

c: City of Sausalito
Southern Marin Fire Protection District

ATTACHMENT 5



CITY OF SAUSALITO

420 Litho Street • Sausalito, CA 94965
Telephone: (415) 289-4100
www.ci.sausalito.ca.us

February 2, 2012

Chair Jeffry Blanchfield and Members of the Commission
Marin Local Agency Formation Commission
555 Northgate Drive, #230
San Rafael, CA 94903

RE: Request for Reconsideration: Annexation of the City of Sausalito to the Southern Marin Fire Protection District (File #1304)

Dear Chairman Blanchfield and Members of the Commission:

At the November 10, 2011 Board Meeting of the Marin Local Agency Formation Commission (LAFCO), the Board of Commissioners considered the proposed annexation of the territory of the City of Sausalito to the Southern Marin Fire Protection District. Following the public hearing, the LAFCO Board of Commissioners took the following actions with unanimous consent:

1. Approved Resolution 11-07 amending the sphere of influence of Southern Marin Fire Protection District to include the incorporated territory of the City of Sausalito;
2. Approved Resolution 11-08 approving the proposed Annexation of the City of Sausalito to Southern Marin Fire Protection District subject to the following Terms and Conditions: That the Southern Marin Fire Protection District adopt and implement a memorandum of understanding between the District and Southern Marin Professional Fire Fighters, Sausalito Group, IAFF Local 1775; and the effective date of annexation shall be the earliest possible date following completion of all other annexation proceedings.
3. Directed staff to conduct protest proceedings pursuant to Government Code §57000 and in accordance with policies and procedures adopted by the Commission.

It should be noted that this annexation simply rationalizes existing service relationships: Southern Marin Fire already serves the people of Sausalito via contract as it has since 2004. Nevertheless, on Saturday, December 10, 2011, the last day of the 30-day reconsideration period, a Request for Reconsideration was filed with the LAFCO Executive Officer by Sausalito resident John Flavin and City of Sausalito Councilmember Linda Pfeifer.

The Request for Reconsideration includes no information that was not already analyzed during literally years of comprehensive analysis of this proposal and therefore does not justify any change in LAFCO's approval. The assumptions and conclusions in the Request for Reconsideration are not only seriously flawed, but also misrepresent the long-term fiscal impacts

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Recreation: (415) 289-4189

Community Development: (415) 339-2256

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of annexation on the City, the District and citizen taxpayers. Contrary to the filers' claims, annexation's impacts will be positive, as explained below.

In support of the relevant sections of this analysis, I attach letters from the City's pension fund expert, Marilyn Oliver, Vice-President from Bartel Associates, LLC; and from the City's Special Counsel, Michael Colantuono.

Request for Reconsideration Point #1.

Applicants for Reconsideration States: "New Information: Double-dipping probability not disclosed, and the estimated potential costs of double-dipping not disclosed. Language in city's application was not clear that eligible firefighters could 'double-dip' by retiring from CalPERS while also receiving a full salary from Southern Marin Fire District (SMFD)"

The issue raised by the Applicant is not "new information" because it is incorrect and misleading to label as "double-dipping" the continuation of employee pension benefits by employees who will transfer from the City's pension provider (CalPERS) to the Fire District's pension provider (Marin County Employees Retirement Association, or MCERA).

- The actuarial firm of Bartel Associates, LLC notes in the attached letter that "The scenario where someone retains reciprocity, retires from CalPERS, and continues to earn MCERA benefits while drawing an SMFPD salary is not possible" A Sausalito firefighter must choose one or the other as described in the Employee Transfer Plan included as Attachment I to the "Plan for Service" submitted by the City to LAFCO as part of the initial annexation application. The Bartel Associates letter goes on to say, "If the firefighter elects to begin his CalPERS pension while employed at the District, he loses reciprocity which means that he will pay a much higher MCERA member contribution rate and, upon retirement from SMFPD, will not be eligible for immediate payment of MCERA service retirement benefits until he has 10 years of MCERA service."
- Clearly it is not financially advantageous for an employee to begin their CalPERS pension and go to work for the District. But even assuming an employee were to retire from CalPERS with 25 years of service and then work for SMFD drawing a salary there for an additional 5 years, the total compensation to be received by that employee from both the pension and salary over this work life of 30 years would be nearly the same in constant dollars as if the employee were to accept reciprocity in the MCERA retirement system and postpone their retirement to the conclusion of their work life after 30 years of service. This is because the retirement formula increases for employees who work to full retirement age.
- Further, the Applicant for Reconsideration calculates that there are six Sausalito firefighters eligible to retire from CalPERS. The City never said this because in fact, there are only three employees over the retirement age of 50 and only one employee who will reach the CalPERS age and years of service requirements for full retirement by the effective date of annexation. As noted above, the scenario of these three employees

retiring from CalPERS and then going to work for the District is highly unlikely and not to their financial advantage. Bartel Associates, LLC notes that the impact is considerably less than estimated by the Applicants.

- The Applicant for Reconsideration includes Overtime Compensation in their calculations of retirement benefits but Overtime is definitively not part of the calculation of a pension. Both CalPERS and MCERA specifically exclude Overtime when calculating pension benefits.
- The City's actuary used the CalPERS demographic assumptions based on age and years of service in calculating the impact of annexation on the City's CalPERS pension costs—consistent with generally accepted professional standards.
- Finally, moving Sausalito Fire personnel from CalPERS to MCERA is no different than what happens when employees change jobs – they get the same pension benefits, but two pension providers share the responsibility to fund that pension based on the employees' years of service to employers covered by each pension plan. This is an established part of the labor market for government employees in California and does neither increase nor decrease the total combine pension liability.

In summary, Point #1 in the Request for Reconsideration is not "New Information". Rather it includes false information and contains no new information that could justify LAFCO reconsidering its unanimous approval of the annexation. Annexation will create no added pension costs for the City or the District, nor ultimately for the citizen taxpayers they both serve.

Request for Reconsideration Point #2.

Applicants for Reconsideration States: "New Information: Pension liability after annexation not analyzed/communicated to Sausalito residents. A comparison of the increased cost and pension liabilities to Sausalito residents 'before and after' annexation was never done"

Contrary to the Applicants' statement, in the City's power point presentation to LAFCO, a hard copy of which was provided to LAFCO and its Commissioners, the City did describe specifically that "Sausalito's share of Unfunded Liability before Annexation is \$1,667,694" and "Sausalito's Share of Unfunded Liability after Annexation is \$287,899". This is substantially different than the calculations by the Applicant for Reconsideration, who has used assumptions quite different from those used by CalPERS and MCERA.

The report from Citygate Associates, consultants to both the City and the District, was part of the City's application to LAFCO. In that report it was noted that the unfunded liability and annual pension cost is "one that the City has now and would continue to have if the employees remained on the City payroll. From that perspective, the retirement liability is 'cost neutral'...."

CalPERS and MCERA annually produce actuarial reports on the capacity of their investment pools to fund their pension obligations. Point 2 in the Request for Reconsideration provides no

new information, but rather the filer's own, idiosyncratic or nonstandard calculation of pension obligation. In short, the filer makes large assumptions and speculates about pension liabilities using actuarial assumptions different from the professionally accepted assumptions used by CalPERS, MCERA and the respective City and District independent actuaries. The Applicants provides no new information of substance.

As stated above regarding Point #1, Sausalito firefighters cannot transfer to the District, receive reciprocity from MCERA and concurrently receive a retirement from CalPERS. They must choose one or the other. Point #2 relies on the mistaken assumption that Sausalito firefighters can double dip and receive both a CalPERS pension and reciprocity from MCERA and then Point #2 alleges a \$1.4 million impact from this incorrect pension assumption. The incorrect assumptions by the Applicants then produce completely incorrect conclusions.

Pension experts and actuaries annually calculate CalPERS and MCERA's assets and liabilities and forecast the ability of each pension pool to fund its future pension obligations. Those reports forecast the impact on the City's annual pension contributions and are published annually on the City's web site. The impact of annexation on the City's CalPERS pension costs was analyzed by the City's professional actuary and the results were part of the foundation of the financial analysis provided to LAFCO. The City and the District used that analysis in further demonstrating that annexation will have no negative financial impact on Sausalito, Southern Marin Fire, or the residents those agencies serve.

The argument that the pension cost analysis should use a more pessimistic prediction of future investment returns is not new. This argument restates a disputed academic study that argues – contrary to the standard practice of pension actuaries around the country working at all levels of government – that the expected rate of return used by CalPERS is inappropriate for discounting liabilities backed by assets (like stocks), and that liabilities not covered by assets fall to the sponsoring government, and therefore should be discounted by the sponsor's borrowing cost. That academic debate has gone on for years and is not new. The fact is that pension plans are constrained by regulated actuarial standards, not the arguments of academics and the analysis the City and the District provided LAFCO was predicated upon that fact. CalPERS and MCERA have to follow the laws and actuarial standards that exist, not the laws and standards about which academics argue. In any event, a pessimistic forecast of earnings on pension pool assets would affect CalPERS and MCERA alike and that pessimism will predict higher pension costs for the City's fire service whether or not the annexation occurs.

It is interesting to note that CalPERS reported a 20.7% return on investment for the one year ending June 30, 2011. This is substantially higher than its target return of 7.75%. While there may be years of loss or lower return for retirement systems, there are also years of higher return that reduce the unfunded liability and therefore the retirement rates paid by member agencies.

In summary, Point #2 in the Request for Reconsideration relies on the Applicants' nonstandard assumptions and conjecture. It contains no new information that could justify LAFCO reconsidering its unanimous approval of the annexation. Despite the filer's contrarian view, City and District calculations and information using professional and industry standards demonstrate that annexation will impose no added pension costs on the City or the District, nor on citizen taxpayers.

Request for Reconsideration Point #3.

Applicants for Reconsideration State: "New Information: Sausalito Residents will be funding replacement of 2008-09 losses by both MCERA and CalPERS. The estimation of funding these losses is new information. An analysis showing the extent to which Sausalito residents will have to fund replacement losses incurred by both MCERA and CalPERS to the fire employees was never done."

The issue raised by the Applicants is not new information. This issue was covered in two ways in the City's application and presentation to the LAFCO Board. It was covered directly in the City's power point presentation, on the slide labeled "Two Frequently Asked Questions" where the City noted that "The amount of property tax transferred to the District includes only the incremental pension costs for the City of Sausalito employees, i.e. City of Sausalito taxpayers will not be paying from their property taxes for unfunded liability costs for existing District employees." Also, as the agreement between the City and the District clearly establishes, the revenue transferred is a fixed formula that will not be adjusted in the future to reflect any further current or future pension fund losses, should any occur.

The issue of the existence of investment losses by both MCERA and CalPERS was also in the pension assumptions used by the City and District in calculating the amount of revenue to be transferred to the District. This amount of revenue is less than the current cost of fire services for the City.

Further, what the applicant fails to note is that they are requesting an analysis of the impact of investment gains and losses for a fiscal year "three" years prior to the actual date that Sausalito employees would become District employees. The retirement rate that applies to these employees is based on the date that they become employees of the District and the financial health of the pension fund at that time, not FY 2008-09. To illustrate the outdated nature of FY 2008-09 data, losses for both CALPERS and MCERA have been reduced with MCERA net assets increased by 31.5% between June 30 2009 and June 30, 2011. CalPERS has experienced similar changes.

In summary, Point #3 in the Request for Reconsideration also includes misinformation, a faulty financial analysis and contains no new information that might justify a change in LAFCO's unanimous approval of the annexation and fails to demonstrate that annexation will impose additional pension costs on the City or the District, nor on citizen taxpayers they serve. An

actuarial analysis by the District's actuary (EFI Actuaries) has reflected that the transfer of City employees to the District "will not" increase the pension rates applicable to these or current District employees.

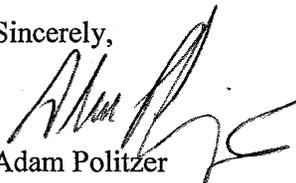
CONCLUSION

In conclusion, annexing Sausalito to the Southern Marin Fire Protection District will continue the excellent and high quality level of fire protection service for the residents and businesses in the City of Sausalito, with no negative impact on taxpayers. The annexation provides both the City and the District, and ultimately the citizen taxpayers they serve, with the most cost-effective and efficient level of fire services, with the fiscal stability necessary to meet future challenges. It is \$1.4 million cheaper each year than the best alternative to annexation – namely, a Fire Department staffed and funded by the City. Finally, the Southern Marin Fire Protection District makes important decisions affecting the life and safety services provided to residents of Sausalito and those residents cannot have a voice in the election of the leaders of that District until the annexation is approved. Annexing the City to the District rationalizes existing service arrangements and accomplishes LAFCO's very purpose – drawing sensible boundaries for government agencies so that government makes sense to the governed and provides efficient and effective service.

RECOMMENDATION

Therefore, the City of Sausalito urges the Commission to unanimously affirm its previous 7 – 0 vote approving Resolution Nos. 11-07 and 11-08, and directing staff to conduct protest proceedings pursuant to Government Code §57000 and in accordance with policies and procedures adopted by the Commission.

Sincerely,



Adam Politzer
City Manager

Attachments:

1. Letter from Marilyn Oliver, Vice-President, Bartel Associates, LLC
2. Letter from Michael G. Colantuono, Attorney

ATTACHMENT 6



**Southern Marin
Fire Protection District**

308 Reed Blvd.
Mill Valley, CA 94941

Phone 415 388-8182 Fax 415 388-8181

February 2, 2012

Chair Jeffrey Blanchfield and Members of the Commission
Marin Local Agency Formation Commission
555 Northgate Drive, #230
San Rafael, CA 94903

RE: Request for Reconsideration: Annexation of the City of Sausalito to the Southern Marin Fire Protection District (File #1304)

Dear Chairman Blanchfield and Members of the Commission:

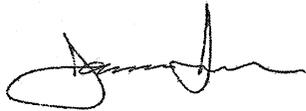
At the November 10, 2011 Board Meeting of the Marin Local Agency Formation Commission (LAFCO), the Board of Commissioners considered the proposed annexation of the territory of the City of Sausalito to the Southern Marin Fire Protection District. Following the public hearing, the LAFCO Board of Commissioners took the following actions with unanimous consent:

1. Approved Resolution 11-07 amending the sphere of influence of Southern Marin Fire Protection District to include the incorporated territory of the City of Sausalito;
2. Approved Resolution 11-08 approving the proposed Annexation of the City of Sausalito to Southern Marin Fire Protection District subject to the following Terms and Conditions: That the Southern Marin Fire Protection District adopt and implement a memorandum of understanding between the District and Southern Marin Professional Fire Fighters, Sausalito Group, IAFF Local 1775; and the effective date of annexation shall be the earliest possible date following completion of all other annexation proceedings.
3. Directed staff to conduct protest proceedings pursuant to Government Code §57000 and in accordance with policies and procedures adopted by the Commission.

With regard to the request for reconsideration for this annexation process, The Southern Marin Fire Protection District, having worked collaboratively with the City of Sausalito, concurs with the City of Sausalito's response to the Request for Reconsideration and agrees that the issues raised by Mr. Flavin and Council Member Pfeifer do not represent any new or previously undisclosed information.

We therefore, request the Commission to unanimously affirm its previous 7 – 0 vote approving Resolution Nos. 11-07 and 11-08, and directing staff to conduct protest proceedings pursuant to Government Code §57000 and in accordance with policies and procedures adopted by the Commission.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Irving", with a stylized flourish at the end.

Jim Irving, Fire Chief
Southern Marin Fire Protection District / City of Sausalito
308 Reed Blvd
Mill Valley, CA 94941
Phone (415) 388-8182 Fax (415) 388-8181

ATTACHMENT 7

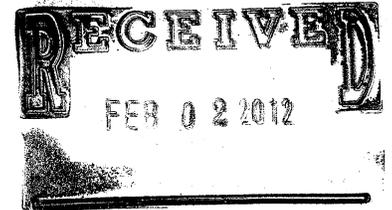


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www.mcera.org

January 30, 2012

Peter Banning
Executive Officer
LAFCO
555 Northgate Drive, Suite 230
San Rafael, CA 94903



Dear Mr. Banning,

Thank you for your January 17, 2012 email regarding LAFCO's review of a reconsideration request for the annexation of the City of Sausalito to the Southern Marin Fire Protection. You've asked that Marin County Employees' Retirement Association (MCERA) respond to items #1 and #3 under the reconsideration request. This letter is in response to that request.

Item #1

“New Information: Double-dipping probability not disclosed, and the estimated potential costs of double-dipping not disclosed.

Language in city's application was not clear that eligible firefighters could “double-dip” by retiring from CalPERS while also receiving a full salary from Southern Marin Fire District (SMFD).”

MCERA Input on Item #1

Article 15 of the County Employees Retirement Law of 1937 (CERL) establishes rules that allow an individual to receive a single retirement benefit from two “reciprocal” public retirement systems, such as MCERA and the California Public Employees' Retirement System (CalPERS). The purpose of Article 15 is described as follows:

The provisions of this article are intended to encourage career public service by granting reciprocal retirement benefits to members who are entitled to retirement rights or benefits from two or more retirement systems established under this chapter or from a retirement system established under this chapter and the Public Employees' Retirement System, the State Teachers' Retirement System, or a retirement system of any other public agency of the state that has established reciprocity with the Public Employees' Retirement System subject to the conditions of Section 31840.2, and to delineate the financial obligations of each system and related political entity so that no system or political entity shall be liable for more than its just financial obligation. (Gov. Code sec. 31830)

The fire fighters employed by the City of Sausalito are currently accruing rights to a retirement benefit under CalPERS' rules. Based on those rules, the fire fighters may already be eligible to receive a service retirement benefit from CalPERS. If the annexation occurs, the fire fighters will be mandated by CERL to join MCERA. At that point the fire fighters will be presented with two choices:

- A. The fire fighters may become reciprocal members of MCERA and CalPERS under CERL Article 15. The fire fighters who elect that option will enter MCERA as new members and will accrue MCERA service credit from that point forward. Their MCERA contribution rate will be lower under the reciprocity rules than it would be without reciprocity, because Article 15 (section 31833) requires that it be based on their age when they first entered membership with the first reciprocal system (CalPERS). When they retire under MCERA, these "reciprocal" fire fighters will be required to retire simultaneously from CalPERS. Their total retirement benefit will be based on combined service credit with both retirement systems and their highest average compensation. MCERA and CalPERS will only pay each of their allocated portion of the benefit, calculated using the unique rules of their own pension system.

If all the City of Sausalito fire fighters become MCERA members with full reciprocity, MCERA's actuary has estimated the increase to the unfunded liability for Southern Marin Fire at approximately \$3.7 million, based on the MCERA methods and assumptions in place as June 30, 2010.

- B. If eligible, the fire fighters instead may choose to retire immediately from CalPERS rather than opting to become a reciprocal member with MCERA. In this scenario, the additional unfunded liability associated with the member joining MCERA would be eliminated. A fire fighter would receive the retirement benefit earned under CalPERS rules. The fire fighter would become a new MCERA members without reciprocity, paying a higher employee contribution rate prospectively, based on his or her age at entry into MCERA. At the time of retirement, the individual's MCERA benefit would be based only on the service and compensation received from employment with Southern Marin Fire. In this situation, the retiree would receive a CalPERS benefit based solely on his or her prior service under the CalPERS system. The individual's MCERA benefit would be calculated independent of the CalPERS service.

Peter Banning
January 30, 2012
Page 3

Item #3

“New Information: Sausalito Residents will be funding replacement of 2008-2009 losses by both MCERA and CalPERS. The estimation of funding these losses is new information.

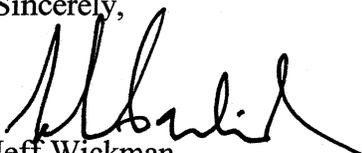
An analysis showing the extent to which Sausalito residents will have to fund replacement of losses incurred by both MCERA and CalPERS to the fire employees was never done.”

MCERA Input on Item #3

The portion of the total MCERA Unfunded Actuarial Accrued Liability (UAAL) that is attributable to Southern Marin Fire is \$8.3 million as of the June 30, 2010 actuarial valuation. Of this amount, \$5.3 million is attributable to the 2008/2009 market downturn. The cost to fund the UAAL is already included in the current employer contribution rates being paid by Southern Marin Fire. The individual employers, in this case Southern Marin Fire, determine how they will pay for the required contributions to MCERA.

Please feel free to contact me at 415-473-3733 if you have any questions about the information in this letter.

Sincerely,



Jeff Wickman
Retirement Administrator

DATE: February 3, 2012
TO: Marin LAFCO Commissioners
FROM: Candice Bozzard, Clerk to the Commission
RE: Correspondence Received

The attached materials were not submitted in time for the Executive Officer to address in his written staff report.

Chairperson: Jeffrey Blanchfield
Members: Judy Arnold, Einar Asbo, Carla Condon, Barbara Heller, Dennis J. Rodoni, Kathrin Sears
Alternates: Susan Adams, Christopher Burdick, Craig K. Murray, Herb Weiner
Executive Officer: Peter V. Banning

Marin Local Agency Formation Commission

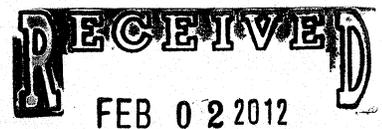
555 Northgate Drive, Suite. 230 • San Rafael, California 94903
Telephone (415) 446-4409 • Facsimile (415) 446-4410 • Email staff@marinlafco.org
Website <http://lafco.marin.org>

Memorandum in Support of the Reconsideration of the Annexation of the City of Sausalito to the Southern Marin Fire Protection District (File #1304)

WHAT THE PEOPLE OF SAUSALITO SHOULD KNOW
ABOUT THE UNINTENDED CONSEQUENCES OF THE ANNEXATION

1. Executive Summary

- a. How we got here: City-sponsored survey showed Sausalito voter resistance to approval of special fire unit tax;
- b. Unintended Consequences Not Previously Addressed:
 - i. Greater Allocation of City's General Fund Property Taxes: shift to higher allocation of general fund property tax has unintended negative consequences for Sausalito residents;
 - ii. Double Dipping: eligible firefighters can opt for CalPERS retirement, work for District and accrue Marin County Employees Retirement Association retirement benefits;
 - iii. Increased Pension and Retiree Health Care Liabilities: unfunded pension liability more than doubles; retiree health care liabilities to date not quantified;
 - iv. Negative Amortization: Sausalito residents will be paying for District's 2008-2009 pension losses, which will negatively amortize over next thirty+ years
- c. Reasons for Concern
 - i. Not time for incurring increased pension or retiree health care exposure;
 - ii. 1937 Act funds less protected from "spiking" than state ones;
 - iii. MCERA has higher percentage of final salary for pension calculations;
- d. Commission Actions:
 - i. Reverse approval;
 - ii. Require independent analysis of all consequences of annexation on Sausalito resident; and
 - iii. Put the issue to a public vote.



Memorandum in Support of the Reconsideration of the Annexation of the City of Sausalito to the Southern Marin Fire Protection District (File #1304)

2. How we got here

- a. Annexation decision tacitly made years ago (source: Citygate; actions of SMFD Board)
- b. Original City of Sausalito Proposal including Special Fire Tax
 - i. Allocate 35% of Property Tax Revenue: and
 - ii. New Special Fire Tax of \$90 per unit or a total of \$600,000; unit tax would require two-thirds of vote to approve;
 - iii. Side effect: would have generated a City budget surplus of \$600,000 which was claimed necessary to fund rising CalPERS costs on remaining City employees (see Attachment One);
- c. City conducts survey and realizes there is not sufficient support for Special Fire Tax;

“When survey respondents were asked if they would support a \$90 parcel tax if necessary to pay for consolidation, initial support was only 50 percent, far below the required 66.7 percent necessary for approval. That support increased to just 59 percent when the various service alternatives were presented together two thirds level that would be together, but is still considerably below the two thirds required for voter approval.”

Source: City of Sausalito Presentation to LAFCO, November 2011(see Attachment Two)

- d. City removes Special Fire Tax, allocates additional \$600,000 from general fund property tax revenue and eliminates need for public vote;
Important to note: No further mention of how to fund rising CalPERS costs

3. Unintended Consequences

- a. Switch from Special Fire Tax to Greater General Fund Allocation
 - i. Longer term heavier burden on taxpayers

	TODAY		TEN YEARS LATER	
	35% + Unit Tax	45%	35% + Unit Tax	45%
Home Value	\$500,000	\$500,000	\$600,000	\$600,000
Property Tax (1%)	\$5,000	\$5,000	\$6,000	\$6,000
Tax to City (25%)	\$1,250	\$1,250	\$1,500	\$1,500
Allocation to District	35%	45%	35%	45%
Taxes to Fire District	\$438	\$563	\$525	\$675
Unit Tax	\$90	\$-0-	\$90	\$-0-
Total Taxes/Fees	\$528	\$562.50	\$615	\$675.00
Increased Taxes		\$35.00		\$60.00

- b. City Revenue Shortfall:
 - 1. As noted earlier, the City originally claimed it would need approximately \$450,000 additional revenue annually to “meet PERS increases in FY2013 and beyond”.
Source: City Financial Department Presentation, March 2011
 - 2. After the switch to the greater general fund allocation, the City’s operating surplus is only \$184,000, not sufficient to meet the

Memorandum in Support of the Reconsideration of the Annexation of the City of Sausalito to the Southern Marin Fire Protection District (File #1304)

previously projected \$450,000 PERS increases (See Attachment Three). The City may have only postponed the unit tax. Sausalito residents have not been apprised of and are clearly not aware of this possibility.

c. Double dipping

- i. In both a Professional Firefighters Political Action Committee full page advertisement in the Marin Independent Journal and in a Letter to the Editor from one of the Sausalito City Council supporters of the annexation, the claim is made that there can be “no *pension* [emphasis added] double dipping”. The claimed source for this position is an excerpt from an e-mail from Jeff Wickman of the Marin County Employees Retirement Association to both Councilwoman Linda Pfeifer and Resident John Flavin. The excerpt provides:

“An individual that *chooses to become a reciprocal member* cannot be in receipt of a benefit from CalPERS while they are working for an MCERA employer *therefore there would be no "double-dipping" of pension benefits as a result of the merger* [emphases added].”

However, the very next paragraph of Mr. Wickman’s e-mail reads:

“The only people who would *get a retirement benefit while also receiving a salary* would be *those people who do not elect reciprocity*. Those members would *get the retirement benefit* they already earned under the CalPERS system, and then *begin*, as any other new MCERA member without reciprocity, *to earn a separate retirement benefit with MCERA* [emphases added].

- ii. According to the SMFD presentation to the public on January 28th, only one firefighter would be age 55, qualify for a CalPERS pension and a Fire District salary. However, on our best belief, there are a total of three firefighters for whom it would be advantageous to double dip; based on our calculations, the impact could be as follows:

	CalPERS Pension	SMFD Salary	Total Pension and Salary	MCERA Pension after 10	Total Pension on Full Retirement	Total Pension as % of SMFD Salary
Firefighter 1:	\$85,000	\$90,000	\$175,000	\$27,000	\$112,000	124%
Firefighter 2:	\$82,310	\$90,000	\$172,310	\$13,500	\$95,810	106%
Firefighter 3:	\$67,007	\$73,000	\$140,007	\$10,950	\$77,957	107%

Memorandum in Support of the Reconsideration of the Annexation of the City of Sausalito to the Southern Marin Fire Protection District (File #1304)

Investment Rate 7.50%	Present		Increase (Decrease) in Liability - Double Dip Less Reciprocal
	Value	Value	
	Reciprocal	Double Dip	
Firefighter 1:	\$150,000	\$275,000	\$125,000
Firefighter 2:	\$158,000	\$297,000	\$139,000
Firefighter 3:	\$128,000	\$241,000	\$113,000
Total Increase			\$377,000

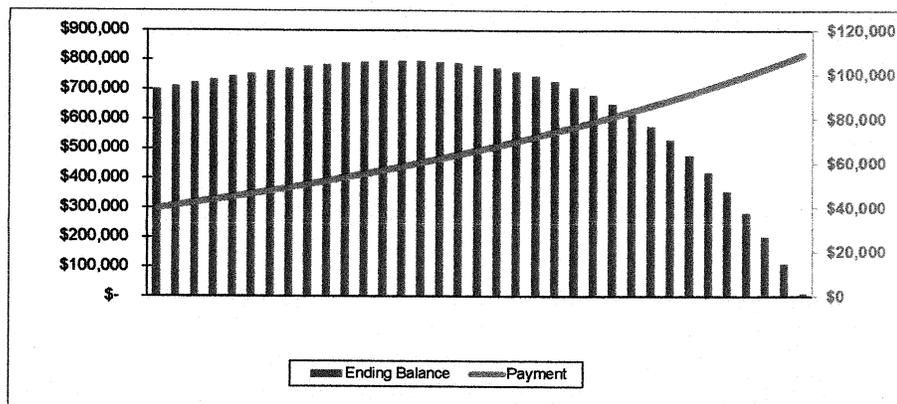
See Attachment Four for Example Calculation

4. Increased Unfunded Pension and Retiree Health Care Liability

a. Current Understanding:

	Unfunded Pension Liability	Unfunded Retiree Health Care Liability
Before Annexation	\$1.6 million	Approx \$800,000
After Annexation	\$3.7 million	UNKNOWN to date
Increase	\$2.1 million	UNKNOWN

b. The Fire District's current \$8.3 million unfunded pension liability includes \$5.3 million of MCERA losses in 2008-2009. MCERA has allowed the Fire District to amortize one half of these losses over 30 years, resulting in an initial 15-year period of negative amortization (increasing principal) and 30 years of payments increasing by 3.5% annually. Sausalito's 26% share of these negatively amortized losses would be initially \$690,000 and would grow to nearly \$800,000 before the principal begins to decline. Sausalito's share of the annual payment is initially \$40,000 and grows to nearly \$110,000 before the losses are fully amortized. In some jurisdictions the 30 year period rolls over every year such that the amount is never fully amortized.



Memorandum in Support of the Reconsideration of the Annexation of the City of Sausalito to the Southern Marin Fire Protection District (File #1304)

c. Reasons for Concern

- i. Not a time to be taking on more pension or retiree health care liability
 1. Marin Council of Mayor and Council Members report
 - “Recognition and acceptance that the current system structure is unsustainable;
 - Recognition and acceptance that an actuarial analysis is only one view, that it has the potential to produce **understated liabilities** [emphasis added], and that a blending of such views with traditional economic approaches should be considered;
 - Include a study of OPEBs [retiree benefits], which includes health care, life insurance, and other forms of deferred compensation;
 - Estimate an accurate and independent calculation of member agency unfunded liabilities;...”
 2. The slight movement of MCERA Investment Rate from 7.75% to 7.50% increases the Fire District’s unfunded pension liability from \$8.3 million to \$9.4 million.
- ii. More “spiking” opportunities generally with 1937 Act fund than state fund like CalPERS; in Contra Costa County there are reportedly over 70 ways to spike a highest year salary;
- iii. Maximum retirement rate under MCERA is 100% of “highest year salary” versus CalPERS 90% cap.

The proposed annexation could result in a number of significant unintended consequences of which the Sausalito residents are uninformed.

d. Commission Actions:

- i. Reverse approval on the basis of the new information above;
- ii. Require independent analysis of all the consequences of annexation on Sausalito resident on the basis that prior analyses were either not independent or not complete; and
- iii. Put the issue to a public vote so that the Sausalito voters can be fully informed on and fully participate in this major step in the City’s history and to greatly lower the risk of “annexation remorse”.

Memorandum in Support of the Reconsideration of the Annexation of the City of Sausalito to the Southern Marin Fire Protection District (File #1304)

Attachment One

**City of Sausalito's Assessment of Fire Department Options
March 2011 When \$90 Unit Tax Was Still Under Consideration**

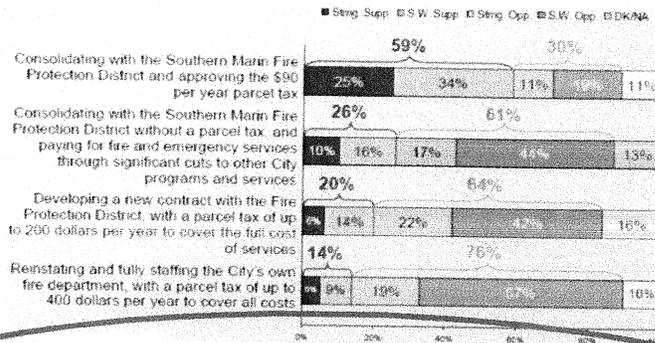
[emphases added to chart below]

	Fiscal Impact	Downside	Upside
JPA Full contract	\$ (551,246)	Structurally unbalanced budget, with limited capacity to meet PERS increases in FY2013 and beyond would require Special Tax for \$1 million!	
Sausalito Fire Department	\$(1,551,084)	Structurally unbalanced budget, with limited capacity to meet PERS increases in FY 2013 and beyond would require Special Tax for \$2 million!	
Consolidation with SMFPD	\$ 458,378		Structurally balanced budget with excess capacity to fund future PERS increases AND other challenges of the remaining decade!

ATTACHMENT TWO

**EXCERPT FROM CITY OF SAUSALITO
SLIDE PRESENTATION TO LAFCO**

Public Opinion Polls



When survey respondents were asked if they would support a \$90 parcel tax necessary to pay for consolidaton, initial support was only 50 percent, far below the required 66.7 percent necessary for approval. That support increased to just 59 percent when the various service alternatives were presented together, but is still considerably below the two-thirds level that would be required for voter approval.

Memorandum in Support of the Reconsideration of the Annexation of the City of Sausalito to the Southern Marin Fire Protection District (File #1304)

ATTACHMENT THREE

**SCHEDULE IN CITY OF SAUSALITO
STAFF REPORT ON ANNEXATION**

FISCAL IMPACT

The following table details the fiscal impact of the annexation on each entity's budgeted FY 2011-12 revenues and expenditures:

	District Before	District After	District Before/After Difference	City Before	City After	City Before/After Difference
Expenses:						
Sausalito Fire Department	-	2,969,250	2,969,250	3,208,312	273,000	(2,995,312)
All other departments	8,582,983	8,582,983	-	11,343,490	11,343,490	-
Total Expenses	8,582,983	11,552,233	2,969,250	14,611,802	11,616,490	(2,995,312)
Revenues:						
Property Taxes *	6,618,915	9,286,165	2,667,250	6,075,000	3,397,750	(2,667,250)
Ambulance Fees	221,404	332,404	111,000	111,000	-	(111,000)
GGNRA	267,000	400,000	133,000	133,000	-	(133,000)
Rent	-	-	-	-	100,000	100,000
OPEB	-	58,000	58,000	-	-	-
Parcel Tax	815,953	815,953	-	-	-	-
All other income	1,365,195	1,365,195	-	6,392,802	8,392,802	-
Total Revenues	9,288,470	12,257,720	2,969,250	14,611,802	11,800,552	(2,811,250)
Net Revenues	705,487	705,487	-	-	184,062	184,062

Memorandum in Support of the Reconsideration of the Annexation of the City of Sausalito to the Southern Marin Fire Protection District (File #1304)

ATTACHMENT FOUR

EXAMPLE CALCULATION

Assumptions			
Individual		2	
Age Information			
Assumed Age at Start		26.0	
Years of Service 6/30/2012		29.3	
Derived Age at 6/30/2012		55.3	
Assumed Age at Retirement		65.3	10 years is minimum for retirement for "new"
Years of District Service		10.0	
Total Years of Service		39.3	
Life Expectancy From 6/30/2012		30.0	rounded
Compensation Information			
Final Year			
Salary		\$90,340	
Overtime		\$0	
Vacation Pay		\$3,475	
Sick Leave		\$3,475	
Total Final Year Comp		\$97,289	TRUE
CalPERS			
	Annually		Total
Percentage of Final Comp	3.00%		87.9%
MCERA			
Reciprocal			
		District Reimbursement	Employee Rate
Pension Payment Rate	11.88%	50%	5.940%
Years to Max Benefit Rate	5.00	rounded	with 5 year minimum
Age at Retirement	60.30		
Total Reciprocal Service	34.30		
Starting Salary	\$90,340		
Annual Increase	0.0%		
Salary at Retirement	\$ 90,340		
CalPERS Portion			
Total Final Year Comp	\$97,289	maximum of CalPERS final year or retirement	
	Annually		Total
Percentage of Final Comp	3.00%		88% maximum of 90%
Annual Pension Payment	\$85,517		
MCERA Portion			
Total Final Year Comp	\$90,340		
	Annually		Total
Percentage of Final Comp	3.00%		15% maximum of 100%
Annual Pension Payment	\$13,551		
Total Pension Payment	\$99,068		

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Memorandum in Support of the Reconsideration of the Annexation of the City of Sausalito to the Southern Marin Fire Protection District (File #1304)

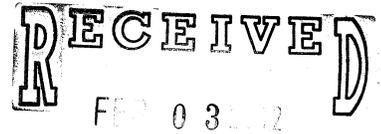
ATTACHMENT FOUR PAGE TWO

		District Reimbursement	Net Employee Rate
Double Dip			
Pension Payment Rate	18.93%	50%	9.465%
Years to Retirement Allowed	10.00		
Age at Retirement	65.30		
Starting Salary	\$90,340		
Annual Increase	0.0%		
Salary at Retirement	\$ 90,340		
CalPERS Portion			
Total Final Year Comp	\$97,289		
	Annually	Total	
Percentage of Final Comp	3.00%	88%	maximum of
Annual Pension Payment	\$85,517		
MCERA Portion			
Total Final Year Comp	\$90,340		
	Annually	Total	
Percentage of Final Comp	3.00%	30%	maximum of
Annual Pension Payment	\$27,102.00		
Total Pension Payment	\$112,619		

Peter Van Meter
4 Cloud View Circle
Sausalito, CA 94965

February 2, 2012

Commission Members
c/o Executive Officer
Marin LAFCO
555 Northgate Drive, Suite 230
San Rafael, CA 94903



Re: Reconsideration of the Annexation of the City of Sausalito
To the Southern Marin Fire Protection District (File # 1304)

Dear Commissioners:

Since I am unable to attend the hearing on the above captioned item on February 9, I am providing these written comments.

The Commission has previously studied reports and analyses of the benefits of this annexation, as well as ample testimony from the public in support, resulting in its unanimous approval on November 10, 2011. I will not repeat those numerous beneficial reasons here, but instead will address my comments to the Request for Reconsideration.

Double-Dipping

First, so-called "double-dipping" (receiving a pension and a salary for a post retirement job) is practiced by millions of public and private sector Americans every day, particularly as they work longer. This annexation has nothing to do with it. It's not illegal or immoral. Anyone who wants to eliminate this practice from government needs to take their case to Sacramento and/or Washington, and not to LAFCO.

The applicants' assumption that a firefighter could elect to receive CalPERS retirement and also have reciprocity with MCERA is an error affecting all points in the Request. This is not possible. If a firefighter met the age and service requirements for retirement with CalPERS and made that election, he/she would start over with MCERA from scratch as would any new employee. One pension is frozen and another starts anew. This is not double-dipping.

Sausalito Residents' Exposure to Pension Liabilities

The applicants' assume that a firefighter can receive full pension benefits from both CalPERS and MCERA on day one after annexation, which as noted above is not the case. The applicants' opinion on appropriate discount rate is fine, but must be argued with the pension agencies, not LAFCO. This is not a reason for reconsideration.

Impact of MCERA and CalPERS Losses on Sausalito Residents

As stated repeatedly by all professionals involved in the annexation, Sausalito will not incur exposure to unfunded pension liabilities of the District incurred before the annexation.

Thank you.

(415) 332-2974
mycre@pacbell.net

Sausalito official, resident blast fire department merger

By **MICHELLE ASCHWALD**

maschwald@thearknewspaper.com

The Marin Local Agency Formation Commission approved the consolidation of Sausalito Fire Department and Southern Marin Fire Protection District in November — but a Sausalito councilwoman and a city resident who say it's a bad deal for taxpayers have filed a request to reconsider the action.

Councilwoman Linda Pfeifer and John Flavin submitted a letter with “new facts” in December to LAFCO, the county agency that oversees government boundaries and grants mergers.

The Southern Marin fire district, headquartered in Strawberry, serves 28,000 residents in unincorporated Mill Valley, Sausalito and a third of Tiburon.

Sausalito city officials and fire district have strongly supported the consolidation of the two fire departments.

“This is the first time that a LAFCO decision has been reconsidered in Marin County,” Executive Director Peter Banning said. “Our commission voted 7-0 to approve the merger.”

The opponents of the annexation claim the merger agreement did not consider that:

- Eligible firefighters could “double-dip” by retiring from the California Public Employees’ Retirement System while also receiving a full salary from Southern Marin fire.
- Sausalito residents could inherit pension liabilities of Southern Marin fire retirees.
- Sausalito residents will be funding replacement of 2008-09 losses by both the Marin County Employee Retirement Association and CalPERS.

Pfeifer and Flavin are also concerned that Sausalito will need to raise taxes to cover new expenses and will lose con-

trol of its fire department, fire station ownership and 45 percent of the tax base due to payment for fire services. They stated there could be combined extra new costs of more than \$2 million annually.

But a website called SausalitoFireFacts.org, set up Jan. 10 and registered to Southern Marin fire Chief James Irving, explains the benefits of the merger and refutes each of Pfeifer and Flavin’s claims.

The site alleges that a “small group of people have hired paid solicitors” to induce registered voters to sign the anti-merger petition and claims the cost to taxpayers is decreased with annexation; if annexation fails, it says, “the cost for fire services will increase substantially, as much as \$1.4 million, according to an independent study by Citygate Associates.”

The plan involved more than three years of study.

Opponents have until Feb. 13, during the LAFCO protest period, to gather petition signatures from more than 25 percent of the Sausalito electorate — 1,254 signatures of 5,014 registered voters — and force an annexation ballot initiative on either the June primary or November general election.

A ballot initiative will cost taxpayers a range of \$1.50-\$2 per registered voter, or about \$10,000, Marin County Registrar of Voters Elaine Ginnold said.

Sausalito city officials, the mayor, City Council, officials from both fire department and LAFCO will hold a consolidation information session from 5-6:45 p.m. Feb. 7 at IDESST Hall, 511 Caledonia St., Sausalito. For more information, visit www.sausalitofirefacts.org.

Reporter Michelle Aschwald covers Strawberry and health care.