



NOVATO SANITARY DISTRICT

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August 12, 2026

The Honorable Judge Stephen P. Freccero
Marin County Superior Court
P.O. Box 4988
San Rafael, CA 94913-4988

Foreperson
Marin County Grand Jury
3501 Civic Center Drive, Room #275
San Rafael, CA 94903

Re: Response to Findings F1 through F8, and Recommendations R1 through R9, Grand Jury Report, *"Better Service at Lower Cost — Optimizing Essential Services for the Future of Marin"* dated June 11, 2026.

The Novato Sanitary District ("District" or "Novato Sanitary" or "NSD"), as a utility providing sanitary services in and about Novato, California, is required to respond to Findings F1 through F8, and Recommendations R1 through R9 of the subject Grand Jury Report (Report). We note that although a response to Finding F8 is requested, there does not appear to be a Finding F8 in the Report, and consequently our responses are limited to Findings F1 through F7.

The District Board of Directors met and discussed the Report in the open session portions of its following publicly noticed meetings, and in accordance with the notice, agenda, and open meeting requirements of the Ralph M. Brown Act:

- July 13, 2026, Board of Directors Meeting.
- August 10, 2026, Board of Directors Meeting.

The District's responses are provided below, and follow a format where each finding and recommendation is separately listed (in **bold font**) and responded to individually (with *responses in italics*).

Next Page →

Responses to Findings

F1. The current fragmented structure of special districts results in unnecessary duplication of administrative services and operational inefficiencies.

NSD Response to F1: Pursuant to Penal Code Section 933.05, subdivision (a)(2), the District disagrees partially with the finding as applied to Novato Sanitary District. The report makes countywide observations regarding special districts generally but does not identify facts specific to the District demonstrating unnecessary duplication or operational inefficiency.

The District acknowledges that the current structure of special districts in Marin County may appear superficially fragmented given the considerable variety of districts that are considered in the Report.

However, the District disagrees with the blanket assertion that these districts, which: (a) Were formed under different and distinct enabling legislation or statutes, (b) Provide distinctly diverse public services and facilities within the County, and (c) Are funded through a variety of revenue sources, result in an across-the-board duplication of services or operational inefficiencies. Even amongst agencies with similar enterprise services (such as sanitary districts), administrative and fiscal services and operational and capital needs will vary from district-to-district due to factors including, without limitation, geography, topography, size of population served, service area characteristics, regulatory permits and associated requirements, age of facilities, and anticipated growth within the service area.

F2. Some districts perform competently but lack sufficient scale to support long-term strategic investment in infrastructure, technology, staffing, and resilience.

NSD Response to F2: Pursuant to Penal Code section 933.05(a)(2), the District disagrees partially with the finding as applied to Novato Sanitary District. The District acknowledges that circumstances may vary among special districts, but the report does not identify facts specific to the District showing that it lacks sufficient scale to support long-term strategic investment.

The District acknowledges that “some” Marin districts can be perceived to struggle to be adequately resourced on these issues.

However, the reality is that these issues can range from a local concern to a nationwide crisis and are not limited exclusively to “smaller” entities. In fact, it is well known in the water and wastewater industry that there are many large wastewater agencies in California with significant aging infrastructure that face limitations on the rate and quantity of necessary repairs or replacements despite significant revenue and resources. All of this reality in the water space is validated and verifiable from the extensive work done and documented by (among others) the US Environmental Protection Agency (USEPA), the various State Water Boards in California, and by industry standards setting organizations such as the American Society of Civil Engineers (ASCE), the American Water Works Association (AWWA), and the Water Environment Federation (WEF).

F3. Smaller districts are disproportionately vulnerable to staffing disruptions and catastrophic events that could rapidly impair service delivery.

Response to F3: Pursuant to Penal Code section 933.05(a)(2), the District disagrees partially with the finding as applied to Novato Sanitary District. The report does not identify facts specific to the District demonstrating disproportionate vulnerability to staffing disruptions or catastrophic events.

The District acknowledges that "smaller"⁽¹⁾ districts (or public agencies) in general can be perceived to be uniquely vulnerable to these issues. However, the reality is that these issues can be (and typically are) addressed by strategies and best practices that can be implemented to better respond to these issues. Also, regardless of size, the cost of living and competition from other market sectors have impacts on staffing to all Marin agencies (or elsewhere).

Along these lines, the District with many other California water and wastewater agencies, is a member of the California Water/Wastewater Agency Response Network (CalWARN). This membership allows for collaboration among regional agencies for catastrophic events, emergency preparedness, disaster response, and mutual assistance. The District is also a member of the California Utilities Emergency Association (CUEA) that works to ensure regional reliability and resilience of utility systems across California.

⁽¹⁾ It is not clear from the Report what defines or constitutes a "smaller" district, as the term is not defined.

F4. Although consolidation is a popular idea among many elected board members, current governance structures, absence of board member term limits, and fear of loss of political influence discourage boards and administrators from initiating consolidation even when they recognize its benefits.

Response to F4: Pursuant to Penal Code section 933.05(a)(2), the District partially disagrees with the finding as applied to the Novato Sanitary District. The report does not identify facts specific to the District supporting the conclusion that the District, its Board, or its administrators have been discouraged from considering consolidation because of governance structure, absence of term limits, or fear of loss of political influence.

Specific to the District, NSD is the only Marin sanitary district that may be considered of a significant enough scale under generally accepted industry parameters such as population served, service area size, assets under management, etc., that is vertically integrated (or functionally consolidated) across the services it provides. In other words, unlike the Southern and Central portions of the County where many agencies exist to provide different but complementary aspects of sewer service, the Novato Sanitary District is already a single, integrated sewer and solid waste utility that addresses all aspects of public sewerage and solid waste services in Northern Marin.

As such, under generally accepted industry practices, it is already considered well organized across its functions by peer agencies and diverse, independent third-party evaluators such as S&P Global, the Government Finance Officers Association (GFOA), the National Association of Clean Water Agencies (NACWA), as well as regulators such as the USEPA, State Water Boards,

the Air Board, etc. through their periodic evaluations of the District's practices and compliance records.

F5. Service and pricing inequities currently exist across Marin and may increase if consolidation and functional collaboration do not accelerate.

Response to F5: Pursuant to Penal Code section 933.05(a)(2), the District partially disagrees with the finding as applied to the Novato Sanitary District. The report identifies differences in service fees among agencies, but it does not establish that the District contributes to inequitable service or pricing outcomes.

The District acknowledges that pricing variabilities exist in the context of special districts, and more particularly sanitary districts, in Marin County.

However, the District could not find information in the Report to substantiate this finding (especially on service inequities), other than a limited comparison of sewer service charges across Marin, and a comparison of water rates between the North Marin Water District (NMWD) and the Marin Municipal Water District (MMWD). There are many variables that affect actual rates and charges for services provided, including geography, topography, demography, and environmental factors, that aren't necessarily eliminated by consolidation. Many agencies have other sources of revenue such as significant ad valorem property taxes or property lease revenues in addition to "rate revenue" which was the only type of revenue highlighted in the report. In many instances, only one element of a special district's revenue, such a sewer service charge, is used to compare similar charges from other agencies which can be misleading. The District further notes that rates, fees, and charges are subject to the requirements of Propositions 218 and 26, which impose significant legal constraints on the establishment and use of utility revenues. Consequently, differences in rates and charges may reflect legitimate differences in the cost of providing service rather than inequitable pricing outcomes. See response to Finding F2 above for additional information.

More specifically, and as referenced by the Report, NSD has (by far) the lowest sewer service charges in Marin County.

F6. Performance metrics for essential, mission-specific services exist but they are not readily available and standardized, which prevents meaningful public comparison of district effectiveness and undermines accountability.

Response to F6: Pursuant to Penal Code section 933.05(a)(2), the District partially disagrees with the finding as applied to Novato Sanitary District. The District supports transparency and public accountability, but the report does not identify specific District performance metrics that are unavailable or explain how the District's existing public information prevents meaningful public review.

Further, the District follows, meets, or exceeds generally accepted industry practices, performance metrics and standards, and regulatory requirements within its own industry. These practices, metrics, and standards are produced by credible metrics, ratings, or performance standards setting entities for our industry or related business areas, for example, USEPA, State Water Boards, GFOA, S&P Global, Municipal Finance Officers Association, Bay Area Clean

Water Agencies (BACWA), WEF, AWWA, etc. These metrics and our benchmarking and/or compliance against these metrics and requirements are documented in our regulatory and compliance filings, on our website, and reported out in public meetings of the District Board of Directors on a monthly, quarterly, or annual basis.

F7. Without proactive reform, future consolidations are more likely to occur through crisis-driven intervention, resulting in greater disruption and higher costs.

Response to F7: Pursuant to Penal Code section 933.05(a)(2), the District wholly disagrees with the finding as applied to Novato Sanitary District. The finding is predictive and the report does not identify facts specific to the District demonstrating that future consolidation involving the District is likely to occur through crisis-driven intervention.

Responses to Recommendations

R1. By January 1, 2027, all special district boards should have conducted their first semi-annual consolidation exploration meeting with similar districts and will have established a regular meeting schedule moving forward.

Response to R1: Pursuant to Penal Code section 933.05(b)(4), the recommendation will not be implemented because it is not warranted or is not reasonable as applied to the Novato Sanitary District, as the District is already a single integrated utility. The District will continue to evaluate opportunities for collaboration, shared services, and operational improvement where doing so would benefit District ratepayers. The District does not commit to the specific semiannual consolidation meeting structure recommended in the report unless the NSD Board determines that such meetings are appropriate and useful for the District.

As explained in the Response to Finding F4, and unlike the Southern and Central portions of the County where many agencies exist to provide different but complementary aspects of sewer service, the Novato Sanitary District is already a single, integrated/consolidated sewer and solid waste utility that addresses all aspects of public sewerage services in Northern Marin.

In addition, the District collaborates extensively with a number of other special districts in its space. There are many examples of resource and cost sharing across related agencies.

For example, at a statewide level, the District is a founding member of the California Sanitation Risk Management Agency (CSRMA), a statewide Joint Powers Authority that handles all aspects of insurance and risk management for over 60 sanitation, sanitary and water districts across California (including the District) and where the District’s General Manager serves as President of the Authority’s Board of Directors.

At the County level, the District and the Central Marin Sanitation Agency (CMSA) in San Rafael have a shared Safety Program with a single individual serving as the Safety Director for both entities. NSD and CMSA also share staff in an arrangement where CMSA staff manage a portion of NSD’s pretreatment (dental amalgam) program.

At the local level, the District and North Marin Water District (NMWD) cooperate extensively within our service areas. NSD and NMWD have a joint recycled water program with NSD serving as the recycled water producer and NMWD serving as the distributor. The two districts

also share highly specialized laboratory and water quality testing staff and facilities through a formal agreement, enabling both agencies to efficiently maintain technical capabilities and regulatory compliance. The District's longstanding relationship with NMWD illustrates that functional collaboration among independent special districts can and does occur when it provides a clear operational, financial, or public benefit.

Also, several years ago, all of the Marin wastewater treatment agencies combined their efforts and created an award winning (both locally and State-wide) public education program, which serves as a model for other counties across the state. Also, the Marin Association of Sanitary Sewer Supervisors (otherwise known as MASS) meets at least monthly to address and discuss common issues. We expect to continue to cooperate with each other, and NSD will continue to remain alert for and open to any opportunities for greater collaboration and cost reduction.

R2. By October 1, 2026, the Board of Supervisors should direct the development of comprehensive, cost-efficient shared services (such as IT, legal, finance, HR/payroll, harmonized compensation/benefits package, insurance) for special districts to optimize expenses and secure a Marin-wide acceptable quality standard. First limited-service offerings are encouraged to be made available by January 1, 2027.

Response to R2: Pursuant to Penal Code section 933.05(b)(4), the recommendation will not be implemented because it is not warranted or is not reasonable as applied to the Novato Sanitary District. This recommendation is directed to the Board of Supervisors. The District will review any shared service offerings made available and will consider participation where the District determines that participation is lawful, cost-effective, and in the best interests of District ratepayers.

As noted in the responses to Finding F4 and Recommendation R1, the District is already a single, integrated/consolidated sewer and solid waste utility that addresses all aspects of public sewerage and solid waste services in Northern Marin, including the ability to cost-effectively handle related business services such as IT, legal, finance, HR/payroll/comp/benefits, and insurance,) and moreover does so while having the lowest rates by far for its services. That said, the District remains open to considering shared services with the County if strategically beneficial to the District.

R3. By January 31, 2027, with the assistance of the County, all districts should develop and publish on their website standardized, comparable Key Performance Indicators (KPIs) with regard to service pricing, finance, staffing, operations, and customer satisfaction.

Response to R3: Pursuant to Penal Code section 933.05(b)(4), the recommendation will not be implemented because it is not warranted or is not reasonable as applied to the Novato Sanitary District. The District will consider appropriate performance information for publication and will evaluate any County-supported standardized KPI framework if one is developed. The District does not commit to adopting KPIs that have not yet been defined or determined to be appropriate for sanitary district operations.

The District's mission is to provide sewerage and solid waste services to its customers and comply with various state and federal regulatory requirements specific to these services. These requirements include compliance with certain metrics and associated performance indicators

which have no application to other special districts that provide different services. There are numerous state laws (and associated case law) as well as industry methods and standards related to the setting and establishment of sewer service and solid waste charges and fees that do not apply to other types of services offered by other special districts. For example, attempting to standardize the District's requirements and performance with a fire protection district, recreation district, or paramedic authority would not be a meaningful exercise or be beneficial to the public. (See also Response to Finding F6 for more information).

R4. By January 31, 2027, each district should publicly update findings and progress regarding consolidation opportunities, and share those findings with the Board of Supervisors and the public on a semi-annual basis.

Response to R4: Pursuant to Penal Code section 933.05(b)(4), the recommendation will not be implemented because it is not warranted or is not reasonable as applied to the Novato Sanitary District, as the District is already a single integrated utility. The District will report publicly on material collaboration or consolidation matters when such matters are before the NSD Board or otherwise appropriate for public consideration. The District does not commit to semiannual reporting on consolidation opportunities absent an NSD Board-directed process or identified opportunity warranting such reporting.

As further explained in the Response to Finding F4, and unlike the Southern and Central portions of the County where many agencies exist to provide different but complementary aspects of sewer service, the District is already a single, integrated/consolidated sewer utility that addresses all aspects of public sewerage and solid waste services in Northern Marin.

Also, the District's over 100-year history of cost-effective services, as supported by its public information efforts, is quite well known and accepted in the Novato/North Marin area by ratepayers and community leaders. That said, and as noted in the Response to Recommendation R2 above, the District remains open to considering shared services with the County if strategically beneficial to the District.

R5. By January 31, 2027, the Board of Supervisors should oversee compliance with R1–R4 and update the public on the districts' performance.

Response to R5: Pursuant to Penal Code section 933.05(b)(4), the recommendation will not be implemented because it is not warranted or is not reasonable as applied to the Novato Sanitary District. This recommendation is directed to the Board of Supervisors.

Novato Sanitary District is an independent special district organized in 1925 under the Sanitary District Act of 1923, California Health and Safety Code Section 6400 et seq., and is governed by its elected Board of Directors. The District will comply with applicable law and will consider any lawful County request for information in that context.

R6. By October 1, 2026, in the process of implementing R1 and R2, districts should prioritize functional consolidation in operations, procurement, training, and administration as a precursor to formal consolidation.

Response to R6: Pursuant to Penal Code section 933.05(b)(4), the recommendation will not be implemented because it is not warranted or is not reasonable as applied to the Novato Sanitary District, as it is predicated by recommendations R1 and R2—recommendations that will not be implemented because each is not warranted or is not reasonable as applied to the District. The District will continue to consider functional collaboration in operations, procurement, training, and administration where doing so is lawful, operationally sound, and beneficial to District ratepayers. The District does not agree that functional collaboration must be treated as a precursor to formal consolidation

R7. By October 1, 2026, the district's board compensation, benefits, length of service, date of term end, and expenses related to board work should be clearly and prominently posted on each district's website and updated annually.

Response to R7: Pursuant to Penal Code section 933.05(b)(1), the District considers that it has implemented this recommendation.

- (a) *The District Board's compensation, benefits, and expenses are located on its website under the "Board Compensation Information" heading at the following link:*

<https://novatosan.com/about/compensation-and-benefits/>:

- (b) *The information on the length of service and date of term end, along with initial election (or appointment) year and Board member Bio, is located on the District's website under the "Board of Directors" heading, sub-heading "Board Members" at the following link:*

<https://novatosan.com/about/our-board/>

R8. By June 1, 2027, special districts should adopt term limits of two consecutive four-year terms for all board members. Staggered implementation of term limits to avoid disruptions is encouraged.

Response to R8: Pursuant to Penal Code section 933.05(b)(4), the recommendation will not be implemented because it is not warranted or is not reasonable as applied to the Novato Sanitary District.

The District Board of Directors has considered the recommendation and determined that adopting term limits would not benefit the public or the District at this time. The District currently has a balance of long-serving and newer Board members, providing both institutional knowledge and continuity, as well as fresh perspectives and new ideas. The Board's current composition reflects a range of experience levels and tenures, and it has not identified any governance issue that would be addressed through the adoption of term limits.

The District also notes that, following the transition from at-large elections to division-based elections, barriers to seeking election to the Board have been reduced by allowing candidates to compete within smaller geographic districts. The District believes this structure promotes meaningful electoral opportunities while preserving voter choice.

In addition, the District provides highly specialized public utility services that are narrow in scope, technically complex, capital intensive, and subject to extensive state and federal regulatory requirements. Over time, Board members develop substantial knowledge regarding

wastewater operations, infrastructure planning, environmental compliance, public finance, and utility governance. The District believes that retaining the ability of voters to elect experienced directors, while also allowing new candidates to seek office through the regular electoral process, best serves the interests of District ratepayers and the public.

R9. By June 1, 2027, board compensation structures should be reviewed across districts, and considered for adjustment. All components of board compensation should be posted on their website (see best practice example in Appendix B).

Response to R9: Pursuant to Penal Code section 933.05(b)(1), the District considers that it has implemented this recommendation.

At its regular Meetings in May, June, and July, 2026, the District Board reviewed and modified its compensation policies and procedures into a new Ordinance No. 125 which codifies updates to Board compensation consistent with the California Government and Water Codes. In doing so, the Board reviewed compensation policies and practices across Marin County agencies, and settled upon a stipend amount at about the median of surveyed agencies. This Ordinance is scheduled to take effect in October 2026. A copy of the Ordinance is available under the Board tab of the District's website www.novatosan.com.

The District's website also includes detailed Board compensation related documents and annual summaries of compensation provided are located on its website under the "Board Compensation Information" heading at the following link:

<https://novatosan.com/about/compensation-and-benefits/>

The most recent summary document titled "Summary of Board Fees, Benefits, Reimbursement, and Expenses For Calendar Year 2025", at the above link and also at the following link:

<https://novatosan.com/doc/10959/>

It should be noted that the District has published on its website a S "Summary of Board Fees, Benefits, Reimbursement, and Expenses" at the close of each calendar year on the "Board Compensation Information" page on the Districts website, available at the following link:

<https://novatosan.com/about/compensation-and-benefits/>

In closing, the District acknowledges the Grand Jury's efforts in preparing this Report. Please feel welcome to contact us if you have any questions or require additional information.

Very truly yours,



A. Gerald Peters
President, Board of Directors,
Novato Sanitary District
