**FINDINGS OF THE**

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**

**APPROVING**

**PUBLIC FACILITIES LEASE**

**I. INTRODUCTION**

The following Findings are hereby adopted by the Board of Directors (the **“Board”**) of the Sleepy Hollow Fire Protection District **(**the **“District”**) pursuant to Sections 13800 *et seq*. of the California Health and Safety Code (the **“Code”**) including, without limitation, Section 13861. These Findings are adopted, and incorporated by reference, in District Resolution 2018-3 dated November 17, 2018, attached hereto, approving the lease by the District of certain public facilities (the **“Lease”**) at the planned Sleepy Hollow Community Center (the **“Project”**). The Lease is between the District and the Sleepy Hollow Charitable Foundation (**“SHCF”**), with the consent of the Sleepy Hollow Homes Association (**“SHHA”**).

The District has determined and finds that, pursuant to the implementation of the District’s *Strategic Plan 2017* (the **“Strategic Plan”**), centralized office, storage, training, and meeting space and emergency power, water, and shelter facilities are needed and are reasonably necessary to support District initiatives in response to local climatic, geographic, and topographic conditions and other considerations. These findings are based primarily on the *Staff Report to Sleepy Hollow Fire Protection District Board of Directors -- Potential Real Estate Lease with Sleepy Hollow Homes Association/Sleepy Hollow Charitable Foundation* dated October 7, 2018(the **“Staff Report”**)**.** The Staff Reportprovides a comprehensive evaluation of the Lease, including certain essential terms of the Lease, the need for the Lease, the financial and budget impacts of the Lease, and alternatives to the Lease. The Strategic Plan and the Staff Report are each incorporated by reference in these Findings.

The Findings contain the following sections: Section II is the Description of the Record. Section III is a profile of the District. The Lease is described in Section IV. Section V explains the need for the Lease and Section VI describes the public process by which the Lease has been considered. Section VII enumerates the Findings. Section VIII contains the Conclusion.

**II. DESCRIPTION OF THE RECORD**

The minutes of public meetings of the Board at which the Lease and/or alternatives to the Lease were considered, a copy of all letters and electronic messages received during the public review period, the administrative record, and background documentation of the Lease are located at the residence of the Director/Secretary at 1040 Butterfield Road, San Anselmo, California. The Director/Secretary is the custodian of record.

The Findings are based on substantial evidence contained in the record before the Board. For ease and clarity of reading, specific citations to information in the record upon which each Finding is based may have been omitted. In all instances, however, these Findings are based on the information contained in the Staff Report, as supplemented with information provided by the District and by interested parties, and reasonable inferences drawn from such information, identified below. Much of this information was cited in the Staff Report; all of this information has been and will continue to be available for public review at the Secretary’s residence or elsewhere by arrangement.

The record before this Board includes, without limitation, the following items associated with the Board’s consideration and approval of the Lease: All meeting agendas, minutes, and reports to the Board and all related attachments, references, and material kept in the ordinary course of business; all staff and public reports and memoranda kept in the ordinary course of business providing substantial evidence to support these Findings; and all public notices and notices of public meetings at which the Lease was considered and approved.

**III. PROFILE OF THE DISTRICT**

The District is an autonomous Special District of the State of California responsible for fire protection and emergency services in the unincorporated community of Sleepy Hollow in Marin County. The District was created in 1949 by resolution of the Marin Board of Supervisors at the behest of early residents and subsequently authorized and empowered by the State of California. The District’s goal is to provide the highest level of fire protection and emergency services available in a cost-effective manner.

The District is governed by a non-partisan, publicly-elected Board of Directors comprised of three layperson residents who are registered voters. The current Directors have resided in the District for 37, 24, and 45 years and have served on the Board for 10, 19, and 1 year(s), respectively.

The Directors’ terms are for four years to ensure high accountability to voters and are staggered to ensure continuity. Board membership has been remarkably stable for the past 40+ years, with Directors serving an average of 12 consecutive years prior to leaving office. Such longevity reflects the Directors’ commitment to the District’s long-term health and survival. It also provides perspective and institutional memory, both of which are instrumental to meeting the District’s challenges in the best interests of the residents.

Since its founding in 1949, the District has relied on its Directors’ use of their private residences and resources to conduct the District’s business and to house its books, records, equipment, and supplies. The District maintains no office or facilities within the District or elsewhere, employs no direct staff, and pays no such direct staff salaries or benefits. The Directors personally absorb the out-of-pocket costs associated with performing their official duties, providing constituent services, and managing District programs.

Directors receive compensation for their attendance at Board meetings, which take place quarterly and at other times as needed. Directors also receive compensation for each “day-of-service”, which typically entails the representation of the District at a public meeting or hearing conducted by another public agency. Directors receive no compensation for managing the District’s everyday affairs or for carrying out District programs.

Notwithstanding its traditional low profile, the District does not go about the public’s business undetected. All public meetings of the District are held at the centrally located Community Center, which the District rents from the SHHA as needed. The public is welcome at all meetings except with respect to matters which the Board determines may fall under certain exceptions under the Brown Act. From 1949 until 2013, public meetings were held at the Directors’ private residences on a voluntary basis and publicly noticed. Public participation at Board meetings has been integral to the District’s success.

None of the current Directors is a member of the SHHA or SHCF and therefore the Directors are untainted by any actual or potential conflict of interest in connection with the Lease.

**A. Location**

The District is located in the northern portion of the Ross Valley in central Marin County. The placement of commercial development in the Ross Valley has been limited to the Valley floor with residential communities extending out and up into the steep canyons and hills which surround the Valley on three sides. Travel into and out of the Valley is accomplished through two-lane roads, which are the main arteries of commuter traffic to Bay Area commercial centers.

The District covers an area of 3.38 square miles (approximately 1,610 acres) with a resident population of approximately 2,100. The District encompasses approximately 870 residences, a substantial number of outbuildings (including barns, stables, greenhouses, studios, and Accessory Dwelling Units), one public school, one private school (with residential and equestrian facilities), one community clubhouse and pool, and extensive publicly-accessible dedicated open space, all surrounded by a lengthy wildland-urban interface (**“WUI”**). The District is essentially a “county island” moated by incorporated municipalities, with jagged borders and cut off from the rest of the unincorporated areas within Marin.

For public safety purposes, the District is unfavorably situated. It is effectively enclosed in a narrow, WUI-encircled box canyon that limits ingress and egress to a single route (Butterfield Road). To its east, the District abuts the dedicated Terra Linda/Sleepy Hollow Divide Open Space (1,168 acres) and to its north and west, the District abuts the Loma Alta Open Space Preserve (484 acres). In addition, open space easements straddle the boundary between the District and the Town of Fairfax. Within the District, the 540-acre San Domenico School campus, which lies at the end of Butterfield Road, is entirely forested wildland with the exception of approximately 10 acres on which the School’s classroom, residential, athletic, equestrian, and performance facilities are clustered. The District’s relative isolation combined with its limited accessibility exacerbates its public safety challenges.

**1. Physical Features**

The physical features in and around the District are a source of enjoyment for District residents. The hills and valleys give a natural beauty to the area with forested hills and golden yellow meadows leading up to them. These geographic features form the backdrop for the residential and school sites and dictate the locations of roadways and building locations. These features also create barriers, which negatively affect accessibility and influence fire behavior during major conflagrations. Many structures (new and old) are constructed of highly combustible material, which offer little resistance to fire and could contribute to the spread of fire. For practical and cost reasons, new structures are built of wood (Type V) construction. The potential for conflagration exists with the density of the various specific areas of the District. The concentrated residential occupancies cause concern when considering the “exposure” elements of buildings to the grass and brush areas of the District.

**2. Seismic Zone**

The District lies within the recognized Seismic Zone #4, which is the most dangerous zone. While the area has experienced several significant seismic events, there has been a minimum of damage. The District sits between two active earthquake faults (San Andreas and Hayward) and numerous potentially active faults. The potential for great damage exists, and must be considered as a real threat to be planned for.

**3. Roads and Streets**

The District is served by a single main access road from a single direction. Several District areas have limited roadways and escape routes. The District’s numerous narrow, winding dead-end roads, including private access roads, result in access problems and extended travel times. The accessibility for fire department apparatus is of concern due to the lack of turnouts and tight roadway widths which increase response time.

**4. Topography**

The District, and the Ross Valley Fire Department’s (**“RVFD”**)service area, is a conglomeration of oak plains, hills, valleys, and ridges. The flatter lands are found in the center portion of the District and approximately one-half of the residential development is in this area. The other half of the residential development consists of hillsides with slopes ranging from approximately 15-30% to 30+%. These hazardous conditions present an exceptional and continuing fire danger to the residents of the District due to the difficulty of the terrain and topography of the area, much of it consisting of box sub-canyons with steep, brush-covered slopes; narrow winding streets used by residents of the District and the RVFD for ingress and egress, steep hills which hinder RVFD response time; older and inadequate water systems in certain areas of the District; and the location of buildings and structures with relation to these dangerous areas.

The water supply for domestic and fire-flow systems within the District are directly affected by the topographical layout. The supply of water comes from lakes, which are managed by a public utilities district responsible for maintaining an adequate supply. The water distribution system within the District is old in some areas served by mains, which are inadequate in size to provide water for fire protection. The valley floor is served by mains which contain an exceptionally large volume of water for fire protection. The District has a base elevation of approximately 35 feet and extends to areas in excess of 900 feet above sea level.

**5. Vegetation**

The District has within its borders and along its boundaries significant areas of grass, brush, and heavily forested lands. In addition, the natural vegetation of the area has been altered by the addition of ornamental trees and shrubs, which are not native and add fuel around the houses and buildings of the community. The south-facing exposure is primarily annual grasses, highly flammable brush, with occasional clumps of bay and oak trees in the more sheltered pockets. The north-facing slopes are heavily wooded from lower elevations to ridgetops with oak and bay trees and minor shrubs of the general chaparral class. Expansion of the residential community into areas of heavier vegetation has resulted in homes existing in close proximity to dense natural foliage. Often, such dwellings are completely surrounded by highly combustible vegetation compounding the fire problem from a conflagration point of view. Of particular recent notice is the increase in dead-down fuel and ladder accumulation directly associated with Sudden Oak Death Syndrome.

The desire of the community to preserve natural vegetation has resulted in the encroachment of brush and grass on fire roads, trails, breaks, and streets within the District, thus rendering such separations ineffective against the spread of fires and safe egress. Natural growth, which is highly flammable during the drier months of the year, encroaches upon many properties, thus posing a potential fire threat to many structures and creating a substantial hindrance to the control of such fires.

The Board recognizes the fact that Marin County, and the District in particular, has been plagued many times during the past 150 years by brush and forest fires which not only threaten destruction, but on a number of occasions devastated large portions of local communities. The local conditions increase the magnitude, exposure, accessibility problems and fire hazards presented to residents and to the RVFD. Fire following an earthquake has the potential of causing greater loss of life and damage than the earthquake itself.

During times of intense rainfall, flooding and landslides have occurred which have destroyed structures and threatened lives. Within the past decade, these events have caused the local government to declare disasters and seek State and Federal assistance. Several other variables may tend to intensify an incident, such as the extent of damage to the water system; the extent of roadway damage and/or amount of debris blocking the roadways; climatic conditions (hot, dry weather with high winds); time of day will influence the amount of traffic on roadways and could intensify the risk to life during normal business hours; and the availability of timely mutual aid or military assistance.

**B. Fire Protection Services**

The District receives fire protection services from the RVFD, a consolidated fire protection agency owned by a Joint Powers Authority comprised of the District and the nearby Towns of San Anselmo, Fairfax, and Ross. The RVFD operates four stations with 33 fire personnel having diverse responsibilities including wildland, urban, and paramedical.

The District holds a 12.8% interest in the RVFD Joint Powers Authority and annually must pay an amount equal to 12.8% of the RVFD’s annual operating expenses. In Fiscal Year 2018-19, that 12.8% interest equates to approximately $1,100,000.00. The District’s annual cost increases in the same ratio with the RVFD budget. This cost-sharing is funded from the District’s share of the base property tax levied on properties within the District, which per Proposition 13 is a 1% base rate. The District’s share of that 1% base property tax is a fixed 17%, or $0.17 per property tax dollar collected.

Unlike many Marin cities and towns, the District levies no additional “safety tax” or service charges to fund its operations. San Domenico School, a tax-exempt school within the boundaries of the District, voluntarily makes annual payments to the District for services provided by the District.

**C. Paramedic Services**

The District receives paramedic services from the Ross Valley Paramedic Authority (the **“RVPA”**), a separate Joint Powers Authority operated by the District, the County of Marin, and seven municipalities in the Ross Valley. The RVPA’s fire department-based paramedic service is funded primarily by a special tax that has been re-approved District voters every four years since 1982. The current maximum tax is $75.00 per taxable living unit or per 1,500 square feet of structure on a developed parcel in non-residential use. The tax is subject to a $4.00 annual increase and re-approval by District voters in 2022.

**D. Operating History**

The District’s current condition and finances are perhaps best understood through its unique 70-year operating history.

The District is charged with protecting a vulnerable outlying community, but in doing so is dependent on a single source of revenue and a single service provider, both coming from outside the District. The District’s paramount challenge is to ensure that neither the revenue stream nor the services that the revenues fund are disrupted. As a result, fiscal prudence dictated that activities other than maintaining basic fire protection services were traditionally assigned lower priority and pursued only infrequently and cautiously. Thanks to an historic and well-timed agreement with the two adjacent Towns in 2010, the District has recently adopted a more proactive and comprehensive approach to improving the District’s fire safety and preparedness for the benefit of District residents.

**1. Early Years (1949-1956)**

At its inception in 1949, the District received fire protection services primarily from the Marin County Fire Department **(“MCFD”**), which was created eight years earlier in 1941. The MCFD station nearest to the District was, and remains, in Woodacre, an unincorporated community located in the San Geronimo Valley in west Marin County. As the post-war Sleepy Hollow community grew, the lengthy response time from Woodacre, exacerbated by restrictive mutual aid (i.e., the nearest fire station is dispatched to an incident regardless of city/county lines) then available from the adjacent Towns’ fire departments, was no longer acceptable. Concerns about the 7.6 mile distance that the MCFD travelled to respond to emergencies within the District – which required passing through the Towns of Fairfax and San Anselmo -- led the District to seek first-response fire protection services from a fire department in closer proximity.

**2. Town of San Anselmo Contracts (1956-1982)**

In 1956, the District signed the first in a series of agreements for first-response fire protection services with the Town of San Anselmo, which operated the San Anselmo Fire Department (**“SAFD”)** and shares a boundary with the District. During this first contract period, the District paid the Town a share of all SAFD expenses in proportion to the assessed value of the properties within the District. The District was merely a contract customer of the Town, without any role or representation in directing the SAFD’s operation.

This initial era of good relations between the parties began to fray in 1970. The Town demanded a new, second contract that called for the District to pay substantially higher fees, citing the construction of San Domenico School in the District as justification. When the District resisted, the Town threatened to terminate service to the District, knowing that the District had no viable option for obtaining such services elsewhere. Lacking negotiating leverage, the District had no choice but to capitulate, and signed the contract with San Anselmo under protest due to the significant fee increase imposed.

In 1975, the Town again pressed the District for substantially higher fees in a proposed third contract, demanding payment based upon assessed value plus 5%, as well as a share of the Town’s capital costs for Station 20, which the Town had opened in 1961 approximately one-half mile from the District. The Town again threatened to terminate services if the District did not agree.

Faced with an unacceptable risk, the District placed on the local ballot a resolution to collect a special tax to fund the construction, if necessary, of an in-District, District-owned fire station staffed by MCFD personnel. A plot of land was identified and plans were drawn up. District voters approved the special tax but it was never collected, as the District determined that the prudent course was to submit to the Town’s demands rather than risk an interruption in fire protection services. (This was the event that led the District to establish its initial financial reserve as a hedge against possible future inability or unwillingness of San Anselmo to renew the District’s contract. Ever since, the District’s reserves have been regularly reviewed to ensure that those reserves are sufficient to allow the District to continue to provide its own fire protection services, if necessary.)

The period from 1976 to 1980 was an all-time low in relations between the District and San Anselmo, marked by constant disputes over charges that the Town unilaterally imposed on the District. The Town’s repeated financial demands drove the District to the brink of insolvency. With no alternative but to comply, the District faced an existential crisis.

The passage of Proposition 13 in 1978 established a reliable income stream for the District but the District’s income was dramatically reduced from 24% of assessed value to 17%. In response, District voters in 1979 passed another special tax to replenish the District’s depleted reserves but, once again, the tax was never implemented. Faced with the expensive prospect of the District setting up its own fire service, and reeling from its own Proposition 13 cuts, the Town offered a new contract based on a novel formula: 23% of the SAFD’s labor costs. The District reluctantly agreed but the relationship remained strained given the lack of transparency in the Town’s labor cost calculations.

**3. Non-Voting Membership in RVFD (1982-2010)**

In 1982, the Towns of San Anselmo and Fairfax formed the RVFD using a Joint Powers Authority as the vehicle. The new RVFD succeeded the SAFD as the District’s fire service provider. However, the Towns retained ownership of their respective fire stations. Each Town received two voting seats on the RVFD’s Board of Directors. The District was allotted a single, non-voting seat as the RVFD’s sole legacy contract customer.

Insecure financially and still at the mercy of the Towns for fire services, the District sought to reduce its vulnerability by preserving any excess cash so as to enable the District to establish its own fire service, if necessary. Through a fortuitous combination of fiscal discipline, interest earnings on reserves, and a period of unprecedented appreciation in District property values, the District began to slowly accumulate reserves. Those reserves were designated in the District’s annual budgets for possible land and construction costs, fire equipment purchases, and fire department start-up expenses.

Over the ensuing years, the District’s subservient status within the RVFD remained unchanged. The Towns rejected out-of-hand a 2002 proposal by the District to become a full voting member of the RVFD. In 2004, the Towns put off any discussion of District voting membership pending resolution of the State budget crisis and Fairfax's dire financial situation. At the same time, San Anselmo sought to increase the District’s service fees to 25% of RVFD labor costs in exchange for promising not to close Station 20 upon which the District relies. In 2007, the Towns agreed to consider the possibility of upgrading the District to full voting membership but proposed harsh preconditions, including the sharing of the District’s accumulated reserves and mandatory District contributions to the maintenance of the Town-owned fire stations and to the RVFD’s unfunded pension obligations.

**4. Full Voting Membership in RVFD (2010-present)**

The Towns’ intransigence eventually led the District to solicit from the MCFD a formal proposal to staff and operate a new District-owned fire station in Sleepy Hollow. Upon learning of the District’s proposal and that the District had built up sufficient reserves to fund its own fire service, the Towns quickly agreed to reconsider District voting membership in the RVFD. Painstaking, multi-year negotiations commenced, culminating in 2010 in the District’s accession to full RVFD membership, including two Board seats with voting rights and a 16.7% share of the RFVD’s pre-existing assets and liabilities. The District’s status within the RVFD was thus secured and the need for a District-owned fire service was averted. Decades of service vulnerability and financial uncertainty came to an end.

Two years later, in July 2012, the Town of Ross likewise joined the RVFD, thereby diluting the District’s RVFD stake to 12.8%, but with one crucial exception. As a condition to joining, Ross demanded and received immunity from responsibility for any pre-existing RVFD unfunded pension and Other Post-Employment Benefits **(“OPEB”**) liabilities. In exchange, Ross retained exclusive responsibility for all pre-existing and future liabilities accrued during its operation of the former Ross Fire Department. As a consequence, the District still bears a 16.7% share of the RVFD’s pension and OPEB liabilities but owns a 12.8% share of the RVFD for all other purposes.

Today the RVFD JPA is a successful “inter-species” arrangement between and among one special district and three municipalities. The four fire stations from which the RVFD currently operates remain owned by the Towns and by not the RVFD or the District.

**E. Current Financial Conditions and Outlook**

Self-imposed austerity, an increase in assessed property values, and strategic patience has today placed the District in an enviable financial position. A condensed view of the District’s audited financial activities for the fiscal year ended June 30, 2017 shows that:

* The District’s liquidity position remains healthy. The District’s net position increased by $288,000 during 2017.
* Comparing actual activity with amounts budgeted yielded a net positive variance of approximately $44,000.
* The District typically maintains on hand not less than $100,000 in cash as working capital to cover recurring ordinary expenses.
* The District’s financial reserves remain healthy and stable. Assigned and Unassigned reserve fund balances held in the Marin County Investment Pool increased to over $4 million.
* The District maintains a stable financial position without an increase in the property tax rate.
* No new or significant impacts that would adversely affect the District’s finances in the foreseeable future are identified.

In FY2018-19, the District’s financial performance to date has been stronger still. As in recent years, the District’s cash position has steadily increased and its financial reserves continue to grow. Target levels are discussed during each Regular Meeting of the Board based on a quarterly Financial and Operations Report and again during the annual budget process.

The District’s net income is sufficient to cover both its recurring expenses and the monthly rent under the Lease without the need for additional taxes, fees, or budget reductions. Under the Lease, the rental payments are flat, simplifying the District’s budgeting. By excluding rent increases for fluctuations in the cost of living, market conditions, interest rates, or the Landlord’s expenses, the District’s cost exposure is fixed. As a result, the District’s rental expense will likely remain below-market over the entire 15-year term, thus mitigating any overpayment risk.

At the same time, District revenues have for the past decade been increasing by 4-5% annually, thanks to increases in property tax revenues resulting from reassessments following sales of residences in the District. Also at the same time, RVFD expenses have increased by a lesser amount, typically 3-4% annually, due to the Towns’ self-imposed financial constraints. The net positive difference between District’s annual revenues and its RVFD cost-sharing payment provides a financial cushion that enables affordability of the Lease from net income without having to consider utilizing any District reserves. The Board believes that District property tax revenues will continue to outpace its RVFD expense for the foreseeable future.

**F. Progress in Implementation of the 2017 Strategic Plan**

After decades of frugality and caution, and freed from the need to periodically negotiate for its fire protection services, the District immediately pivoted to a more activist approach. By conducting an extensive public input process, the District developed its first formal Strategic Plan in 2010. The Strategic Plan established certain objectives to increase the level of safety, reduce the level of exposure to citizens, and protect buildings, landscaping, and undeveloped spaces. Accumulated financial resources were re-purposed for implementing the Strategic Plan’s objectives.

The Strategic Plan was updated with more public input in 2017 and reflects the District’s current priorities. By way of example, the District has lately devoted resources to the following broad range of activities:

* Commissioned and made available to all residents a detailed 108-page comprehensive assessment of the specific risks and hazards associated with wildfire in the District entitled *Sleepy Hollow* *Wildfire Hazard Mitigation Assessment*. The *Assessment* recommends multiple mitigation projects over the coming five years.
* Updated the District’s Strategic Plan based on the recommendations and analyses in the *Assessment* and completed nearly all priority projects approved for implementation.
* Maintained national certification as a *FireWise® Community* through strategic activities and projects.
* Drafted and adopted District-specific Fire Codes based upon the latest California Fire Code, International Wildland-Urban Interface Code, State Building Standards Code, and California Health and Safety Code. Investigated possible adoption of a District-specific Hazardous Vegetation ordinance.
* Sponsored and/or spearheaded with community partners simultaneous vegetation management projects, including:
  + Contracting for comprehensive inspections by MCFD personnel of all 866+ parcels within the District;
  + Conducting four annual Chipper Days, including onsite pickup, with record-setting volumes of vegetation cleared;
  + Creating shaded fuel breaks on surrounding ridgetops utilizing herds of goats of and sheep in partnership with the Marin County Open Space District, San Domenico School, Triple C Ranch, Rocking H Ranch, and other public agencies;
  + Funding major equipment purchases for the MCFD’s Tam Fire Crew and hiring the Tam Fire Crew to create defensible space and fuel breaks in the District;
  + Advocating and subsidizing fire road maintenance within the District, including restoration of some previously abandoned roads that now permit better firefighter access; and
  + Conceiving a first-of-its-kind fire-safe landscaping demonstration project located on Fox Lane.
* Conducted ongoing public education activities for District residents, including:
  + Organizing and hosting an annual Safety Fair in collaboration with partner agencies;
  + Publishing and distributing to all residents *Living with Fire in Sleepy Hollow*, a District-specific guidebook to community fire safety;
  + Offering “Living With Fire” classroom training to all District residents;
  + Providing the all-hazard safety information contained in the *Sleepy Hollow Directory* that was distributed to all residents;
  + Publishing regular articles on fire safety in *Sleepy Hollow Homes Association Bulletin* and on the District website; and
  + Maintaining an up-to-date, informative District website to facilitate public awareness and communications.
* Organized and conducted zone-based evacuation drills for residents and first responders with extensive multi-agency coordination and participation.
* Supported and promoted the Alert Marin reverse 911 system to notify residents in the event of an emergency in or near the District.
* Investigated potential improvements to wireless communications vital to community safety.
* Explored a potential installation of an outdoor public early warning system in cooperation with other Ross Valley agencies.
* Funded and maintained the sandbag station during the winter months.
* Initiated the block-by-block Neighborhood Preparedness Coordinator project.
* Applied for and received multiple fire prevention grants from the State and other sources.
* Continued to participate in the maintenance of Station 20 as called for in the District’s *Strategic Planning Goals* presentation dated January 13, 2012.
* Explored establishing a District office with meeting space, space for organizing and equipping the Neighborhood Preparedness Project, and space for a community emergency shelter to better serve all residents.

The Strategic Plan is built on the *Assessment*, both of which the Board will periodically update and amend with input from residents and experts to reflect changes in the District’s risk profile . Nothing in the Lease will prevent the District from continuing and expanding the scope of its activities. If anything, the Lease will enable the District and residents to realize the full potential of their collaborative relationship to optimize preparedness.

**G. Financial Reserves**

The District’s financial reserves are sufficient to fund operations in the event of unanticipated financial stress. They are an integral part of the District’s long-term planning process. The Board believes that the District can pay the rent required under the Lease on an annual basis from net revenues alone, and foresees no need invade the reserves during the 15-year term of the Lease to cover any recurring Lease-related expenses. However, some confusion over the relationship of the reserves to the Lease has been observed.

**1. Flexibility re: Deployment of Reserves**

Essentially, the District’s reserves amount to the non-obligated balance that is available at the end of each budget year. In a technical sense, reserves are defined as the difference between the District’s liquid assets and short-term liabilities, less any assets restricted by either legal requirements or District action. The reserves (referred to as “fund balances” per GASB 54) are classified for accounting purposes as assigned or unassigned. “Assigned” reserves are designated for an intended purpose but are not committed or restricted to a specific need. “Unassigned” reserves can be assigned for any use deemed appropriate by the Board.

The appropriate amount of reserves is determined primarily by the degree of risk associated with the District’s revenues and revenue sources and by the likelihood of major contingencies and the amount of funds required to respond to them. The District’s distinct exposure to natural disasters, vulnerability to actions taken by the State, and potential cash-flow needs require that funds be set aside for such contingencies. It is not necessary for the District to reserve 100% for every contingency considered. It is unlikely that all contingencies would arise at once requiring the need to exhaust the entire reserve.

The Board annually adjusts the reserves to reflect the current circumstances in the District. This includes community objectives, risks, and opportunities. For example, before and after 2010, the District built up sufficient reserves to fund its own fire service if the Towns refused to grant full RVFD voting membership for the District. (After the Towns agreed to do so, the District nonetheless continued to designate reserves for fire service start-up costs for an additional five years as a precaution in the event the RVFD members’ relationships deteriorated as in past decades.) The District audit for FY2014-15 shows the following Assigned fund balances:

Fire house acquisition $1,300,000

Fire equipment acquisition $ 600,000

Operation start-up expenses $ 400,000

$2,300,000

While the original purpose for those Assigned reserves may have ended with the District’s elevation to full RVFD membership, the need for maintaining a prudent level of reserves has not. The end of the RVFD membership “trial period” in 2016 prompted the Board to re-designated the reserves to reflect the changes in the District’s potential needs:

* An *Underfunded Pension Liability Fund* to meet underfunded pension and other post-employment benefit liabilities of the RVFD Joint Powers Authority (**“JPA”**);
* A *FireWise® Community* Program Fund to maintain *FireWise®* membership through strategic activities and projects.
* A *Program Fund* to implement recommendations contained in the *Assessment*; and
* An *Operational Reserve Fund* to ensure that the District has sufficient working capital on hand to meet the District’s ordinary expenses for up to one full year.

The District is not required to create or maintain a reserve account equal to any particular potential need or liability, be it legacy benefits obligations (which the District is paying down as a member of the RVFD), Lease obligations, or any other need. In the unlikely event that reserves need to be utilized in connection with the Lease, the Board finds that it can simply re-designate reserves to address the District’s potential financial needs.

**2. Exposure of Reserves to Mass Casualty Events**

Another misconception is that the District’s reserves could be at risk in the event of fiscal challenges associated a mass casualty such as the fires that incinerated parts of Santa Rosa in 2017. It has been suggested that unreimbursed firefighting costs and/or a subsequent decrease in property values and revenues could cause the District to deplete and perhaps exhaust its reserves. This suggestion fails to consider the following:

First, the services the District receives from the RVFD are not limited to the share of the RVFD’s resources paid by the District (12.8%) or any other amount. The 2012 *Amended and Restated* *Joint Powers Agreement* requires that the RVFD’s four fire stations be kept routinely open, fully-staffed and equipped for 24-hour continuous operation. The Fire Chief has sole discretion as to the most effective manner of handling and responding to calls for service, including positioning equipment and staffing between and among fire stations to meet competing demands. The District is not required to contribute more funding if it should consume disproportionate RVFD resources due to a particular event.

Second, the RVFD is part of the statewide mutual-aid system. The RVFD responds to all requests for assistance within its jurisdiction, in neighboring areas of Marin, and State or nationwide on an automatic or mutual-aid basis. Likewise, firefighters from across the State will assist the RVFD and the District during major fire events, and the State and Federal governments will reimburse most of the costs.

Third, California local governments rely on a variety of revenues to pay for the services and facilities they provide. The amount and composition of revenues differ between and among cities, counties, and special districts largely because of differences in responsibilities. Compared to municipalities, the District has limited responsibilities and liabilities as a single-purpose entity. Unlike Santa Rosa, the District’s resources are not subject to competing demands. The District is primarily funded by property taxes distributed by the State. It does not charge or rely upon fees from consumers of the District’s services. A special tax may be levied to pay for specific District expenses, including increased firefighting costs, if necessary. Two-thirds of District voters must agree to enact, increase, or extend a special tax. The District’s voters have approved every special tax proposed by the District (whether or not collected). For the past 36 years, including on November 6, 2018, District voters authorized renewal of the paramedic tax, once again at the highest approval rate among the RVPA’s eight constituent jurisdictions.

**Fourth,** the State Legislative Analyst’s Office recently estimated that cities, counties, and special districts will experience lower property tax revenue totaling $23.7 million in 2017‑18 and 2018‑19 as a result of the Northern California fires. The State has announced that it will backfill those losses from the State’s General Fund. In addition, the State Legislature has discretion in providing local assistance in the event of a disaster, including (1) what types of assistance to provide, e.g., tax backfills, long-term loans, or reduced cost shares; (2) the duration of the assistance to provide, given that it may take a number of years for communities to fully recover; and (3) the amount of assistance to provide, such as whether to provide full backfills for all affected communities or some lesser amount.

Fifth and finally, if unanticipated events should result in the District becoming unable to pay its debts as they become due, State and Federal laws exist to safeguard the District’s finances as it develops recovery plans. If necessary, California Government Code Section 53760 permits the District to avail itself of Chapter 9 of the federal Bankruptcy Code, which is specifically designed for local government entities to adjust or reduce their obligations when their resources are inadequate to cover their obligations. It can be utilized to extend the timeline for repayment, allow for the [refinance of debt](https://www.thebalance.com/should-you-refinance-315065), or permit reduction of principal or interest on existing debts. An [automatic stay](https://www.thebalance.com/how-long-does-the-automatic-stay-last-316168) would go into effect to halt any actions to collect on debts of the District. The District would not be liquidated and would retain its authority to govern its affairs including managing its day–to–day operations, collecting revenues, making expenditures, and deploying its reserves.

**3. Continuing Adequacy of Reserves**

The District’s FY 2018-19 reserves currently exceed $4.5 million, the healthiest in the District’s history. The reserves remain allocated to three Assigned funds and one Unassigned fund that is unrestricted: Operations ($1 million), *FireWise®* Projects ($1 million), Unfunded Liabilities ($1 million), and Unrestricted ($1.475 million at the start of FY2018-19). (The Unfunded Liabilities Fund is a placeholder.)  The Board has determined that the District has no anticipated need for additional reserves or for re-designation or adjustment of any of the current fund balances in connection with the Lease or otherwise.

**IV. DESCRIPTION OF THE LEASE**

Having revamped a complicated multi-agreement structure to an uncomplicated Lease, the parties negotiated, on an arm’s-length basis, a number of potential lease transaction structures over the past two years. All proposals included certain essential terms which appear in every conventional commercial lease. The Lease is based in large part on the model Office Lease Form of the Building Owners and Managers Association of San Francisco, which has been regularly revised to reflect the changing needs of the commercial real estate market.

**A. Salient Deal Points of the Lease** (capitalized terms are defined in the Lease)

* **Approval and Buildout.** The Project, including the Building, will be built by the SHCF at its sole cost and expense as depicted in the Plans. Construction will be paid for by SHCF entirely with private financing, not with public funds, and therefore is not subject to California’s prevailing wage laws. In sustaining the Marin County Planning Commission’s approval of the Project, the Marin County Board of Supervisors denied an opponent’s assertion that the Project does not comply with CEQA. The Board of Supervisors unanimously found that the Project is categorically exempt from CEQA and that that an exception to the Categorical Exemption for the Project does not apply (Board of Supervisors Resolution No. 2014-100, Finding No. VII dated October 28, 2014).
* **Lease Purpose and Commencement.** The Lease is solely for a public purpose.The Lease does not become effective unless and until SHCF receives from the County of Marin a Certificate of Occupancy for, and delivers to the District possession of, all rentable areas in the Building in compliance with all conditions precedent specified in the Lease.
* **Initial Term and Extension Option.** The Initial Term is for a period of 15 years. The District is entitled to extend the Term of the Lease for an additional period of 15 years, commencing immediately after the expiration of the Initial Term. The extension option is on the same material terms and conditions except that rent shall be equal to the fair market rent for the exclusive use of the Premises and shared use of the Building.
* **Rent.** The rent is fixed at $8,250 per month with no escalations during the Initial Term. No pass-through of operating expenses, maintenance, insurance costs, real estate taxes, or other expenses associated with the use and operation of the Building by may be charged to the District.
* **Premises and Rentable Area.** The District is entitled to use of the entire 7,326 square foot Building as follows:
  + Shared use of the entire first and second floors of the Building for emergency planning and shelter purposes in the event of a declared emergency, practice session, or other uses consistent with the operation of the District;
  + Shared use of the 565 square foot first floor meeting room for all public or Closed Session meetings of the District;
  + Shared use of the 1,180 square foot first floor gathering room for District events;
  + Exclusive use of the approximately 703 square foot office space and storage spaces depicted on page P-10 of the Plans; and
  + Posting of District signage and required legal notices in an area of the Building facing Butterfield Road readily visible from the outside 24 hours per day.
* **Permitted Uses.** Office, educational, training, public assembly, emergency, and other uses consistent with District operations as authorized by California law including current and emergency wildfire planning, training, regular and special public meetings, preparation, communications, response, evacuation services, and the storage, maintenance, repair, and use of certain District equipment. The District shall at all times have full and exclusive use of the office and storage spaces. The District’s use of the emergency spaces shall be on a preferential, non-exclusive basis with priority over other users except in the event of an emergency, in which event the District shall have exclusive use and use by others shall be suspended so long as the emergency declaration remains in effect and for a reasonable time thereafter.
* **Nondisturbance****.** The District may remain in possession of the premises if the SHCF’s lender takes back the property in foreclosure so long as the District is not then in default under the Lease. In such event, the District will acknowledge the lender’s rights, accept the lender as the landlord, and pay rent to the lender rather than to SHCF.

**B. Rental Rate**

Under the Lease, the District has the right to use all 7,326 square feet of the Building as needed. It is therefore not appropriate to divide the rent amount solely by the 703 square feet of District office space to calculate value.

In mid-2014, following a Community Meeting hosted by the District to obtain public input into the Project as then-proposed, the District published a “Summary Analysis of Emergency Center Financial Value” for public review. The Analysis was based on the original transaction structure and was prepared with the assistance of local real estate professionals. It considered the nature and amount of participation in the Project, the anticipated leasehold value to the District then and in the future, the public safety benefits to the community, and an analysis of possible alternative sites. Based on the experts’ estimate of the combined present value of (1) the Office and Storage Space Uses, (2) the Meeting and Training Space Uses, (3) the Emergency Water and Power Facilities, (4) the Intangible Value of the Leasehold Interest, and (5) the Emergency Uses, the Board concluded that had a total public safety value to the District’s residents well in excess of $4 million, which is more than double the proposed total rental amount.

Current rental rates asked or paid for residences in or near the so-called “flats” of the District are comparable to the rent called for under the Lease but all offer less space and none of the public safety functionality of the proposed Community Center. Four examples illustrate the current advertised rates:

* [*house number withheld at owners’ request*] Butterfield Road

3,400 square feet

$9,500 per month

* 139 Deer Hollow Road

2,000 square feet

$7,600 per month

* 110 Van Winkle Drive

3,047 square feet

$7,000 per month

* 301 Hidden Valley Lane

1,921 square feet

$6,000 per month

Assuming that the above rental amounts are subject to annual increases (e.g., 3% is typical), the District believes that the fixed rent payable by it under the Lease over the 15-year Initial Term ($1,485,000) is a bargain based on both present value analysis and current market conditions. Divided by the 7,326 square feet which the District has rights to under the Lease rather than merely the 703 square foot office space, amortized over 15 years, and without any escalations to absorb, the per square foot cost to the District is cost-effective from the outset and increasingly so over time.

**C. Comparisons to Other Sites**

The Analysisalso considered whether the District might be able to realize the same levels of financial and public safety value at a lower cost by locating at an alternative site. Assuming suitable alternative sites are available, the Analysis states that the answer would be “yes”. However, no such sites existed then or now.

**1. In-District Alternative Sites**

In order for the District to obtain the cost-effective functionality that the Lease envisions but at a site other than the Community Center, the following considerations must be addressed:

* The location must be a flat lot, one-half acre or larger, centrally-located on or near Butterfield Road for maximum visibility, with suitable access, parking, and utilities, in a building containing offices, meeting/training space, emergency back-up capabilities, and shelter resources. No such parcels exist within the District.
* If the District were to seek to acquire a suitable improved property and demolish any existing residence and other structures so as to allow construction of a building containing offices, meeting/training space, back-up capabilities, and shelter resources, then the land acquisition costs alone would likely be prohibitive. For example, 140 Fawn Drive, a mostly flat, 1.5 acre parcel, sold in July 2012 for $1,650,000. The existing residence was demolished and a new home was constructed. Homes on flat lots in central Sleepy Hollow typically sell for well in excess of $1.5 million. In the unlikely event that the District was able to acquire such a property, the combined acquisition, demolition, and construction costs would consume a substantial portion of the District’s resources, leaving few resources to address other current and future District needs.
* Even assuming that a suitable site and a willing seller exist, and the prototypical property could be acquired at a non-prohibitive cost, the adjacent neighbors and others would be very unlikely to tolerate a relatively large-scale, non-residential use next-door, not to mention a lengthy construction phase needed to build it.
* Even assuming that the neighbors would tolerate a non-residential use, such a facility would unnecessarily duplicate the existing Community Center facilities.

**2. Out-of-District Sites**

The Board believes that renting out-of-District facilities, which might include RVFD Station 20, should be disfavored for two fundamental reasons. First, unless comparable out-of-District facilities are materially superior to in-District facilities in terms of cost, terms, timely availability, suitability, etc., the District should prefer an in-District location as a convenience to the citizens who pay for the District’s services and facilities. Second, renting facilities outside of the District – in this case at Station 20 – would amount to sending District funds in the form of rental payments out of the District from which the funds were obtained. The Board believes that rental payments should remain in the District absent a compelling “best value” analysis to the contrary.

Station 20 houses RVFD personnel, their sleeping and dining quarters, multiple fire apparatus, equipment, and office facilities on a fully functioning 24x7 basis, 365 days per year. The Board believes that Station 20 cannot accommodate the District’s needs now or in the future without displacing RVFD personnel and/or equipment, and thereby potentially compromising RVFD effectiveness and, in turn, District safety.

If Station 20 were to be used for District purposes, a substantial rebuild of the Station would be required by some combination of the Town and the District, for which no funding or legal structure is presently available. Moreover, a future rebuild of Station 20 will be complicated due to the number of agencies having permitting authority, each with its own requirements. The parcel on which Station 20 sits is located lies in the highly-restrictive Stream Conservation Area; a similar creek-spanning replacement structure will be never be allowed. Instead, based on discussions with the Town Manager, it is more likely that sometime in the future the Town will seek to remodel rather than rebuild Station 20.

The Board believes that District resources should not be utilized to relieve Town of its responsibility for Station 20. The District finds that the Community Center site provides the “best fit” in environmental terms, community involvement, and high-quality, sustainable, purpose-built development. It is centrally located, requires no change in its historical use, and would involve reconstruction of an existing facility. No comparable site currently exists within the District, and it is not within the District’s control to create feasible alternative sites.

**D. Consideration of Total Anticipated Costs**

The Board strives to anticipate reasonably foreseeable risks, to assess their potential impacts on the District, and to be prepared with a plan to react to adverse events. In considering the Lease’s total anticipated costs, the Board considered the potential risks to the District of a possible SHHA bank loan balloon payment that becomes due in 10 years.

The risks and obligations imposed by a loan are borne by the lender and the borrower. The District is not a contracting party to the bank loan, and the bank is not a contracting party to the Lease. To the Board’s present knowledge, SHHA’s loan agreement did not, and does not, recite or impose obligations upon the District in order to protect the interests of the bank. A balloon payment would therefore be an exclusive obligation of the borrower, SHHA.

The relationship between the District and SHCF is expressly and exclusively that of Landlord and Tenant. Risks associated with SHHA’s bank loan are beyond the control of the District and the Lease. The Board believes that the District’s projected financial resources make it unlikely that in the foreseeable future the District will find itself without sufficient cash on hand to continue its ordinary business activities irrespective of any SHHA balloon payment that may become due.

**V. THE NEED FOR THE LEASE**

Nine of California’s 20 most destructive fires have occurred in the past four years.This month marks the first anniversary of the harrowing North Bay conflagrations. Last week’s Camp Fire in Butte County consumed 18,000 acres and 1,000+ homes within eight hours of ignition, 90,000 acres and 6,700 structures within 24 hours, and within 36 hours became the largest fire in State history. Multiple fatalities and the urgent evacuation of all 27,000 residents of the Town of Paradise -- many on foot after being forced to abandon their vehicles – resulted. The destructive force of such fires, coupled with the District’s unique vulnerabilities, places every resident and property at risk.

With California in the grip of an ominous new paradigm of super-fires, and the high probability of earthquakes, the situation demands nothing less than the mobilization of the District and all of its residents. All sides in the debate over the Lease acknowledge the District’s need for office, storage, meeting, and training spaces from which to conduct expanded fire prevention and preparedness programs. Future updates to the Strategic Plan based on new priorities will result in program changes and additions. These programs are simply too intensive and extensive to be developed and implemented from the Directors’ residences alone. The *status quo* is not acceptable.

The latest public input reflects an emerging consensus that the District’s successes in enlisting residents in its recent activities have yielded tremendous early results. Among the Lessons Learned that expanded District programs will emphasize are:

* **The danger of a false sense of security.**  Residents may become complacent about fire risks if the fire protection infrastructure works well right now. Conveying the nature of the threat, both present and future, is critical.
* **Community understanding of “resilience talk.”**  For instance, weather forecasts address risk in a different way from maps, which can confuse people. Stand ready to translate using everyday language.
* **Effective communication.**  When conveying critical information to residents, it is critical to know what is important to them and how they prefer to receive information.
* **Sharing information across boundaries.**  Learning how other communities are approaching resilience provides peer support and ideas for solving similar problems.
* **Community changes can be painful, but keep the focus on the goal.**  A sustained District-wide effort to harden community defenses will cause growing pains for residents. Recognize concerns while coming back to the benefits of a safer, more secure future.

The Board believes that its current lack of operating and emergency facilities constitutes the main challenge to long-term District preparedness and recovery capabilities. As residents brace for ever more frightening threats, a conspicuous District office located in a prominent position at the center of the community will be a constant reminder of the importance of the continuous and urgent need for individual and community readiness. The District’s goal is to make each resident part of that process and not merely anxious spectators.

The District office at the Community Center will be a sign of the District’s commitment and a transformational investment in the community’s long-term safety. For reasons of logistics and fairness, Board members cannot be expected to continue to utilize their private residences for such purposes.

Having access to dedicated facilities at the Community Center will enable the District to pursue initiatives not readily undertaken by the Directors from their private residences such as:

* Enabling the District to explore the challenges and opportunities of establishing a digital infrastructure to convey selected District services in a secure, efficient, and cost-effective connected environment.
* Enabling the District to move ahead on recommended improvements for fuel load reduction and fire roads and to continue to apply for grants to support such efforts.
* Enabling the Districtto be proactive in promoting compliance and fine-tuning of the District’s new Fire Code and WUI Code.
* Enabling the District to engage in targeted citizen preparedness campaigns such as Neighborhood Preparedness Coordinators, GetReady, CERT, and other programs.
* Enabling the District to advocate for residents to take advantage of possible lower homeowners’ insurance premiums.
* Enabling the District to fund innovative ideas from District residents and others, and to increase transparency and community engagement in the District’s budget process.
* Enabling greater community buy-in to boost overall resilience through infrastructure improvements, planning, community participation, and outreach.
* Enabling the District to navigate future challenges/challenging projects to better meet the needs of its citizens.

**VI. THE PUBLIC PROCESS**

The Lease is the product of an extensive and disciplined public process unprecedented in the history of the District. Likewise, the Project was created through six years of extensive input from residents, first responders, and public officials. Dozens of public meetings, hundreds of pieces of correspondence, multiple Public Records Act requests, and thousands of hours of drafting and discussion informed the District’s consideration of the Lease and the Project.

The public has spoken on the Lease specifically, and spoken very loudly. Approximately 100 residents attended the District’s Special Meeting on October 27, 2018 at which the Staff Report was received and reviewed. Approximately 30 persons provided oral comments at the Meeting, of which all but two expressed support for the Lease. In addition, more than 100 e-mail messages from residents were received by the District in connection with the Meeting and the Lease, three of which expressed opposition to the Lease and one posed a question. During the Meeting, a resident asked for a show of hands in support of the Lease; all but a handful were raised.

The public has weighed in and been listened to throughout the process. At the Meeting, all questions were answered in detail about every aspect of the Lease. In fact, public comment has led the District and the SHHA/SHCF to amend the Project and the transaction structure in certain key respects, and public feedback has accompanied each such change. The District has been assiduous in refusing to reach a decision on the Lease until all public input has been received and recorded.

**VII. ENUMERATED FINDINGS**

After consideration of the foregoing, the District hereby finds and determines that:

1. Over 2,000 people permanently reside in the District and approximately 1,000 students, faculty, and staff are present on the school campuses in the District most days during the academic year.

2. It is necessary and essential that the District provide and promote a broad range of prevention, preparedness, and recovery activities to the residents and others present in the District.

3. Because of the District’s unique vulnerabilities, additional and expanded activities must be developed to supplement the District’s current efforts so as to address possible future risks that could emerge in response to changes in local conditions in the immediate vicinity of the District.

4. District facilitation of such activities pursuant the District’s Strategic Plans will serve to enhance the District’s level of preparedness and recovery in the event of fire, earthquake, and similar risks.

5. For the past approximately six years, the District has been considering a slate of options to facilitate such enhanced activities, and has taken action to implement several measures in furtherance of these goals based on the District’s Strategic Plans.

6. The District conducted a duly and properly noticed public meeting on October 28, 2018 at which the District received and reviewed the Staff Report evaluating the merits of the District potentially entering into the Lease to support implementation of the District’s Strategic Plans.

7. The Lease will support and strengthen the District’s abilityto facilitate and coordinate full implementation of the District’s Strategic Plans and promote day-to-day coordination, organizing, and prevention activities needed to protect against catastrophic damage within the District from a fire, earthquake, or natural disaster, and therefore the Lease would serve the health, safety, and welfare of the residents and others within the District.

8. The Lease would not introduce any new environmental impact or change the conclusions of the County of Marin with respect to CEQA’s bearing, if any, on the Lease.

9. Pursuant to the District’s powers afforded by the State constitution and State law, to protect the health, safety, and welfare of the public, the Lease can and should be executed and adopted by the District at the appropriate time.

**VIII. CONCLUSION**

The Board believes that together the residents and the District have the power to change the prevailing risk narrative. Considering how far the District has come and all that the District has recently accomplished, it has earned the residents’ support for the Lease.

It is a hopeful moment for the community. The Project has been years in the making. The Lease is ready to be executed by the District.

Date: November 17, 2018 Respectfully submitted,

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Thomas J. Finn, Director/Secretary