



Central Marin Sanitation Agency

**AD-HOC Committee of CMSA JPA Member Representatives to consider the JPA's
Organization Development Future**

**March 20, 2025, 12:00pm
1301 Anderson Drive, San Rafael CA 94901**

NOTE: This is a Hybrid meeting and will be held in-person in the Board Room of the Central Marin Sanitation Agency located at 1301 Andersen Drive, San Rafael CA 94901 and via Zoom®.

If you would like to participate via Zoom, click the link below or copy and paste the address into your browser. You may also phone-in at the number below.

Join Zoom Meeting

Online:

<https://us06web.zoom.us/j/82856527830>

Phone in:

+1 253 215 8782

Meeting ID:

828 5652 7830

AGENDA

1. **Call Meeting to Order**
2. **Pledge of Allegiance**
3. **Roll Call**
4. **Approve/Revise Agenda**
5. **Open Period for Public Participation:** Members of the public may directly address the Committee on any item appearing on the Agenda. They may address the Committee when the item is called by the Committee Chair, and he indicates it is the time for the public to speak to the agenda item. Public comments can also be submitted via email to jdow@cmsa.us, and will be shared with the Committee at the meeting, summarized during the Open Period for Public Participation, and included in the meeting proceedings.
6. **Meeting Minutes – February 20, 2025**
Recommendation: Approve meeting minutes as presented or with revisions.
7. **RSG Draft Report - Evaluation of Proposed Service Agreement between CMSA and SRSD**
Recommendation: Review and discuss RSG's draft report, and provide comments to RSG for incorporation into the final report.

*Information not furnished with Agenda

8. **Revised SRSD Management and Operations Service Agreement Schedule**
Recommendation: Review and discuss the draft schedule and provide direction to staff.
9. **SRSD Employee Hiring Process**
Recommendation: Review and discuss the revised schedule and provide direction to staff.
10. **SRSD Contract Development Expense Tracking Report**
Recommendation: Receive the SRSD Contract Development Expense Tracking Report.
11. **Committee Member Oral Reports**
12. **Items for Next Meeting Agenda**
13. **Confirm/Schedule next Meeting Date – April 17, 2025**
14. **Adjourn**

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Central Marin Sanitation Agency at 415-459-1455. For auxiliary aids or services or other reasonable accommodations to be provided by the Agency at or before the meeting, please notify the Agency at least 3 business days in advance of the meeting. If the Agency does not receive timely notification of your reasonable request, the Agency may not be able to make the necessary arrangements by the time of the meeting.



Central Marin Sanitation Agency

AD-HOC COMMITTEE OF CMSA JPA MEMBER REPRESENTATIVES TO CONSIDER THE JPA'S ORGANIZATION DEVELOPMENT FUTURE February 20, 2025 - Meeting Minutes

1. Call Meeting to Order

2. Pledge of Allegiance

3. Roll Call

Committee Present: Dean DiGiovanni (SRSD), Tom Gaffney (RVSD)

Committee Absent: Eli Beckman (SD2)

Staff Present: Jason Dow, General Manager; Tiffany Elam; Administrative Specialist

Public Present: Paul Causey; Felicia Newhouse; Michael Colantuono, RVSD counsel; Sara Court, RSG Representative; Jessica Gonzales, RSG Representative

4. Approve Agenda/Revise Agenda

The committee reviewed the agenda and revised the agenda items in the following order:

6. Meeting Minutes – December 3, 2024, to item 9.
7. RSG Work Status Presentation to item 6.
8. Draft SRSD Management and Operations Service Agreement Schedule to item 10.
9. Revised Draft SRSD Service Agreement Exhibits to item 11.
10. SRSD Contract Development Expense Tracking Report to item 12.
11. Committee Member Oral Reports to item 7.
12. Items for Next Meeting Agenda to item 13.
13. Confirm/Schedule next Meeting Date – March 20, 2025, to item 8.

Comments from the Public

There were no comments from members of the public.

5. Open Period for Public Participation

There were no comments from members of the public.

6. RSG Work Status Presentation

GM Dow discussed the progress of the RSG contract and introduced RSG representatives Sara Court and Jessica Gonzales to present.

RSG Representative Sarah Court introduced the RSG team and presented the Service Agreement Evaluation Check-in PowerPoint which included takeaways from the key stakeholder meetings, RSGs role, goals, timeline and next steps.

1301 Andersen Drive | San Rafael, CA 94901 | Phone 415-459-1455 | Fax 415-459-3971 | www.cmsa.us

Sarah stated RSG's role was to provide an independent and objective evaluation of the proposed service agreement between CMSA and SRSD which included reviewing the draft agreement and historical documents, interviewing stakeholders to gather perspectives and identify key themes, summarize findings and providing actionable recommendations for clarity in support of the JPA. Sarah reviewed the timeline and project progress to date and noted RSG meet with representatives from each agency to understand the considerations at play. RSG identified governance and JPA balance, financial and pension liabilities, operational services, employee transfer, legal/indemnification process and transparency were the main takeaways identified from the stakeholder interviews.

The committee asked clarifying questions regarding the governance balance portion of the slide. RSG responded that JPA members had outstanding questions regarding roles, responsibilities, approval authority and oversight as employees transition, noting concerns regarding the current JPA member balance and the assurance of member equitable stake during the process.

The committee discussed a timeline for comments to be submitted to RSG on the presentation. RSG requested all comments be submitted by March 7, 2025.

The committee discussed how comments should be submitted to RSG. Chair DiGiovanni clarified that all comments should be sent through GM Dow.

Comments from the Public

Paul commented that the RSG timeline should include the SRSD and RSVP representative meeting held in November that led to the hiring of RSG consultant.

7. Committee Member Oral Reports

There were no committee member reports given.

Comments from the Public

There were no comments from members of the public.

8. Schedule next Meeting Date

The Committee discussed and scheduled the next meeting for Thursday, March 20, 2025, 12:00 pm.

9. Meeting Minutes – December 16, 2024

The committee moved to pass the minutes.

Comments from the Public

There were no comments from members of the public.

10. Draft SRSD Management and Operations Service Agreement Schedule

GM Dow provided the committee with a draft service agreement schedule prepared by the SRSD contract development working group. Stating staff was seeking Committee input on meeting dates, topics, and clarifying the time allotted for JPA agencies to review the official draft agreement.

Committee member Gaffney requested that the service agreement tasks, and or questions be

completed prior to the service agreement going to the Board.

February 20, 2025
Page 3 of 4

Chair DiGiovanni agreed. The committee discussed several questions brought by committee member Gaffney, and noted some of his comments would be addressed as agreement language and others would be noted as tasks.

The committee provided the following comments:

- Noted as a task: SRSD will provide the estimated increase and current unfunded pension and OPEB liability of transferring employees. The committee requested for members to review the revised December draft agreement which included updated language stating that, the unfunded liability will be paid off before the effective date of the agreement and before the employees transition.
- The committee discussed SRSD staffing and employee retention problems. GM Dow stated all SRSD positions are currently filled save 1 engineer position and that the retention issues were related to SRSD Collection system workers.
- Noted as a task: SRSD working group will provide a 1-year impact estimate of potential retirement numbers of current SRSD staff after reassignment to CMSA.
- Noted as a task: SRSD working group to create a separate memo on the hiring processes for the transfer of SRSD employees to CMSA
- The committee discussed the potential issues CMSA/SRSD bargaining units and potential issues arising from the proposed transfer of staff. GM Dow stated once SRSD employees resign from SRSD they would no longer be a part of a union and therefore no negotiation required. Noting once staff become CMSA employees, SEIU would have a met and confer with staff and the Agency would update the MOU with additional classifications, with SEIU providing a letter of understanding once the agreement is signed.
- The committee requested for tasks to be completed by May 26, 2025, and before the contract is signed.
- Noted as agreement language: RSG will provide clarification of indemnification requirements/language. The committee noted that members were welcome to submit language ideas as well.
- The committee discussed the equitable share of Agency overhead and indirect costs. GM Dow stated 100% of SRSD employee expenses and CMSA administrative time will be billed directly to SRSD, with de minimis time covered by overhead. Chair DiGiovanni clarified that these costs would also be listed in the agreement language.
- The committee discussed allowing sufficient time for JPA members to review documents, recommending a 2-month time frame, July 18th.
- Noted as a agreement language: A separate site use agreement be created between CMSA and SRSD, with a clause in the service agreement that denotes the separate agreement to be completed by May 26, 2025.

Comments from the Public

There were no comments from the public.

11. Revised Draft SRSD Service Agreement Exhibits

GM Dow provided the committee with the updated exhibits from the revised December 12th agreement. GM Dow noted no fundamental changes were made, however, the SRSD working group provided additional detail in the exhibits for clarity.

Chair DiGiovanni clarified that exhibit C specifies the main duties/SMMP work to be provided by CMSA, and he asked if the committee was ok with the it being referenced only in the table of contents.

The committee agreed.

Comments from the Public

There were no comments from members of the public.

12. Contract Development Expense Tracking

GM Dow stated that CMSA expenses to date were about \$30,321, SRSD has paid about \$26,007, and CMSA has sent invoices for the additional amounts for reimbursement.

Committee member Tom requested for GM Dow to include his time and rate in future expense tracking sheets.

GM Dow concurred.

Comments from the Public

There were no comments from members of the public.

13. Items for Next Meeting Agenda

GM Dow to report on LAFCO definition of SRSD as a 'dependent' or 'Independent' special district.

Meeting Adjourned

Respectfully submitted,

Jason Dow, General Manager

Tiffany Elam, Administrative Specialist



BOARD MEMORANDUM

March 14, 2025

To: AD-HOC Committee of CMSA JPA Member Representatives to consider the JPA's Organization Development Future

From: Jason Dow, General Manager

Subject: RSG Draft Report - Evaluation of Proposed Service Agreement between CMSA and SRSD

Recommendation: Review and discuss RSG's draft report, and provide comments to RSG for incorporation into the final report.

Discussion: RSG has prepared and submitted the draft report and will present it to the Committee at the March 20 meeting. RSG would like the Committee to discuss and provide comments on the draft report, and agree on revisions at the meeting to include in the final report.

Attachment:

- Draft Report: Evaluation of Proposed Service Agreement between CMSA and SRSD – 3/14/25

Evaluation of Proposed Service Agreement between Central Marin Sanitation Agency (CMSA) and San Rafael Sanitation District (SRSD)

Central Marin Sanitation Agency
Draft Report - March 14, 2025



TABLE OF CONTENTS

Introduction.....	1
Executive Summary	1
Background	3
County of Marin & Regional Considerations	3
JPA Member Agencies	4
Overview of the Draft Service Agreement	4
History of Action Taken	7
Approach	9
Methodology	10
Review of Historical Documents	10
Stakeholder Interviews.....	11
TOWS Analysis.....	12
Research on Comparable service structures	13
Drafting Recommendations	16
Assumptions.....	17
Recommendations	19
Conclusion.....	22
Exhibit A: Proposed Initial Phase Organizational Chart	23
Exhibit B: History of Action Taken - Chronology	24
Exhibit C: TOWS Analysis Presented on February 20, 2025, to CMSA JPA Ad- Hoc Committee.....	25
Exhibit D: Key Issues Raised and Clarifications	29

INTRODUCTION

As a Joint Powers Authority (JPA), the Central Marin Sanitation Agency (CMSA) provides wastewater treatment and disposal services to three member agencies: Ross Valley Sanitary District (RVSD), San Rafael Sanitation District (SRSD), and Sanitary District No. 2 of Marin County (SD2). In response to ongoing challenges with personnel recruitment and retention, SRSD evaluated alternative management structures that could provide it with greater long-term sustainability and ultimately, identified a transition of responsibilities to CMSA as the optimal structure.

To address SRSD's challenges with personnel recruitment and retention, and enhance service delivery, CMSA and SRSD are exploring a Management and Operations Service Agreement ("Agreement") that, if approved, would transition SRSD's collection and conveyance operations to CMSA. Under this Agreement, CMSA would assume responsibility for staffing, regulatory compliance, Board support coordination, and overall management of SRSD's operations.

Given CMSA's role as a JPA with multiple member agencies, this transition introduces structural and operational changes that require careful evaluation to support alignment with JPA member interests and long-term service objectives. At the request of CMSA, RSG has conducted an independent assessment of the proposed Agreement. This analysis includes a review of historical documents, stakeholder interviews, and a comprehensive analysis encompassing comparable service structures and other relevant factors. The objective of this evaluation is not to explore alternative options, but rather to identify areas within the Agreement that may benefit from further refinement to enhance transparency, facilitate informed decision-making, and support a well-structured transition.

As a result of its analysis, RSG offers actionable recommendations to refine the Agreement, address stakeholder considerations, and enhance operational clarity. This report provides a framework for decision-makers to navigate the transition, ensuring that all perspectives are considered, the Agreement reflects the intent and shared priorities of the parties involved, and the long-term service objectives of the JPA are preserved.

EXECUTIVE SUMMARY

This report evaluates the proposed Management and Operations Service Agreement ("Agreement") between CMSA and SRSD and explores key areas where additional clarification may support a successful transition.

RSG's evaluation includes a review of historical documents, stakeholder interviews, and a comprehensive analysis encompassing comparable service structures and other relevant factors. Based on this evaluation, RSG offers the following recommendations:

1. **Governance & JPA Balance:** Clarify SRSD's Ongoing Approval Authority and Oversight Role.

2. **Financial & Pension Liabilities:** Expand on Oversight of Long-Term Pension Liabilities.
3. **Financial & Pension Liabilities:** Increase Financial Transparency.
4. **Operational Services:** Establish Clear Performance Metrics for Service Quality and Efficiency.
5. **Legal & Indemnification Provisions:** Conduct a Comprehensive Legal Review with Defined Timelines.
6. **Process & Transparency:** Centralize Information Sharing for Transparency and Alignment.

BACKGROUND

COUNTY OF MARIN & REGIONAL CONSIDERATIONS

Marin County is home to multiple special districts responsible for wastewater collection and treatment services. In Central Marin, governance of these services has historically been structured around independently managed districts, each overseeing its own collection system, while regional agencies such as CMSA provide wastewater treatment.

Discussions about enhancing service efficiency, financial sustainability, and climate resilience have been ongoing at both the regional and state levels. The 2018 Marin County Civil Grand Jury Report and the Little Hoover Commission highlighted opportunities to improve wastewater governance, increase operational efficiencies, and strengthen long-term planning. More recently, the 2025 Marin Local Agency Formation Commission (LAFCO) Central Marin Wastewater Study recommended that CMSA and its member agencies continue evaluating service improvements, particularly among agencies in the Ross Valley and San Rafael Creek Watersheds. LAFCO further suggested that if SRSD and CMSA move forward with the proposed transition, an annual review of cost savings, employee retention, and service delivery efficiency should be conducted to assess whether further regional coordination could enhance accountability and effectiveness.

While full consolidation is not being proposed in the draft Agreement, this report acknowledges that the broader goal of optimizing service delivery and governance structures remains relevant to this evaluation. SRSD is actively reassessing whether its current governance and operational structure is the most effective model for sustainable service delivery, aligning with broader regional efforts to enhance service models, financial sustainability, and long-term wastewater management.

CENTRAL MARIN SANITATION AGENCY (CMSA)

The Central Marin Sanitation Agency (CMSA) was established in 1979 as a Joint Powers Authority (JPA) under Section 6500 of the California Government Code. CMSA provides wastewater treatment and disposal services to its three member agencies: Ross Valley Sanitary District (RVSD), San Rafael Sanitation District (SRSD), and Sanitary District No. 2 of Marin County (SD2). CMSA's service area spans approximately 36.5 square miles, encompassing the jurisdictional boundaries of its three member agencies. The agency's wastewater treatment plant, located in San Rafael, receives, treats, and disposes of wastewater from local collection systems. While CMSA is responsible for treatment, individual JPA member agencies, as well as the San Quentin Rehabilitation Center, manage collection and conveyance infrastructure within their respective jurisdictions.

In addition to serving its JPA members, CMSA operates under contractual agreements to provide wastewater services for the San Quentin Rehabilitation Center, wastewater collection system operation services to the San Quentin Village Sewer Maintenance District, and pump station and forcemain operation and maintenance services to Sanitary District #2. CMSA also

provides contracted services to several local agencies, for pollution prevention, Fats, Oils and Grease, and mercury reduction source control program administration.

CMSA is governed by a five-member Board of Commissioners, with representation from each Joint Powers Authority (JPA) member agency. SRSD and RVSD, as the two largest agencies, each appoint two commissioners, while SD2 appoints one. The Board appoints a General Manager, who serves at will and is responsible for overseeing all agency operations. The current General Manager, Jason Dow, oversees a workforce of 48 full-time employees for CMSA's wastewater treatment and disposal services.¹

JPA MEMBER AGENCIES

The San Rafael Sanitation District (SRSD) is responsible for wastewater collection in the central and southern areas of San Rafael, including several unincorporated communities such as Country Club, Bayside Acres, and California Park. As a dependent special district, SRSD operates under the governance of a three-member board, with two representatives appointed by the San Rafael City Council and one by the Marin County Board of Supervisors. Daily operations are overseen by an at-will District Manager, who manages service delivery, regulatory compliance, and district administration in coordination with the board.

The Ross Valley Sanitary District (RVSD) provides wastewater collection services to several communities within Ross Valley, including Fairfax, Ross, San Anselmo, and Larkspur, as well as unincorporated areas such as Sleepy Hollow, Kentfield, and Greenbrae. RVSD operates as an independent special district, allowing it to function separately from other local government entities. It is overseen by a five-member Board of Directors, elected at large by district residents. The district's General Manager, appointed by the Board, is responsible for overseeing 35 full-time employees across engineering, operations, and administration.

The Corte Madera Sanitary District No. 2 (SD2) serves the Town of Corte Madera, as well as portions of Tiburon, Greenbrae, and Paradise Cay. SD2 operates as a subsidiary of the Town of Corte Madera, meaning it does not have an independent governing board. Instead, the Corte Madera Town Council, as the SD2 Board, oversees the district's governance, ensuring that wastewater services align with broader municipal policies and priorities. The Director of Public Works for Corte Madera serves as the District Manager, responsible for managing SD2's operations and contractual agreements².

OVERVIEW OF THE DRAFT SERVICE AGREEMENT

The Management and Operations Service Agreement ("Agreement") between the Central Marin Sanitation Agency (CMSA) and the San Rafael Sanitation District (SRSD) proposes a transition of SRSD's collection and conveyance operations to CMSA. The Agreement outlines

¹ Marin Local Agency Formation Commission, *Municipal Service Review - Central Marin Wastewater Study*, February 2025.

² Ibid.

a phased transition of operational responsibilities from SRSD to CMSA, including the hiring of SRSD employees, oversight of collection system infrastructure, and financial and administrative management. The following sections summarize the key provisions of the Agreement.

Scope of Services and Operational Responsibilities

CMSA will assume full responsibility for the operation, maintenance, and administration of SRSD's wastewater collection system, including:

- Wastewater Collection System Management - Maintaining SRSD's 132 miles of gravity pipelines, 13 miles of pressure pipelines, 33 pump stations, and associated assets.
- Regulatory Compliance - Ensuring SRSD's compliance with state and federal discharge requirements, managing spill response and reporting, and overseeing the Sewer System Management Plan (SSMP).
- Financial and Administrative Oversight - Handling budget development, financial reporting, capital improvement planning, and accounts payable.
- Employee Management - Hiring SRSD's current City employees, overseeing staff assignments, and ensuring personnel integration with CMSA.
- Emergency Response and Extraordinary Services - Providing 24/7 emergency response to system failures, natural disasters, and other urgent incidents.
- Public Outreach and Customer Relations - Managing customer service requests, community engagement, and public education efforts.

Implementation Timeline and Phased Transition

The Agreement outlines a four-phase transition plan for the transfer of responsibilities:

- Phase I: Hiring of SRSD Employees & Initial Service Transition
- Phase II: Employee Relocation to CMSA Facilities
- Phase III: Staff Assessment & Future Integration Planning
- Phase IV: Full Service Integration & Program Refinement

Financial Structure and Cost Allocations

The Agreement establishes a financial model in which SRSD fully reimburses CMSA for services provided. Key financial provisions include:

- No Cost Burden on Other JPA Members - The Agreement states that services to SRSD will not result in increased costs to other CMSA member agencies.

- Direct Billing for Services - CMSA will invoice SRSD monthly for operational costs, including employee salaries and benefits, materials, supplies, equipment, and professional services.
- Overhead Allocation - A 5% overhead factor will be applied to SRSD employee salaries and benefits to account for all indirect and non-tracked expenses.
- Annual Budget - CMSA will provide the SRSD Board with a draft annual line-item budget, including adjustments to CMSA staff labor rates.
- Annual Expense Review - CMSA shall prepare and submit to the CMSA Board a detailed summary of SRSD scope of work expenses as compared to the approved service budget annually, including an evaluation of overhead charges.

Staffing and Employee Transition

The Agreement includes provisions on the transition of SRSD employees to CMSA employment. This transition includes:

- Hiring of SRSD's Current City Employees - CMSA will hire all current SRSD City employees, maintaining their original hire dates for benefits and leave accruals.
- Employee Classification - Salary ranges will be set before the Agreement's effective date and periodically adjusted per CMSA personnel policies for unrepresented and union-represented employees. Salary schedules will be included in Exhibit E of the Agreement.
- Pension and Retirement Benefits - SRSD will resolve any outstanding MCERA unfunded pension liabilities (UAL) before the effective date, and CMSA will establish a pension trust fund for future CalPERS UAL contributions. Each fiscal year, CMSA will hire an actuary to assess the CalPERS UAL for SRSD full-time employees, with SRSD covering both the actuary fee and annual UAL amount.
- Union and Labor Considerations - Employees will transition out of existing City of San Rafael labor agreements and into CMSA's employment policies and bargaining agreements.

The Proposed Initial Phase Organizational Chart is included as Exhibit A.

Governance and Decision-Making Framework

The Agreement describes the governance structure between CMSA and SRSD, which includes:

- SRSD Board's Responsibilities - While CMSA assumes day-to-day operational control, the SRSD Board will continue to set policy direction, approve required SRSD business items, and provide feedback on CMSA's performance.

- CMSA Board's Responsibilities - The CMSA General Manager will report directly to the CMSA Board and will also provide regular reports to the SRSD Board regarding service delivery outcomes. CMSA's Board shall be responsible for ensuring that CMSA complies with the terms and provisions of the Agreement.

Termination and Dispute Resolution

The Agreement includes termination provisions in the event of contract dissolution:

- One-Year Termination Notice - Either party may terminate the Agreement with one calendar year's written notice.
- Employee Reversion Plan - If termination occurs within five years, SRSD must offer to rehire employees or arrange alternative service agreements.
- Binding Mediation and Arbitration - Any disputes will be resolved through mandatory mediation, followed by binding arbitration if necessary.

HISTORY OF ACTION TAKEN

The following chronology outlines the key actions taken by SRSD and CMSA in evaluating potential changes to SRSD's service delivery model. Driven by SRSD's need to address staffing challenges and ensure long-term operational sustainability, this process began in August 2021 with an Organizational Review and Analysis Report conducted by Municipal Resource Group. The report identified key operational challenges and included a proposed workplan to guide potential improvements.

Over the past two years, SRSD has collaborated with consultants, stakeholders, and other agencies to explore viable solutions. These efforts led to the development of a draft Management and Operations Service Agreement, which remains under review. This section provides a detailed account of key milestones, highlighting critical discussions, decision points, and ongoing efforts. A summary of this chronology is provided in Exhibit B: History of Action Taken - Chronology.

Initial Discussions and Exploration of Options (Feb. - Nov. 2023)

SRSD initiated discussions in February 2023 to explore potential alternatives for addressing ongoing staffing challenges. To support this effort, SRSD engaged consultant Paul Causey in April 2023 to assess strategic planning options and recommend potential service models. Over the following months (August - October 2023), the SRSD Board evaluated nine staffing and service structure alternatives before narrowing the options to three potential pathways in November 2023.

Stakeholder Engagement and Information Gathering (Nov. - Dec. 2023)

SRSD conducted interviews with key agencies, including SRSD staff, Marin LAFCO, San Rafael Human Resources, and Retirement System Administrators, to gather background information

and assess feasibility. In December 2023, SRSD requested that the CMSA Board authorize staff to participate in exploring an alternative service option with CMSA. Additionally, SRSD informed the City of San Rafael of its interest in evaluating this option.

Continued Discussions and Formation of CMSA Ad-Hoc Committee (March – May 2024)

From March to May 2024, SRSD continued discussions with San Rafael Human Resources to assess employee transition requirements and potential impacts. Simultaneously, SRSD held independent conversations with CMSA and RVSD to explore agreement options and potential service structures. Finally, in May 2024, SRSD formally requested, via letter, that the CMSA Board authorize an exploration of an alternative service option with CMSA. In response, the CMSA Board approved the request, directing staff to draft a service agreement and establish an Ad Hoc Committee to review and refine the agreement.

Development and Refinement of the Draft Agreement (June 2024 – Feb. 2025)

From June 2024 to February 2025, the CMSA JPA Ad Hoc Committee met regularly to review and provide feedback on preliminary versions of the draft Agreement. Concurrently, SRSD and CMSA representatives held separate discussions to refine the Agreement and supporting documents based on the committee's input and evolving considerations.

Independent Review of Draft Agreement (Nov. 2024 – Present)

In November and December 2024, SRSD and RVSD representatives met independently to discuss the draft Agreement, leading to the possibility of engaging an independent third party for further evaluation. In December 2024, CMSA hired RSG to conduct an independent review and comprehensive assessment of the draft Agreement.

In January and February 2025, RSG conducted interviews with JPA member agencies and held regular check-ins with the CMSA General Manager to provide progress updates and obtain clarifications and/or request additional materials as appropriate. On February 20, 2025, RSG presented the CMSA JPA Ad Hoc Committee with RSG's draft key findings and observations on the Agreement and a TOWS analysis derived from the feedback shared by the interviewed stakeholders. RSG also provided an opportunity for the Ad Hoc Committee to provide any clarifications or additional context over the course of the following week, and received additional comments and clarification from SRSD and RVSD as part of the review process.

APPROACH

This section of the report identifies RSG's approach and methodology for assessing the proposed Agreement. Our approach consisted of the following key steps:

- Review of Historical Documents

RSG conducted a comprehensive review of historical documents related to CMSA and SRSD governance and operations. This included draft agreements, board meeting materials, and governance documents to establish a foundational understanding of the existing service structure and the proposed Agreement.

- Stakeholder Engagement and Interviews

To gain direct insights, RSG interviewed key stakeholders from each JPA member agency, including representatives from SRSD, RVSD, SD2, and consultants to gather perspectives and priorities related to the draft Agreement.

- Research and Analysis

RSG conducted a comprehensive analysis of various factors, including an evaluation of Threats, Opportunities, Weaknesses, and Strengths (TOWS analysis) informed by stakeholder interviews, along with comparative research of similar governance transitions within other agencies and sanitation districts.

This approach enabled RSG to conduct a thorough and objective evaluation of the proposed Agreement, identifying key areas for refinement and further consideration.

METHODOLOGY

REVIEW OF HISTORICAL DOCUMENTS

RSG developed this report by analyzing publicly available records from CMSA and its member agencies, as well as relevant documents from local and regional wastewater agencies in California. This review included:

Governance Reports

- 2018 Marin County Civil Grand Jury Report on Special District Consolidation - Examined the benefits and challenges of consolidating special districts in Marin County.
- 2025 Marin Local Agency Formation Commission (LAFCO) Central Marin Wastewater Study - Reviewed the wastewater service structures of local agencies in Central Marin County.

Draft Service Agreements

- Draft Agreements (December 12, 2024, and January 21, 2025) - Defined the proposed transition of SRSD's operational responsibilities to CMSA.

Organizational & Financial Planning Documents

- Initial and Post-Transition Organizational Charts (November 2024) - Outlined anticipated staffing and reporting structure changes under the Agreement.
- Overhead Concepts (December 12, 2024) - Detailed CMSA's proposed overhead structure for SRSD services.

Stakeholder Reports & Materials

- RVSD Commissioned White Paper (October 22, 2024) - Summarized RVSD's concerns regarding the proposed Agreement.
- SRSD Board Meeting Materials (August-December 2023) - Provided insight into SRSD's evaluation of alternative governance models.
- CMSA JPA Ad Hoc Committee Meeting Materials - Documented the timeline of discussions and key decisions made by the Ad Hoc Committee.

Other Provided Documents

- Throughout RSG's evaluation, RVSD provided additional documentation including materials related to the Draft 2025 Marin Local Agency Formation Commission (LAFCO) Central Marin Wastewater Study, copies of draft service agreements, and various letters and correspondence exchanged regarding the proposed Agreement.

This review provided critical background information, ensuring that RSG's analysis was rooted in documented policies and historical context.

STAKEHOLDER INTERVIEWS

As part of this report, RSG conducted stakeholder interviews to gain insight into each agency's perspective on the proposed Management and Operations Service Agreement, as well as key priorities, areas of alignment, and outstanding concerns. These discussions played a crucial role in identifying governance, financial, and operational considerations that may impact the transition.

RSG conducted four structured virtual interviews with representatives from each JPA member agency and SRSD's consultant, using a consistent set of guiding questions to ensure a comprehensive and comparative analysis:

- SRSD: Mayor Kate Colin, Dean DiGiovanni, Doris Toy, Kerry Gerchow
- RVSD: Tom Gaffney, Mary Sylla, Felicia Newhouse, Michael Colantuono
- SD2: Councilmember Eli Beckman, RJ Suokko
- Consultant: Paul Causey

In addition to these stakeholder interviews, RSG held regular check-in meetings with CMSA General Manager, Jason Dow, as the lead client contact. These discussions provided status updates on different aspects of the Agreement, clarified elements of the process, and guided further information gathering.

The stakeholder interviews provided valuable insights into the perspectives, priorities, and concerns of each participating agency. From these conversations, six overarching themes emerged, highlighting both areas of alignment and aspects requiring further clarification:

1. Governance and JPA Balance
2. Financial & Pension Liabilities
3. Operational Services
4. Employee Transfer
5. Legal & Indemnification
6. Process and Transparency

These themes shaped the next phase of analysis and provided a framework for assessing various aspects of the proposed transition.

TOWS ANALYSIS

As part of this report, RSG conducted a TOWS analysis (Threats, Opportunities, Weaknesses, and Strengths) following stakeholder interviews to further examine the factors shaping the proposed Agreement. This framework first identifies external factors that may impact the transition, then evaluates internal resources and challenges that will influence how those factors can be managed. The TOWS analysis is included as Exhibit C: TOWS Analysis Presented on February 20, 2025, to CMSA JPA Ad-Hoc Committee.

For each of the six key themes identified during stakeholder interviews, RSG evaluated:

- Threats (External Risks): Structural or operational risks that could complicate or disrupt the transition if not addressed.
- Opportunities (External Drivers for Change): Areas where strategic improvements could facilitate a smoother and more effective transition.
- Weaknesses (Internal Gaps or Challenges): Limitations or uncertainties that could create obstacles to a successful implementation.
- Strengths (Internal Resources & Advantages): Existing assets, expertise, or frameworks that could support a successful transition.

At the core of the TOWS analysis are Threats and Opportunities, which highlight key risks and areas where improvements could strengthen the proposed Agreement. These external factors reflect priorities among stakeholders and help frame the critical issues that should be addressed to support alignment among JPA members. The Weaknesses and Strengths provide insight into CMSA and SRSD's capacity to navigate these challenges. Weaknesses identify concerns or limitations within the proposed Agreement, while Strengths highlight existing resources, dynamics or operational efficiencies that could support a successful transition. Together, these internal factors help clarify what elements of the Agreement may need refinement and where existing frameworks can help facilitate the transition.

The TOWS analysis serves as a foundation for the assumptions and recommendations that follow in this report. By systematically evaluating external challenges alongside internal capabilities, this assessment ensures that the proposed path forward is both responsive to key risks and opportunities and aligned with practical considerations and existing capabilities.

The TOWS analysis was presented at the February 20th, 2025, CMSA JPA Ad Hoc Committee meeting, where Committee members had an opportunity to provide additional clarification. It is important to note that the analysis reflected stakeholder perspectives captured during interviews. In some cases, the concerns raised had already been addressed or were in the process of being addressed by CMSA and SRSD, highlighting the ongoing nature of discussions and refinements to the Agreement. Further details on specific key issues raised and corresponding clarifications provided by CMSA can be found in Exhibit D: Key Issues Raised and Clarifications.

RESEARCH ON COMPARABLE SERVICE STRUCTURES

As part of this report, RSG researched comparable service transitions to identify best practices and provide insights relevant to the proposed CMSA-SRSD transition. The ongoing efforts between the City of Sausalito and Sausalito-Marin City Sanitary District offers valuable examples of functional consolidation strategies and considerations for integrating operations. Similarly, the consolidation of the Mill Valley Fire Department (MVFD) and the Southern Marin Fire Protection District (SMFD) offers insights into actions that support a successful transition.

Case Study: City of Sausalito and Sausalito-Marin City Sanitary District Transfer Discussions

The City of Sausalito and the Sausalito-Marin City Sanitary District (SMCSD) have been exploring the consolidation of their sewer collection systems to address staff recruitment and retention challenges, improve operational reliability, and enhance service delivery. The proposed transfer would integrate the City's sewer collection operations into SMCSD, a special district responsible for wastewater conveyance, treatment, and disposal in the region.

Phase I - Feasibility Study

In 2020, the City of Sausalito and SMCSD commissioned a Phase I Consolidation Feasibility Study to evaluate whether integrating Sausalito's sewer collection system into SMCSD would be a viable option³. The study assessed four potential alternatives, analyzing the operational and financial impacts of each approach.

The study methodology included a comprehensive assessment of both agencies' sewer infrastructure and financial structures. The City of Sausalito's collection system was evaluated alongside SMCSD's conveyance, treatment, and disposal system to compare service models and identify potential challenges. Additionally, a capital program evaluation was conducted to assess future investment needs and infrastructure maintenance requirements. Detailed financial analysis was also included, with an evaluation of sewer rates, financial operations and obligations, and projected cost impacts of different service models.

Overall, the feasibility study established a structured, data-driven foundation for decision-making, prioritizing transparency, financial sustainability, and operational efficiency. It concluded that if consolidation were pursued, a Phase II Implementation Plan would be necessary to address governance adjustments, financial obligations, and operational integration. This next phase would provide a clear roadmap for transitioning responsibilities and ensuring long-term service stability.

Phase II - Implementation Plan

In December 2024, the Sausalito City Council approved a Memorandum of Understanding (MOU) with SMCSD, which will formalize next steps toward streamlining services. This agreement outlines necessary actions such as public outreach, a transfer schedule, and

³ City of Sausalito and Sausalito-Marin City Sanitary District, *Sewer Collection Consolidation Feasibility Study, Phase I*, June 9, 2020.

addressing existing sewer system debt. While still in the early stages, this process demonstrates a structured approach to evaluating service transitions, emphasizing due diligence, stakeholder engagement, and financial planning to guide decision-making.

Key Considerations

While the CMSA-SRSD transition may differ in scope and structure, the Sausalito-SMCSD approach provides useful insights into key considerations when integrating service responsibilities between agencies:

- Financial Evaluation - Conducting thorough financial impact assessments is essential for maintaining fiscal stability.
- Operational Transition Planning - A structured implementation plan ensures clarity in roles, responsibilities, and service expectations. Key steps include setting a transition timeline, addressing financial and legal requirements, coordinating workforce impacts, and assessing infrastructure needs.
- Regulatory & Compliance Considerations - Identifying any regulatory approvals, reporting obligations, and environmental compliance requirements in advance helps avoid unforeseen challenges.

Case Study: Mill Valley Fire Department and Southern Marin Fire District Consolidation

One relevant example of a successful transition in Marin County is the consolidation of the Mill Valley Fire Department (MVFD) and the Southern Marin Fire Protection District (SMFD). This transition was guided by extensive planning, financial and operational analysis, and stakeholder engagement to ensure long-term stability. While this transition differs in scope and service type from the CMSA-SRSD Agreement, it provides relevant insights into the importance of thoroughly evaluating governance options and ensuring financial sustainability for a successful service integration.

Governance and Oversight

While the governance structure of the Mill Valley-SMFD consolidation is not directly applicable to the CMSA-SRSD transition, it provides a useful example of how careful planning can ensure fair and equitable representation for all stakeholders.

Recognizing the importance of oversight and continuity, the agencies explored multiple governance options to ensure Mill Valley residents had a voice in the expanded district. The final recommendation established an Advisory Committee composed of representatives from both agencies to serve as a governance bridge until the next Board of Directors election. The approach ensured a smooth transition without necessitating immediate changes to the Board structure, highlighting the benefits of balancing representation and operational continuity in similar service integrations.

Evaluation and Financial Analysis

The Mill Valley-SMFD consolidation was informed by several years of analysis. Starting in 2014, MVFD and SMFD operated under formal shared services agreements, which provided an opportunity to evaluate collaboration before pursuing a permanent merger. By 2021, the agencies launched a formal study to analyze fiscal sustainability, governance, and operational efficiencies, and contracted to conduct an independent assessment. The findings confirmed that consolidation was the most cost-effective and operationally sound path forward.⁴

Key components of the evaluation process included:

- ❑ Fiscal Impact Assessments - Evaluated long-term financial sustainability and cost efficiencies of consolidation.
- ❑ Unfunded Actuarial Pension Liability (UAL) Assessment - The MCERA 2022 South Marin Fire Mill Valley Study estimated the financial impact of transitioning MVFD employees into the SMFD under the Marin County Employees' Retirement Association (MCERA).⁵
- ❑ Property Tax Transfer Agreements - Established financial terms to ensure the merger would be fiscally neutral.
- ❑ Personnel Transfer Agreements - Defined compensation, benefits, and employment terms for MVFD personnel transitioning to SMFD, ensuring clarity and continuity for affected employees.

This comprehensive financial and operational planning helped mitigate risks, align stakeholder expectations, and promote transparency—key factors in the successful execution of the merger.

Key Considerations

While the Mill Valley-SMFD consolidation process embarked on a longer timeline than Sausalito-SMCSFD, or what may be anticipated for CMSA and SRSD, the process highlights several key factors that contributed to its success:

- ❑ Governance Transition Planning - Thoughtful governance planning, including the exploration of multiple governance options, can ensure fair representation for all stakeholders and address concerns about oversight and continuity.
- ❑ Thorough Financial and Operational Studies - A deliberate evaluation process provided clear, data-driven insights into the fiscal sustainability and operational viability of the transition.

⁴ Southern Marin Fire Protection District, *Staff Report: Proposed Consolidation of the Mill Valley Fire Department and Southern Marin Fire District*, October 3, 2022.

⁵ Marin County Employees' Retirement Association. *Impact of City of Mill Valley Fire Joining the Southern Marin Fire District as of June 30, 2022*. March 2, 2022.

DRAFTING RECOMMENDATIONS

RSG's recommendations were developed through a structured evaluation process that incorporated research, stakeholder input, and comparative analysis of similar service transitions, as detailed in the previous sections. RSG's recommendations can support CMSA and SRSD in addressing key challenges and clarifying uncertainties regarding the transition and timeline. By identifying areas for refinement and improvement, the recommendations provide a framework for well-structured transition that supports alignment among JPA members.

To ensure that recommendations were grounded in research and stakeholder priorities, RSG followed a two-step approach:

- Assumptions - Identifying key inferences based on the available information, including stakeholder discussions, historical documents, and operational analysis. These assumptions helped establish the underlying expectations for how the transition would function.
- Recommendations - Based on these findings, RSG developed targeted recommendations to improve clarity, mitigate risks, and ensure that the transition framework is structured to support long-term success.

The recommendations are designed to provide a roadmap for decision-makers as they finalize the proposed Agreement with the goal of moving toward implementation. The following sections outline the assumptions that shaped our analysis, and the recommendations that respond to the identified challenges and opportunities.

ASSUMPTIONS

Governance and JPA Balance Assumptions

- Consideration: The Agreement does not explicitly define SRSD's approval authority and oversight responsibilities, leading to concerns about operational decision-making.
- Assumption: A well-structured governance framework will help establish expectations for decision-making and prevent disagreements between CMSA and SRSD over jurisdictional approval.
- Basis: Stakeholder interviews revealed concerns about the level of SRSD's ongoing oversight and decision-making authority, particularly when it comes to policy direction.

Financial & Pension Liability Assumptions

- Consideration: The methodology for handling future pension obligations requires further clarification, particularly regarding how salary growth, staff turnover, and long-term liabilities will be managed.
- Assumption: Regular actuarial reviews and scenario analyses will help mitigate financial uncertainties related to pension costs and ensure long-term sustainability.
- Basis: Stakeholder interviews revealed concerns about the long-term impact of pension liabilities, particularly how promotions and salary increases could affect future costs. Additionally, best practices from agency transitions, such as the Mill Valley-SMFD consolidation, demonstrate that actuarial modeling and detailed pension financial planning are important in estimating pension cost burdens.

Operational Services Assumptions

- Consideration: The proposed Agreement does not clearly define how the success of the transition will be monitored or evaluated.
- Assumption: Establishing clear operational expectations and measurable performance benchmarks will help ensure accountability, efficiency, and service quality.
- Basis: Stakeholder interviews highlighted that a successful transition could be captured by key performance metrics, including spill rates, leaks, fines, and infrastructure maintenance. Marin LAFCO recommended that if SRSD and CMSA move forward with their transition, an annual review of cost savings, employee retention, and service delivery efficiency should be conducted to assess whether further regional coordination could enhance accountability and effectiveness.

Legal and Indemnification Assumptions

- Consideration: Stakeholder discussions raised concerns that the legal review process could be prolonged, potentially delaying implementation.
- Assumption: Minimizing legal review delays or uncertainties about risk exposure can streamline finalizing the Agreement.
- Basis: Researched transition models revealed that establishing a defined legal review timeline and conducting a thorough risk assessment upfront streamline the process and prevent unnecessary delays.

Process and Transparency Assumptions

- Consideration: Lack of transparency, or information-sharing, in the process could result in distrust among JPA member agencies.
- Assumption: A successful transition requires clear and consistent communication among all JPA members to maintain alignment and prevent misunderstandings.
- Basis: JPA member agencies that are not direct parties to the Agreement (RVSD and SD2) have raised questions about aspects of the transition, some of which have already been addressed, indicating that information is not being shared in a centralized manner. Best practices from similar service transitions have documented the evaluation process, ensuring all stakeholders remain informed throughout the process.

RECOMMENDATIONS

Recommendation #1: Clarify SRSD's Ongoing Approval Authority and Oversight Role

To promote transparency and alignment among JPA members, the Agreement should clearly define SRSD's approval authority and oversight responsibilities in ongoing operations. A well-structured governance framework will help establish expectations for decision-making, operational autonomy, and areas where SRSD's input and approval is required.

Key considerations for clarification include:

- Clarify Decision-Making Authority and Approval Triggers - Clearly define which operational decisions CMSA can make independently, and which require SRSD Board approval, particularly for major expenditures and service modifications. While Section 10 of the Agreement outlines responsibilities requiring SRSD approval, the Agreement should further clarify whether actions outside of these defined responsibilities may be approved solely by CMSA. RSG recommends adding language to Section 10 to explicitly delineate CMSA's discretion, ensuring a clear decision-making framework and avoiding potential ambiguity in operational authority.
- Enhance Resolution Process - While Section 9 outlines a formal mediation and arbitration process for major disputes, the Agreement should establish a structured approach for resolving minor disagreements between CMSA and SRSD related to day-to-day oversight and operational decision-making. A more immediate resolution mechanism would help prevent minor disputes from escalating, which may be time-consuming and impact service delivery.

Recommendation #2: Expand on Oversight of Long-Term Pension Liabilities

To promote financial stability and ensure long-term sustainability, CMSA should establish a structured oversight process for pension liabilities. While current plans include annual actuarial evaluations and SRSD-specific pension funding, additional safeguards can help address stakeholder concerns about long-term cost implications. Lessons from other successful transitions, such as the Mill Valley Fire Department and Southern Marin Fire District consolidation, demonstrate the importance of proactive financial planning in managing long-term obligations.

Key considerations for clarification include:

- Formalize CMSA Board Review - Provide CMSA's Board with an opportunity to review actuarial evaluations. Modify Section 23 of the Agreement to explicitly provide CMSA's Board with an opportunity to review actuarial evaluations annually, including methodologies, key assumptions, and long-term funding projections. This clarification will help ensure alignment with JPA member priorities and financial sustainability.

- Conduct Scenario Analyses - Expand Section 23 of the Agreement to require the actuary to perform scenario analyses modeling the potential long-term impacts of salary growth, employee promotions, and turnover on pension liabilities. These analyses will help provide clarity on the long-term sustainability of pension obligations, following best practices used in other service transitions.

Recommendation #3: Increase Financial Transparency

To ensure clarity in cost allocation and prevent unintended cross-subsidization, CMSA should expand its approach to cost tracking and validation. This will help provide greater confidence in financial planning and address concerns raised by JPA members.

Key considerations for clarification include:

- Develop a Cost Isolation Framework - Establish an expanded methodology for tracking and allocating costs beyond basic budget separation, ensuring that expenses related to SRSD operations are fully identified and distinctly accounted for. This framework could include:
 - Defining Cost Categories - Clearly distinguish between direct costs (e.g., staffing, maintenance), shared services costs (e.g., legal, administrative support), and overhead costs (e.g., utilities, IT, minor administrative tasks) to ensure proper allocation.
 - Tracking Hidden and Unforeseen Costs - Implement regular reviews of cost categories to identify emerging financial liabilities, such as deferred infrastructure maintenance or regulatory compliance costs.
 - Accountability for Unforeseen Liabilities - Clarify in Section 4 of the Agreement that SRSD is responsible for funding unexpected costs related to its assets or operational risks, preventing financial burden shifts onto other JPA members.

A review of this Cost Isolation Framework could be incorporated into the Annual Expense Review process outlined in Section 6 of the Agreement.

Recommendation #4 - Establish Clear Performance Metrics for Service Quality and Efficiency

To ensure accountability and evaluate whether the transition is achieving its intended objectives, SRSD, with CMSA's assistance, should define measurable performance benchmarks that align with operational goals and regulatory compliance standards. These benchmarks should be incorporated into the Agreement or Scope of Work as a reporting requirement, providing JPA member agencies with visibility into operational effectiveness.

Key considerations for clarification include:

- Define Performance Expectations - Establish reporting requirements for key operational benchmarks, including spill rates, leaks, fines, and rate stability to track service efficiency.
- Enhance Infrastructure Monitoring - Implement quantifiable infrastructure metrics, such as Inflow & Infiltration (I&I) reduction, pipeline maintenance efforts, and system condition assessments, to evaluate ongoing maintenance effectiveness.

Recommendation #5 - Conduct a Comprehensive Legal Review with Defined Timelines

To ensure clarity, mitigate risks, and prevent delays, all parties should conduct a comprehensive legal review of the Agreement before finalization.

Key considerations for clarification include:

- Establish a Legal Review Timeline - Set a structured timeline for completing legal review, with key milestones to prevent any single party from delaying the process.
- Assess Risk Exposure - Conduct a legal analysis to identify any areas of risk, including pension liabilities, labor agreements, and financial obligations.

Recommendation #6: Centralize Information Sharing for Transparency and Alignment

To foster alignment and collaboration among all JPA members, CMSA and SRSD should centralize key information and establish clear communication protocols. While both agencies have taken steps to work through transition details, other JPA members (RVSD and SD2) have raised questions about aspects that may have already been addressed or are in progress. A more structured approach to information-sharing would help ensure all stakeholders remain informed and engaged.

Key considerations for clarification include:

- Formalize Information Sharing - Consolidate financial evaluation reports, pension liability assessments, implementation plans, and other relevant materials in a centralized format that is easily accessible to all JPA members, ensuring a comprehensive record of actions taken.
- Enhance Communication Protocols - Establish regular updates or briefings to ensure JPA members remain informed about key decisions and transition progress. Consider adding a section to the Agreement that formalizes CMSA's responsibility to provide periodic reports to the CMSA Board and distribute them to all JPA member agencies.

CONCLUSION

As a Joint Powers Authority (JPA), CMSA is structured to serve the collective interests of its three member agencies—SRSD, RVSD, and SD2. The proposed transition represents an operational shift that requires careful coordination, transparency, and ongoing collaboration to support alignment with the shared values and responsibilities of all JPA members. A well-structured transition will depend not only on the technical and financial components of the Agreement but also on maintaining trust and open communication among all stakeholders.

The primary goal of this transition is to ensure that SRSD remains a successful wastewater collection agency while addressing longstanding challenges with staff recruitment and retention. By shifting operations under CMSA and increasing wages to a more competitive level, there is potential to attract and retain higher-quality staff, ultimately leading to more consistent service provision and operational reliability. A well-supported workforce, combined with clearly defined service expectations, will help SRSD sustain long-term success as a collection agency.

As discussed throughout this report, successful transitions of this scale require clear governance structures, financial oversight, and defined service expectations. The findings and recommendations in this report highlight key areas where additional clarity, documentation, or procedural refinements could support a smoother process moving forward. These include ensuring consistent information-sharing among all JPA members, clarifying SRSD's ongoing oversight role, strengthening financial and pension liability tracking, and defining measurable performance benchmarks for service quality.

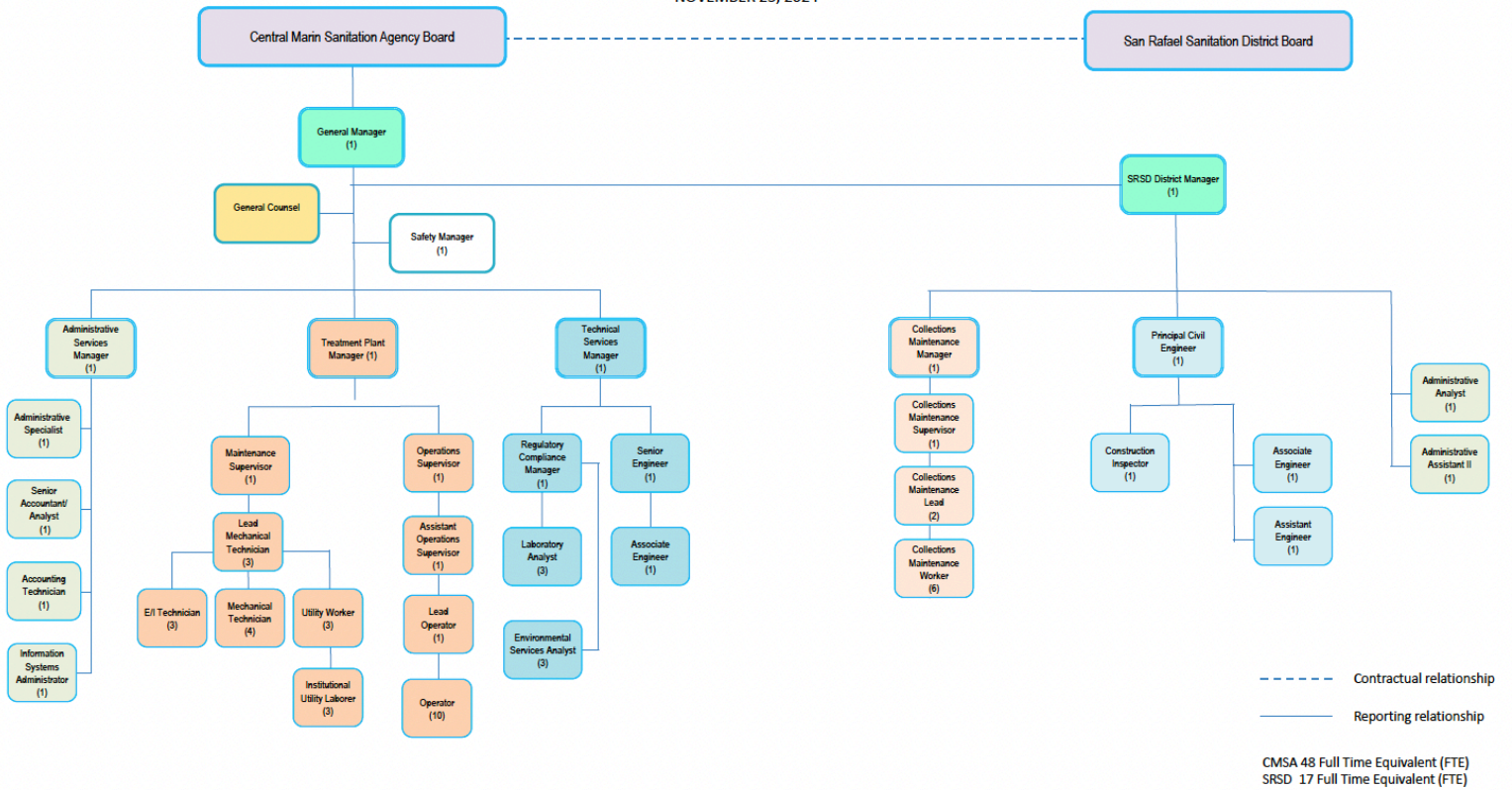
Moving forward, a structured and transparent implementation process will be essential to mitigating potential challenges. By taking steps such as centralizing key information, formalizing reporting expectations, and maintaining an inclusive dialogue among all JPA members, CMSA and SRSD can navigate this transition effectively while upholding their commitments to operational efficiency, financial responsibility, and service reliability.

Ultimately, the proposed transition is not just a change in service administration but an opportunity to reinforce the collaborative principles of the JPA structure. With thoughtful planning and a commitment to shared responsibility, this transition can serve as a model for effective inter-agency partnerships and long-term service sustainability.

EXHIBIT A: PROPOSED INITIAL PHASE ORGANIZATIONAL CHART

DRAFT

INITIAL PHASE ORGANIZATIONAL CHART
 (PROPOSED)
 NOVEMBER 25, 2024



----- Contractual relationship
 ————— Reporting relationship

CMSA 48 Full Time Equivalent (FTE)
 SRSD 17 Full Time Equivalent (FTE)

EXHIBIT B: HISTORY OF ACTION TAKEN - CHRONOLOGY

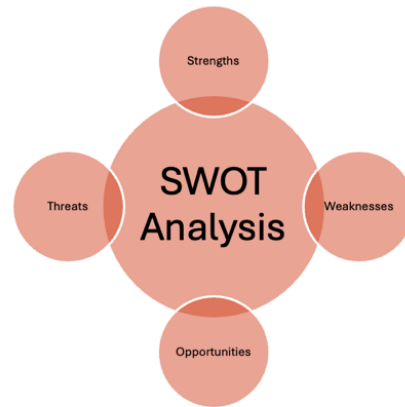


EXHIBIT C: TOWS ANALYSIS PRESENTED ON FEBRUARY 20, 2025, TO CMSA JPA AD- HOC COMMITTEE



Stakeholder Interviews – Key Findings

1. Governance and JPA Balance
2. Financial & Pension Liabilities
3. Operational Services
4. Employee Transfer
5. Legal & Indemnification
6. Process and Transparency



Governance and JPA Balance

Strengths (What's working well?)	Weaknesses (Concerns or challenges identified)	Opportunities (What can we clarify?)	Threats (Risks if left unaddressed)
<ul style="list-style-type: none"> • JPA member agencies share a commitment to regional coordination • Consolidation has the potential to improve efficiencies 	<ul style="list-style-type: none"> • The agreement may impact the existing governance structure and balance within the JPA • Questions remain about decision-making authority and oversight 	<ul style="list-style-type: none"> • Define clear governance roles and responsibilities, specifically around SRSD's approval authority and/or level of oversight 	<ul style="list-style-type: none"> • Potential for perceived or actual governance imbalance, leading to stakeholder concerns • Lack of clarity could impact trust and collaboration among JPA members



Governance and JPA Balance

Strengths (What's working well?)	Weaknesses (Concerns or challenges identified)	Opportunities (What can we clarify?)	Threats (Risks if left unaddressed)
<ul style="list-style-type: none"> JPA member agencies share a commitment to regional coordination Consolidation has the potential to improve efficiencies 	<ul style="list-style-type: none"> The agreement may impact the existing governance structure and balance within the JPA Questions remain about decision-making authority and oversight 	<ul style="list-style-type: none"> Define clear governance roles and responsibilities, specifically around SRSD's approval authority and/or level of oversight 	<ul style="list-style-type: none"> Potential for perceived or actual governance imbalance, leading to stakeholder concerns Lack of clarity could impact trust and collaboration among JPA members



Operational Services

Strengths (What's working well?)	Weaknesses (Concerns or challenges identified)	Opportunities (What can we clarify?)	Threats (Risks if left unaddressed)
<ul style="list-style-type: none"> CMSA already provides some collection services effectively The same employees currently performing SRSD collection services will continue in their roles, minimizing disruption Combining treatment and collection services could enhance coordination and improve long-term system efficiency 	<ul style="list-style-type: none"> Uncertainty around CMSA's experience in sewer collection system maintenance, repairs, and rate-setting could present operational challenges Collection services involve significant public-facing interactions, which may introduce additional operational complexities Differing perspectives on whether collection falls within the original scope of the JPA's intended role 	<ul style="list-style-type: none"> Identify areas where additional resources or expertise may be needed Define clear operational expectations to ensure service quality and efficiency, including: <ul style="list-style-type: none"> ➢ Performance benchmarks (e.g., spills, leaks, fines, rate adjustments) ➢ Infrastructure maintenance ➢ Customer service roles and responsibilities 	<ul style="list-style-type: none"> If not structured properly, the transition could create inefficiencies or service disruptions



Employee Considerations

Strengths (What's working well?)	Weaknesses (Concerns or challenges identified)	Opportunities (What can we clarify?)	Threats (Risks if left unaddressed)
<ul style="list-style-type: none"> The transition is expected to improve staff retention and morale for SRSD employees Shifting away from city-based pay scales could make salaries more competitive in the market Employees currently performing these duties will continue in their roles, minimizing operational disruption 	<ul style="list-style-type: none"> The hiring and integration process remains unclear, including employee vetting, background verification, and qualifications Uncertainty remains about whether the transition will effectively address long-term staffing challenges Pay scale details are still undetermined, requiring further clarity and substantiation Concerns about how the oversight of additional employees may impact CMSA functions and staffing/resource allocation 	<ul style="list-style-type: none"> Define a clear process for hiring and vetting transitioning employees, including background checks and qualifications Provide clarity on how salaries will be structured and adjusted over time Develop a comprehensive integration plan to ensure a smooth transition for incoming and existing employees 	<ul style="list-style-type: none"> Ambiguity regarding employee transfer process and release from the City of San Rafael could require extensive coordination or delays Lack of clarity on workspace logistics (e.g. where employees will be housed) could create operational inefficiencies and coordination challenges



Legal and Indemnification

Strengths (What's working well?)	Weaknesses (Concerns or challenges identified)	Opportunities (What can we clarify?)	Threats (Risks if left unaddressed)
<ul style="list-style-type: none"> The draft agreement provides framework for operational and legal responsibilities, built off an existing CMSA agreement 	<ul style="list-style-type: none"> Legal teams have not yet conducted a full review of the agreement Concerns remain about whether indemnification provisions are sufficient to fully protect JPA members from financial and legal liabilities The agreement is modeled after a contract that may differ in scope and complexity 	<ul style="list-style-type: none"> Conduct a comprehensive legal review to identify potential risks or gaps before finalizing the agreement Identify areas where indemnification provisions could be strengthened Establish a clear timeline for legal review 	<ul style="list-style-type: none"> Insufficient indemnification protections may expose JPA members to financial or legal liability Lack of clarity in key agreement terms could result in future disputes and implementation challenges



Process and Transparency

Strengths (What's working well?)	Weaknesses (Concerns or challenges identified)	Opportunities (What can we clarify?)	Threats (Risks if left unaddressed)
<ul style="list-style-type: none">• The JPA structure provides an established framework that supports collaboration• Public meetings and ad-hoc committee discussions have provided opportunities for stakeholder input	<ul style="list-style-type: none">• Concerns remain about whether all stakeholders had a sufficient opportunity to provide input• Some stakeholders feel the process was predetermined or moved quickly, limiting opportunities to fully explore alternatives	<ul style="list-style-type: none">• Continue to provide transparency on financial details to ensure risks are fully understood• Ensure that due diligence is clearly documented to reinforce confidence in the transition• Establish expectations for ongoing communication and reporting	<ul style="list-style-type: none">• Lack of transparency in the process could result in distrust among JPA members• Misalignment among the partners could delay a smooth transition

EXHIBIT D: KEY ISSUES RAISED AND CLARIFICATIONS

This exhibit outlines key issues identified in stakeholder discussions and the corresponding clarifications provided by CMSA, offering insight into how these concerns are or plan to be addressed in the draft Agreement and transition process.

Governance & JPA Balance

Key Issue: The Agreement may shift the governance balance within the JPA, raising questions about SRSD's ongoing approval authority and level of oversight in operations.

Clarification:

- The CMSA Board structure (2:2:1) will remain unchanged unless formally approved by all members. The CMSA and SRSD Boards will continue to operate separately.
- The CMSA Board will not make decisions on SRSD business—SRSD's Board will retain decision-making authority over budget, audits, rate increases, and procurement above the GM's signature authority.
- CMSA's Board will monitor that CMSA is fully reimbursed for all SRSD service expenses, and that CMSA staff are performing the Agreement's scope of work.

Financial & Pension Liabilities

Key Issue: Additional clarity may be needed on the long-term funding strategy for pension liabilities, including potential cost increases from promotions or retirements over time.

Clarification:

- SRSD employees will transition from MCERA to CalPERS and SRSD will pay off all unfunded liabilities before the transition. CMSA will not assume any pension liabilities.
- An actuary will determine required annual contributions, and SRSD will fully fund a trust for pension obligations.
- If an SRSD employee leaves CMSA for a higher salary, an actuary will calculate the impact on the SRSD UAL each year.

Key Issue: Questions remain about how overhead costs are calculated and whether 5% is an appropriate factor.

Clarification:

- CMSA staff will track SRSD-related work via timesheets; tasks under 15 minutes will be classified as overhead.
- Overhead covers utilities, untracked staff time, and minor expenses listed in the 'Overhead Concepts' document developed by SRSD and CMSA.
- All SRSD non-labor expenses will be directly charged to SRSD (e.g. materials, supplies, contractors, equipment).

- The 5% overhead factor is a fixed rate, as nearly all expenses are reimbursed, rather than based on external benchmarking.
- Under the Agreement, an annual evaluation of overhead charges will be performed, and adjustments proposed as necessary.

Operational Services

Key Issue: The transition could introduce operational complexities, particularly due to the public-facing nature of collection services.

Clarification:

- SRSD employees will continue in their roles under CMSA management.
- CMSA has experience managing service contracts for 11 agencies and does not anticipate operational disruptions.
- The SRSD Manager will report to CMSA's GM to ensure smooth integration.

Employee Considerations

Key Issue: Questions remain about the hiring and integration process, particularly regarding employee vetting, background checks, and qualifications.

Clarification:

- City employees will transfer directly without open recruitment. They will be subject to:
 - Medical exam (drug testing)
 - Functional capacity testing
 - Background checks
 - One-year probationary period
- Employees will retain accrued leave, leave accrual rates, and seniority within their group.
- The memorandum titled 'Procedure to Hire SRSD Employees' was drafted by CMSA and provided to all JPA member agencies on March 11, 2025, providing further context on the employee hiring process.

Key Issue: Salary ranges for transferring employees are not specified in the Agreement.

Clarification:

- Salary ranges will be determined based on a market survey of CMSA's 13 comparator organizations.
- For legal reasons, salary ranges will not be included in the Agreement until CMSA's union approves them, which will occur after Agreement approval.
- SRSD's Board previously approved a three-year rate increase to account for higher salary and benefit costs and increased capital program funding.

- SRSD engineers with equivalent classifications to CMSA engineers will be placed within the same compensation range. For all other inherited positions, no direct classification currently exists within CMSA's structure.

Key Issue: Concerns about CMSA's GM workload and additional oversight responsibilities.

Clarification:

- The GM anticipates spending 10-15% of their time on SRSD initially, with a phased reduction over time.
- CMSA's GM remains an exempt employee and will work as needed to fulfill responsibilities.
- The SRSD Manager will report to the CMSA GM and ensure the Agreement's scope is performed.

Key Issue: Uncertainty about workspace logistics for SRSD employees at CMSA.

Clarification:

- CMSA will determine workspace arrangements, and SRSD will cover associated costs.
- A "Site License Agreement" provision has been added to the draft Agreement, detailing workspace and relocation contingencies.
- If relocation is necessary, options will be presented to the SRSD Board for discussion and evaluation, as SRSD will be responsible for funding the relocation.



BOARD MEMORANDUM

March 14, 2025

To: AD-HOC Committee of CMSA JPA Member Representatives to consider the JPA's Organization Development Future

From: Jason Dow, General Manager

Subject: Revised SRSD Management and Operations Service Agreement Schedule

Recommendation: Review and discuss the revised schedule and provide direction to staff.

Discussion: The SRSD contract development working group prepared a draft schedule that the Committee reviewed at its February 20, 2025, meeting. The Committee directed staff to expand the schedule to allow each agency two board meetings to review and discuss the schedule, and provide comments to staff. In addition, the Committee asked staff to perform the following tasks prior to distributing the final draft agreement and to include the tasks in the schedule.

- Prepare an SRSD Employee Hiring Process memo
- Determine how many SRSD employees are eligible to retire within one year of the Agreement's effective date.
- Provide the MCERA UAL information for the SRSD employees and retirees

Attachment:

- Draft SRSD Management and Operations Service Agreement Schedule – 1/21/25

SRSD MANAGEMENT AND OPERATIONS SERVICE AGREEMENT SCHEDULE
Revised Draft (3/6/2025)

DATE	TYPE OF MEETING	DESCRIPTION
2/20	Ad Hoc	RSG attends meeting to review scope & work status; Jason presents schedule & scope changes. (done)
Week of 2/24	SRSD/CMSA Staff	Discuss RSG questions and preliminary findings/recommendations. (done)
3/20	Ad Hoc	RSG presents draft report and receives comments; committee to consider and select some agreement revisions; Jason presents revised schedule, SRSD employee hiring process, and SRSD retirement info.
Week of 3/24	SRSD/CMSA Staff	Review Agreement revisions based on Ad Hoc directions.
4/17	Ad Hoc	RSG presents final report; committee direction to update Agreement with specific recommendations.
Week of 4/21	SRSD/CMSA Staff	Review Ad Hoc recommendations and discuss Agreement revisions.
5/8?	Ad Hoc	<i>Added meeting if necessary.</i> Jason to present revised Agreement per committee direction.
5/15	Ad Hoc	Review draft Agreement and receive direction. Review draft site use agreement.
Week of 5/19	SRSD/CMSA Staff	Review final draft Agreement and agree to distribute to JPA member agencies.
5/30	n/a	Distribute final draft Agreement for JPA members' review and comment.
6/1 – 7/22	n/a	JPA members' agreement review period. Two regular Board meetings for each agency.
7/31	n/a	JPA comments due to CMSA
Week of 8/4	SRSD/CMSA Staff	Discuss JPA comments.
8/21	Ad Hoc	Present final draft Agreement with JPA comments; committee to decide on which comments to incorporate into the Agreement.
Week of 8/25	SRSD/CMSA Staff	Review final Agreement and make final changes.
9/1		FINAL AGREEMENT Distributed
Week of 9/1	SRSD Special Board Mtg	Agreement on Agenda for approval.
9/9/25	CMSA Board Mtg	Agreement on Agenda for approval.



BOARD MEMORANDUM

March 14, 2025

To: AD-HOC Committee of CMSA JPA Member Representatives to consider the JPA's Organization Development Future

From: Jason Dow, General Manager

Subject: **SRSD Employee Hiring Process**

Recommendation: Review and discuss the revised schedule and provide direction to staff.

Discussion: At the last Committee meeting, staff was instruction to prepare a memo outlining the process CMSA will use to hire the City of San Rafael employees that work for SRSD. That draft memo is attached and aligns with the relevant Agency administrative and personnel policies.

Attachment:

- Draft Procedure to Hire SRSD Employees – 3/6/25



Draft MEMORANDUM

March 6, 2025

To: JPA Ad Hoc Committee

From : Jason Dow, General Manager

Subject: Procedure to Hire SRSD Employees

The Draft SRSD Operations and Management Service Agreement envisions CMSA hiring the City of San Rafael employees on the day each resigns from their City employment. CMSA will hire each employee utilizing the Agency's standard hiring process, as outlined below.

- 1) Determine City of San Rafael resignation and CMSA hiring date.
- 2) Each SRSD employee will complete and submit a CMSA job application.
- 3) CMSA will provide each SRSD employee with a conditional job offer letter that requires them to complete a medical evaluation, illegal drug testing, functional capacity test, and background check. Completion of these requirements may take up to 30 days.

If results from the drug testing and/or background checks are questionable, CMSA will consult with our employment law attorney.

- 4) Based on the results of the above evaluations and test, CMSA will prepare a draft employment agreement for each new employee. The agreement will be reviewed with each individual, questions answered, and a final agreement prepared. This will be completed within one week after item 3.
- 5) Employment agreements will include job modifications based on the medial evaluation and functional capacity testing, employment start date, salary rate, leave accrual rates, transferred leave balances, any special employment provisions, and a summary of benefits.
- 6) After hiring the employees, each will receive new employee orientation and safety training, and a detailed annual workplan will be developed with their supervisor, which contain job expectations, performance metrics, assignments, etc.
- 7) Employees will have a 12-month probationary employment period that can be extended. During the first year of employment, job performance will be closely monitored with regular feedback provided.



BOARD MEMORANDUM

March 14, 2025

To: AD-HOC Committee of CMSA JPA Member Representatives to consider the JPA's Organization Development Future

From: Jason Dow, General Manager

Subject: SRSD Contract Development Expense Tracking Report

Recommendation: Accept the SRSD Contract Development Expense Tracking Report.

Discussion: At its December 3, 2024, meeting the Committee asked staff to prepare a written report at each meeting to show the SRSD contract development expense information. The table below shows the expense information through February 10, 2025.

SRSD Contract Expense Tracking	Amount
Total expenses through 2/28/25	\$42,010*
SRSD reimbursed to date	\$30,047
CMSA February invoice	\$11,963

* includes GM costs: 84 hours at \$274/hr