

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JULY 1, 2023 – JUNE 30, 2024



CENTRAL MARIN SANITATION AGENCY



ROTATING DRUM THICKENERS (RDT)



AERATION TANK & DIGESTORS



NUEROS AERATION BLOWER



PRIMARY CLARIFIERS



ADMINISTRATIVE OFFICE



ORGANIC WASTE RECEIVING FACILITY (OWRF)



SECONDARY CLARIFIERS

Central Marin Sanitation Agency
ANNUAL COMPREHENSIVE FINANCIAL REPORT
July 1, 2023 – June 30, 2024



1301 Andersen Drive, San Rafael CA 94901
Corey Spray, Treasurer/Controller/Administrative Services Manager
Prepared by the Administration Department staff

www.cmsa.us/finance

**CENTRAL MARIN SANITATION AGENCY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR FISCAL YEAR JULY 1, 2023 THROUGH JUNE 30, 2024**

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(sections and sub-sections are hyperlinked)**

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INTRODUCTORY SECTION



December 10, 2024

Honorable Board of Commissioners and
Customers of the Central Marin Sanitation Agency
San Rafael, California

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Central Marin Sanitation Agency (CMSA) for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. This was the twenty-second consecutive year that CMSA has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a one-year period only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

We are pleased to present CMSA's ACFR for the fiscal year ended June 30, 2024. This report provides an overview of the Agency's financial activities during the past fiscal year and has been prepared by CMSA staff for the benefit of the Board of Commissioners and other stakeholders who may have interest in the financial position and operations of the Agency. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, rests with the Agency. CMSA's Management is responsible for the contents of the ACFR, and to the best of our knowledge and belief, the enclosed information is accurate in all material respects, and is reported in a manner designed to present fairly the financial position and results of operations of CMSA. All disclosures necessary to enable the reader to gain an understanding of CMSA's enterprise activities have been included.

California statutes require that CMSA report on its financial position and results of operations on an annual basis. This report contains the Agency's financial statements which have been audited by an independent accounting firm and have been accepted by the Agency's Board of Commissioners. CMSA's independent auditor, Maze & Associates Accounting Corporation, concluded that the Agency's financial statements present the financial position of CMSA fairly and in accordance with accounting principles generally accepted in the United States of America. The independent auditor's report is located at the front of the financial section of this report.

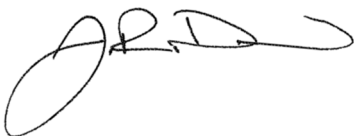
Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The reporting entity for CMSA is defined as a legally separate stand-alone governmental entity that is not financially accountable for any component unit or any other organization. Financial activity for the Agency is accounted for and reported as though it were a primary government in accordance with government accounting standards. The ACFR is presented in three sections, introductory, financial, and statistical, as summarized below.

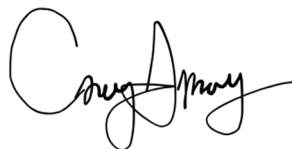
- *Introductory Section:* includes discussions of Board-approved major initiatives related to Agency capital projects, major asset management and maintenance activities, programs, policies, and financial operations. It also includes an informational profile of the Agency and its service area, an organizational chart, as well as a listing of Agency officials.
- *Financial Section:* comprises the Independent Auditor's Report and the basic financial statements, which includes MD&A, financial statements, accompanying notes to the financial statements, and required supplementary information. The MD&A contains condensed financial statements and statement analyses, including an explanation of variations between fiscal years. The required supplementary information contains information in connection with the Agency's pension and other post-employment benefit plans.
- *Statistical Section:* provides historical data on Agency finances, staffing, and operations, and service area demographics generally presented on a 10-year basis.

In submitting the ACFR, we express sincere appreciation to the Board of Commissioners for their ongoing oversight of the financial and operational activities of the Agency, as well as their continued support of Agency staff. We also thank Agency staff for their ideas and contributions. Special acknowledgement is given to the Administrative and Finance staff for their efforts in preparing this report.

Sincerely,



Jason R. Dow, PE
General Manager

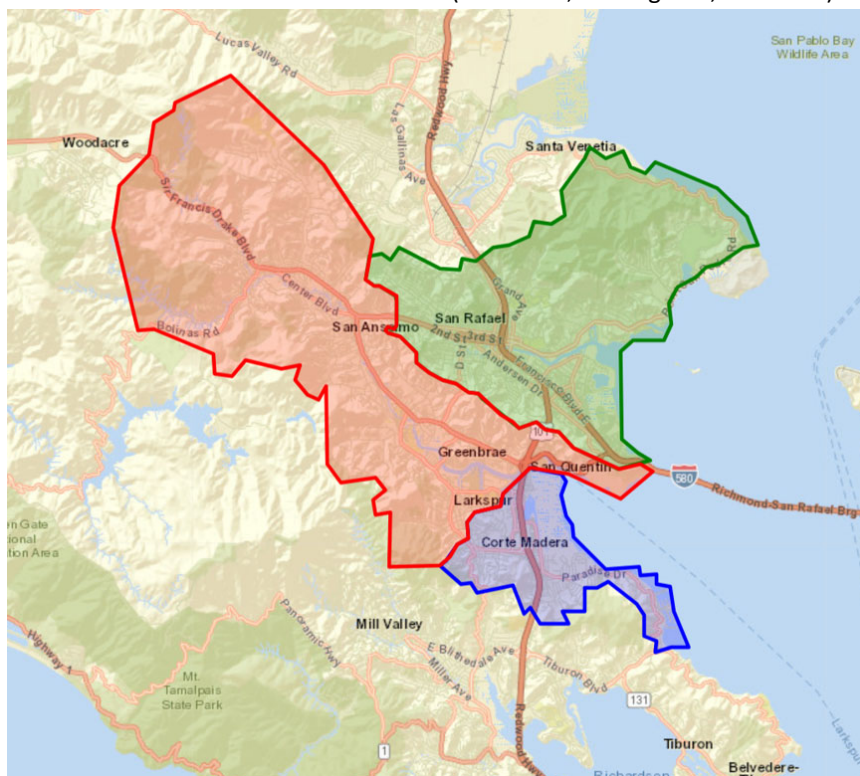


Corey Spray, CPA
Administrative Services Manager

LOCATION AND SERVICE AREA

Central Marin Sanitation Agency (CMSA) is a regional wastewater treatment agency that serves residents, businesses and institutions located in central Marin County. The Agency is in San Rafael, California, adjacent to the Richmond-San Rafael Bridge. The CMSA service area is approximately 43.5 square miles, and includes the Towns of Corte Madera, San Anselmo, Fairfax, and Ross, portions of the City of San Rafael, City of Larkspur, San Quentin State Prison (SQSP), and the unincorporated areas within San Rafael, the Tiburon peninsula, Ross Valley, and San Quentin Village (SQV). The April 2020 census reported Marin County has a total population of 262,321. For the Fiscal Year 2023-2024 (FY24), the Agency provided services to an approximate population of 105,040 or 51,812 equivalent dwelling units (EDUs).

The shaded areas show the location of CMSA service area (RVSD: red, SRSD: green, SD2: blue).



Population of Cities, Towns, and Correctional Facilities in the CMSA Service Area*

City of San Rafael (Approximately 2/3 of the city's population)	41,157
City of Larkspur	12,589
Town of San Anselmo	12,498
Town of Corte Madera	9,947
Town of Fairfax	7,417
Unincorporated CMSA Service Area (SQV, Greenbrae, Tiburon Peninsula)	6,524
Kentfield	6,808
San Quentin State Prison	3,361
Sleepy Hollow	2,401
Town of Ross	2,338

*Sources: United States Census Bureau State and County Quick Facts (2020 Census & 2023 estimates), Bureau of Economic Analysis; unitedstateszipcodes.org; San Quentin State Prison 2024 SB601 Report

ORGANIZATION AND BUSINESS

In the 1970's, central Marin County had four small wastewater treatment plants whose operations were not able to meet the stringent requirements of the 1972 Clean Water Act. Four local agencies that provided wastewater services in the area, San Rafael Sanitation District (SRSD), Ross Valley Sanitary District (RVSD), Sanitary District No. 2 of Marin County (SD2), and the City of Larkspur (Larkspur) entered into a joint powers agreement (JPA) in October 1979 to create a separate governmental entity, the Central Marin Sanitation Agency, to oversee the construction and operation of a regional wastewater treatment facility. SQSP, which represents the largest single customer of wastewater treatment services in the combined service area, opted not to join the JPA, but rather to contract for wastewater services. The treatment facility was constructed at a cost of \$84 million and was funded by federal (75%) and state (12.5%) clean water grants, as well as local shares (12.5%) from the local wastewater agencies and SQSP. Larkspur's wastewater service area was annexed by RVSD in 1993, and Larkspur later withdrew from the JPA in January 2020.

The Agency's governing body, a Board of Commissioners (Board), consists of individuals appointed by the JPA member agencies. SRSD and RVSD each have two members on the Commission while SD2 has one member. The five-member Board sets policy for the Agency. The Board appoints the General Manager and Treasurer/Controller who serve at the pleasure of the Board. The General Manager is the chief administrative officer responsible for the Agency's day-to-day operations and long-term planning in accordance with the Board's policies and approved budget. The Treasurer/Controller is charged with overall financial responsibility in accordance with established Agency policies.

The CMSA wastewater treatment facility began operations in January 1985. The treated wastewater discharged into the central San Francisco Bay as clean effluent consistently exceeds all federal, state, and regional regulatory requirements. Since its inception, CMSA has successfully carried out its mission of protecting public health and the environment through the planning, administration, and coordination of wastewater and biosolids treatment, disposal, and reuse for central Marin County. CMSA also provides other services to benefit its customers and the environment, including (1) participating in federal pretreatment and regional pollution prevention programs, (2) providing wastewater collection system maintenance, source control, and other services under contract to local agencies, (3) managing an award winning comprehensive countywide public education program, (4) serving as the lead agency for administering a comprehensive safety program with another wastewater agency in the county, and (5) providing recycled water and renewable energy.

CMSA's wastewater treatment process consists of (1) screening and grit removal, followed by (2) primary and secondary treatment processing, then (3) the clean wastewater is disinfected and dechlorinated before (4) being discharged into San Francisco Bay. In FY10, CMSA completed the Wet Weather Improvement Program that increased the Agency's hydraulic and processing capacity from 90 million gallons per day (MGD) to over 125 MGD, and discharge capacity to over 155 MGD. The treatment facility also produces nearly all of its own electrical and heating needs using a cogeneration system fueled by biogas gas that is produced by the treatment plants' two anaerobic digesters.

ECONOMIC CONDITION AND OUTLOOK

Marin County has a total population of 262,321 with a growth rate of less than one percent annually. The county’s residents continue to have California’s and the United State’s highest per capita income of \$171,177 per household according to the most recent 2022 data reported by the Bureau of Economic Analysis. The population growth rate and per capital household income in the CMSA service area mirrors that of the County.

Marin’s 3.7% average unemployment rate is one of the lowest rates in California and remained just below national levels (3.8%) at the end of FY24. Seven of the top ten employers as measured by the number of employees in the CMSA service area are governmental entities.

Ten of the Largest Employers & Number of Employees in CMSA Service Area

1. BioMarin	1,700	6. San Rafael City Schools	561
2. MarinHealth Medical Center	1,650	7. Tamalpais Union High School District	531
3. San Quentin State Prison	1,468	8. College of Marin	512
4. Dominican University	1,033	9. Restoration Hardware	500
5. Golden Gate Transit	853	10. City of San Rafael	416

The local housing market continued to decrease through December 2023 as buyers responded to higher mortgage interest rates. The annual mean/median sale price for a home in Marin as reported by the Marin County Assessor Office for the year ending December 31, 2023 was \$1,785,933/\$1,376,500 for a mean home living area of 1,957 square feet, compared to \$1,909,245/\$1,500,000 and 1,997 square feet reported in December 2022. The downward trend reversed somewhat through June 2024, where the county reported \$1,819,740/\$1,497,500 for mean/median sales data statistics and a mean home living area of 2,012 square feet.

The Agency’s revenue structure is based on fee for service. The Agency invoices for service charges quarterly and the member agencies in turn remit the revenue to CMSA. Sewer system capacity charges are remitted upon connection of new or expansion of existing service to the wastewater system. In accordance with the JPA agreement, member agencies are responsible for billing and collection of sewer service charges from property owners in their service area. Member agencies place service charges on the Marin County Tax Bill, and the County collects from property owners through the property tax collection system, then remits the collected revenue to JPA member agencies who in turn remit service charge revenues to CMSA.

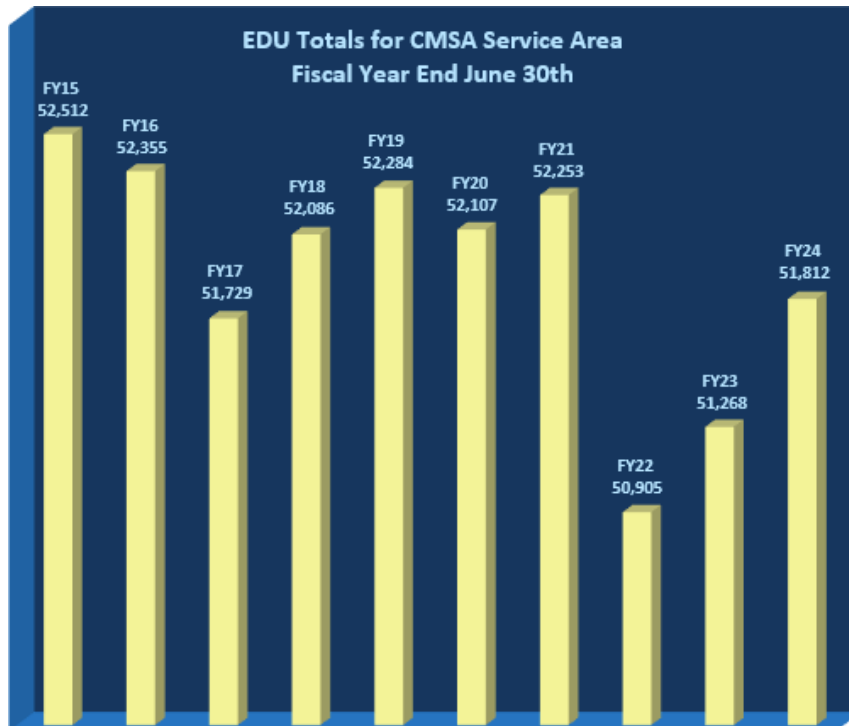
EDU Count by Connection Types for FY24

(Source: Property Tax Reports, County of Marin)

	San Rafael Sanitation District	Ross Valley Sanitary District	Sanitary District #2	San Quentin State Prison	TOTAL
Residential	15,742	18,216	4,654	N/A	38,612
Commercial	3,436	3,240	1,407	N/A	8,083
Institutional (1)	164	851	96	N/A	1,111
Correctional				4,005	4,005
TOTALS	19,342	22,308	6,157	4,005	51,812

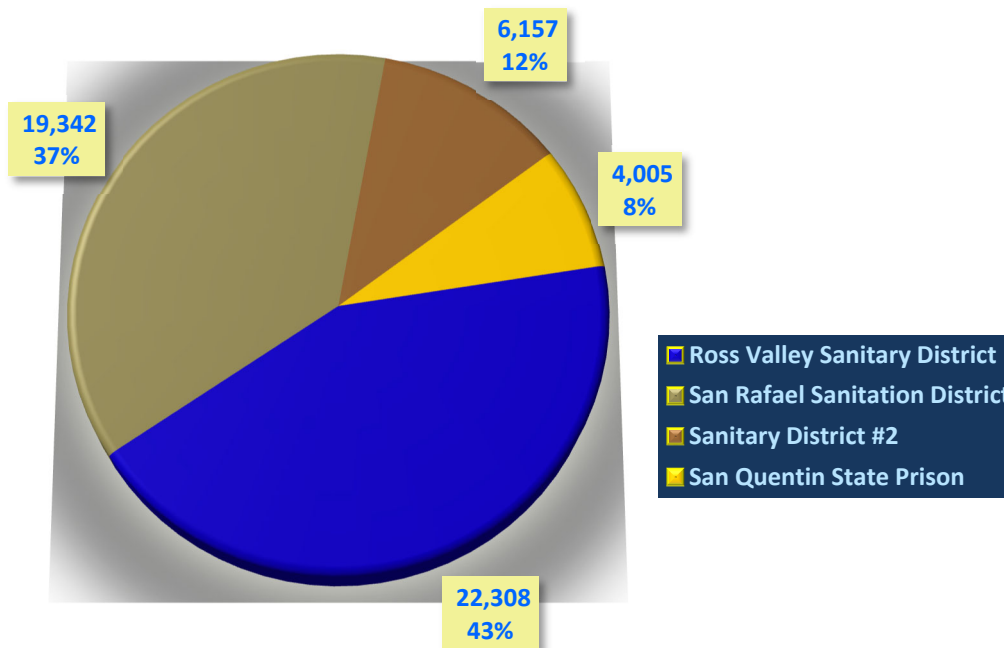
(1) Governmental entities such as federal, state, county, cities, and special districts are property tax exempt and are billed separately. EDU counts for these institutions are not included in county property tax reports and are reported separately by each JPA member.

ECONOMIC CONDITION AND OUTLOOK (Continued)



Sewer service connections in the service area are primarily residential, and the reported EDU is a number that remains relatively stable, as new development in the service area is minimal. Commercial customer EDU counts are determined by measured winter water use, with fluctuations from year to year being due to variable water usage by commercial properties. As seen above, there was a noticeable EDU count decrease in FY22 after two extremely dry winters.

51,812 Total EDU by JPA Members and San Quentin as a Percentage of Total EDUs for FY24



AWARDS AND RECOGNITIONS

Certificate of Achievement for Excellence in Financial Reporting: CMSA was recognized by the GFOA with the Certificate of Achievement for the Agency's FY23 Annual Comprehensive Financial Report (ACFR) and the Finance Department was presented the Award of Financial Reporting Achievement for being primarily responsible for achievement of the Certificate. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a governmental entity. This marks the twenty-second consecutive year that the Agency's ACFR has met the high standards of the GFOA for governmental accounting and financial reporting. The Agency continually strives to comply with GFOA guidelines and recommendations, and all financial documents, including the Budget, Annual Financial Statements, Annual Reports, monthly Treasurer's Reports, and Quarterly Budget Status Reports are transparent representations of the Agency's financial operations. Each of the reports are presented to the Board for review and acceptance and posted on the Agency's website (www.cmsa.us/finance/documents) or as part of the Board Agenda Packets (www.cmsa.us/board/agendas-and-minutes).

Outstanding Achievement in Popular Annual Financial Reporting: The Agency's Popular Annual Financial Report (PAFR) for FY23 was recognized by the GFOA and received an outstanding achievement award. The PAFR award is a prestigious national award acknowledging conformance with the highest standards of preparation for state and local government popular financial reports. The PAFR is specifically designed to be readily accessible and easily understandable to the public and other interested parties who do not have a background in public finance. FY23 marks the fourteenth consecutive year that the Agency's PAFR has met the high standards of the GFOA for governmental accounting and financial reporting.

Distinguished Budget Presentation Award: The Agency's Adopted Biennial Budget for FY24 and FY25 received the distinguished budget presentation award by the GFOA. The award is the highest form of recognition in governmental budgeting and its attainment represents a significant accomplishment by a governmental entity. The GFOA encourages public agencies to prepare budget documents that fully explain the agency's business, are transparent, and are specifically designed to be readily accessible and easily understandable to the public and other interested parties. In attaining this award, the Agency's budget was deemed to be proficient as a policy document, financial plan, operational guide, and communication device. The FY24 and FY25 Biennial Budget marked the eleventh year that the Agency's budget has met the high standards of the GFOA for annual and biennial budget reporting documents.

National Association of Clean Water Agencies (NACWA) "Platinum" Peak Performance Award: NACWA represents the interests of and advocates at the federal level for the country's wastewater organizations. Members of NACWA provide wastewater treatment services to over 129 million people in the United States and are true environmental practitioners that

MAJOR INITIATIVES (Continued)

collectively manage more than 18 billion gallons of wastewater each day. NACWA maintains a key role in the development of environmental legislation and works closely with federal regulatory agencies in the implementation of environmental regulations and programs. NACWA presents annual recognition to high performing wastewater utilities through its *Peak Performance Awards* program.

For the 2023 calendar year, CMSA received the NACWA “Platinum - 6” Peak Performance Award. This award recognizes the achievement of full compliance with NPDES permit discharge requirements for six consecutive years. This was a significant achievement for the Agency and its staff!

Regional CWEA Staff Awards: Several CMSA staff members were also recognized by the CWEA Redwood Empire Section and received awards in their respective disciplines:

- Operator of the Year – Mike Silva
- Electrical/Instrumentation Person of the Year – Tony Drady
- Murray McKinnie Award (Operator-in-Training) – Cody Leveque

Regional CWEA Awards: For 2023, the Agency was recognized by the CWEA Redwood Empire Section and received an award for the following achievement:

- Community Engagement and Outreach Program of the Year

STRATEGIC PLAN

The Agency’s 5-Year Strategic Plan (SP) for the fiscal years ending June 30, 2022 to 2026 was adopted by the Board in July 2021. FY24 marked the end of the third year of the current five-year plan. The SP is a guide to direct the Agency in charting a strategic path to effectively maintain and improve its operations and services. CMSA’s SP has been constructed to set priorities, focus energy and resources, and guide fundamental decisions and actions that will shape the Agency for five years, in one-year increments.

The SP contains Vision, Mission, and Values statements, and six strategic Goals to achieve each statement. Annually, staff prepares a Business Plan with associated Strategic Objectives and Actions to undertake in support of the Board adopted Mission, Vision, Values, and Goals. The Agency’s budget is closely aligned with the annual Business Plan, as funding for its Actions were included in budget development and the adopted FY24-FY25 budget.

Plan Development: The Agency maintains a standing committee, known as the Agency Strategic Planning Committee (ASPC), to oversee the implementation of annual Business Plan activities, and to develop a new plan each fiscal year. The FY24 Business Plan had 58 Strategic Actions, of

MAJOR INITIATIVES (Continued)

which 45 were completed, 8 were ongoing (having no definable end date or are recurring), and 5 were delayed for various reasons.

The FY25 Business Plan was approved by the Board at the beginning of the fiscal year, July 2024. It includes 61 Actions to further its 19 Objectives. Noteworthy actions are:

- Evaluate facility operations without a dry weather graveyard shift.
- Commission a Facilities Structures Seismic Study.
- Complete replacement of the Chlorine Contact tank gates, deck, and wall coating.
- Evaluate the RV Interceptor Hydrogen Peroxide access/feed options for the Oak Hill Apartments Development.
- Select a nutrient removal system for the predesign phase of the Nutrient Removal Project.
- Finish New Grit Washers Project design and begin construction.
- Finish Dewatering System Replacement Project design and begin construction.
- Rehabilitate Primary Clarifier No. 1 and begin rehabilitation of Primary Clarifier No. 2.
- Revise the Fee Ordinance for Vector truck acceptance criteria and fees.
- Automate invoicing of source control program permits.
- Complete competitive evaluation of deferred compensation plan provider(s).
- Evaluate banking services relationship for potentially new or added services.
- Optimize operation of the organic waste receiving facilities and the cogeneration system to consistently be energy positive.
- Obtain Inflation Reduction Act funding for the Cogeneration System Improvement Project.
- Request proposals for natural gas procurement services.
- Evaluate the proposed nutrient removal alternatives for energy consumption.
- Finish the Sodium Bisulfite Reduction Study.
- Complete the Sentry Loading Study for influent and aeration tank organic loading monitoring.
- Support CalRecycle's co-digestion efforts by coordinating with Republic Services to deliver organics.
- Support SRSD service contract development and evaluation.
- Serve as North Bay Watershed Association Treasurer.
- Enhance exposure to cross-department activities through targeted ASPC departmental information sessions.

MAJOR INITIATIVES (Continued)

- Complete Job Hazard Assessment Program with the Maintenance Department.
- Develop a Workplace Violence Prevention Plan.
- Continue Programmable logic Controller support training plan for Electrical/Instrumentation staff.

The current SP and its annual business plans may be found at www.cmsa.us/documents/administrative.

SUCCESSION PLANNING

CMSA conducts succession planning each year to ensure the Agency can fulfill its mission and core values with the appropriate staff resources. To this end, the Board has authorized various activities in support of succession planning, including the creation of special positions for limited duration, the creation of temporary positions for mentoring and coaching by retiring employees, and the overstaffing of certain classifications for training and transitioning prior to an employee's retirement.

The annual update occurs by analyzing the age and length of service of each member of the workforce, and informally discussing with employees who meet the California Public Employees Retirement System (CalPERS) criteria, at least age 50 and greater than five years of total CalPERS service, about their retirement plans. The results of this annual update are also incorporated into the Agency's long-term financial forecast model and business plan. CMSA's workforce characteristics as of the end of FY24 were as follows:

- 48 authorized positions
- Average age is 42.7 years
- Average length of service is 6.83 years
- 11 employees with over 10 years of service
- 16.3% of current employees meet the requirements for retirement from CalPERS

The Agency completed successful recruitments for fourteen new employees during FY24. These staff members were hired to fill vacancies in various classifications, including the Treatment Plant Manager, Administrative Services Manager, one Administrative Specialist, one Accounting Technician, two Operators-in-Training, four Operators, two Electrical and Instrumentation Technicians, one Mechanical Technician, and one Laboratory Analyst.

The Board approved an Operations Succession Plan in December 2023 to provide opportunities of advancement within the department while preparing for the retirement of the Treatment Plant Manager and Operations Supervisor. The Plan consisted of creating temporary supervisor, assistant supervisor, and lead operator positions, selecting and appointing individuals into the three positions, providing training, and monitoring performance. All three staff did well in their

MAJOR INITIATIVES (Continued)

6-month temporary roles and were promoted into the regular positions, and the vacancies created by the two retirements were filled with new operators-in-training.

THE JOINT POWERS AGREEMENT – A CHANGING DOCUMENT

CMSA was formed by a Joint Powers Agreement in 1979 with an original expiration date of 2020. Since its inception, the JPA has been amended eight times. Five of the amendments were made prior to 1990, to either clarify or update provisions after CMSA began receiving the construction cost reimbursements from the Environmental Protection Agency and State Water Board. An amendment in 2006 extended the JPA term to 2031 to align with the term of a 2006 revenue bond issuance.

Significant revisions were identified in 2017, after the managers of CMSA and each JPA member agency completed a thorough review process where they determined that many of its provisions were outdated or not applicable, and others had been superseded by CMSA Board-adopted financial and personnel policies. Over the course of six months, the JPA's 26 sections were revised with each completed section being presented and accepted by each respective agency board member. Lastly, after all the revised sections were accepted, supporting attachments prepared, and a legal review of the final draft document completed, the revised 2018 JPA was adopted by the JPA member agencies. It accurately reflected the current state of CMSA's business and service delivery.

In late 2018, the Larkspur City Council approved withdrawing from the JPA. The JPA managers subsequently prepared a withdrawal agreement and revised the JPA to reflect Larkspur's withdrawal and the reduced number of CMSA Commissioners. Both agreements were approved by the JPA member agencies in January 2020.

The CMSA and JPA managers meet at least monthly to maintain their exceptional working relationships, share information on their respective businesses, projects, and initiatives, and to plan and implement cooperative activities. Additionally, CMSA General Manager regularly seeks JPA managers' thoughts and feedback on CMSA revenue programs and debt issuances.

MAJOR CAPITAL PROJECTS

Below is a summary of the major capital projects that were completed or underway during FY24.

Liquid Organic Waste Project Construction: The Agency's organic waste receiving facility (OWRF) was originally constructed in 2014 with a below-grade storage tank that accepts various organic waste material, such as food waste and fats, oils, and grease (FOG). These materials are mixed and then pumped to the digesters to generate biogas for use as fuel in a cogeneration engine to produce renewable power. Since most organic material is delivered on weekday

MAJOR INITIATIVES (Continued)

mornings, the tank fills up quickly, and the Agency would need to turn away FOG haulers that arrive later in the day. As a result, there can be a shortage of organic material during nighttime and weekend hours, or when the storage tank is taken offline for maintenance, which then may require CMSA to purchase natural gas to fuel the cogeneration engine.

To maximize tipping fee revenues, biogas production, and renewable power generation, construction of an additional above-ground liquid organic waste storage facility was initiated in FY23 and carried on throughout FY24. A separate component of this project was to install two new biogas chillers and a heat exchanger to replace the single aging gas conditioning unit required for cleaning biogas. The Agency was awarded \$2.5 million from CalRecycle's Co-Digestion Grant Program in September 2022 to help fund the project, and the Agency selected and hired GSE Construction in November 2022 to build the project.

To accommodate additional food waste haulers with different truck sizes, the old OWRF hatch was replaced with a wider hatch door in April 2024. In May, a 20-ton food waste delivery from Republic Services was successfully offloaded into the OWRF using the wider hatch door. Construction was completed in May 2024 and the facility was successfully placed into operation. A total of \$2,319,480 in grant reimbursements have been received to date, and the remainder of the grant reimbursements will be received by the end of FY25.



Completed Liquid Organic Waste Receiving Facility



Installation of a New Cogeneration System: Since FY19, staff have been working on the planning and design for the installation of a new cogeneration system. To expedite delivery of the cogeneration system and reduce the construction duration, the Agency decided to prepurchase the major equipment in FY21, whereby CMSA selected and purchased the cogeneration equipment along with completing the final design work. The new cogeneration system was delivered in August 2020, the final design was completed in parallel, a general contractor was selected, and construction began in December 2020. Significant construction progress was made throughout the remainder of FY21 and FY22, including installation of the new engine and associated electrical and mechanical equipment, and installation of new air supply fans and engine exhaust treatment systems on the roof of the Solids Handling Building. The commissioning/start-up process for the various systems began in the summer of 2022 and

MAJOR INITIATIVES (Continued)

was substantially completed in early 2023. However, a few remaining commissioning items related to exhaust temperatures and system controls were taking longer than expected to troubleshoot, and were completed in November 2024. During its commissioning period, the engine has been under successful routine operation, powering and heating CMSA facilities and frequently exporting substantial amounts of excess renewable power into the local electricity grid. In FY24, CMSA also contracted with a specialty consulting firm to prepare an application for Inflation Reduction Act Funding for the new cogeneration system. Funding, if approved by the Internal Revenue Service, will be received in FY25 or FY26.



New cogeneration engine

Design of Replacement Centrifuges: The current centrifuges installed in 2002 are reaching the end of their useful life, and the Agency's 2018 Facilities Master Plan recommended replacing the units with centrifuges that have larger capacity to handle the increase in biosolids related to increased delivery of organic waste. Black & Veatch (BV) was retained in February 2023 to provide engineering design services to replace the three sludge dewatering centrifuges. BV developed a 3D model of the existing building conditions, and in FY24, the model was used to develop conceptual designs to evaluate layout options and constraints. Staff and BV had a pre-design workshop in March to review layout considerations and centrifuge features. Based on flow capacity and available physical space in the centrifuge room, the team narrowed the centrifuge selections to two manufacturers. Staff coordinated with BV to develop the procurement specifications and solicited quotes. The selection and the pre-purchase agreement of the three replacement centrifuges was executed at the start of FY25. The design work will continue into FY25, and is expected to be completed in Spring 2025, with construction planned to start in mid-2025.

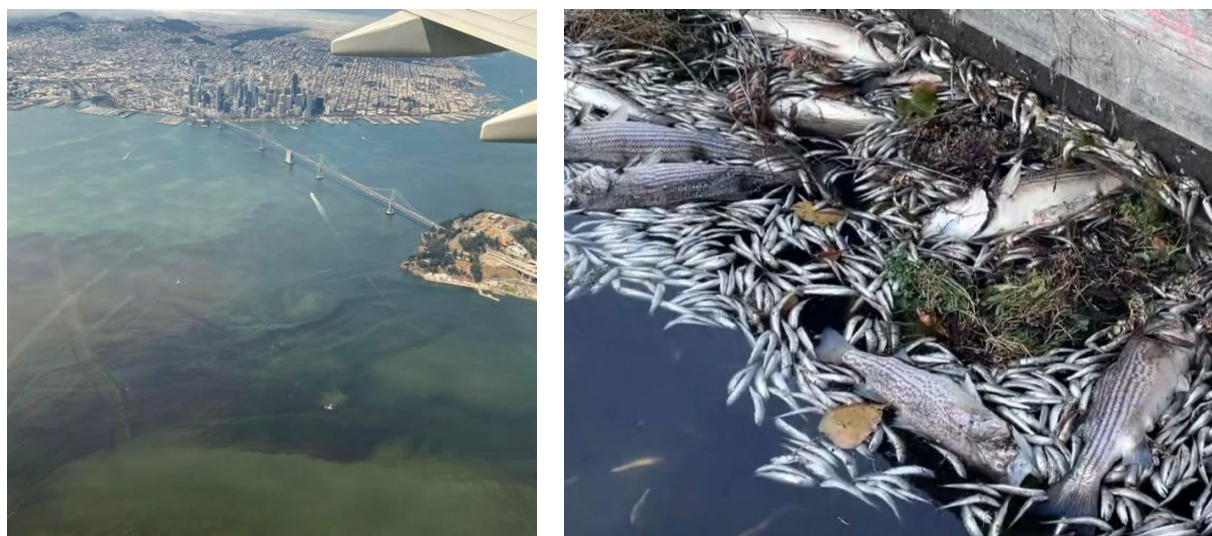
MAJOR INITIATIVES (Continued)



Existing Centrifuges (left) and 3D Model of the centrifuge room with the new centrifuges (right)

Nutrient Removal Program: San Francisco Bay Regional Water Board (RWB) adopted a Nutrient Watershed Permit (Permit) in July 2024 to address the large harmful algal blooms that resulted in significant fish kills over the past few summers. The permit has interim and final limits, and compliance with the interim limits will be required starting in October 2024, and compliance with the final limits will be required by 2034. The final limits will require an approximately 60 percent reduction in CMSA's nutrient loading to the bay, which will necessitate the construction of significant infrastructure improvements and new facilities on CMSA's site. In anticipation of the final Permit, CMSA developed a Request-for-Proposal (RFP) document and issued it to ten interested consulting firms in April 2024. The RFP is for the first phase of CMSA's Nutrient Removal Program and includes consultant services for a Nutrient Removal Alternatives Evaluation and Facilities Plan.

During FY24, CMSA met with the proposers to share background information about CMSA's facility and answered questions about the RFP. Four proposals were received and evaluated in early FY25, and the winning proposer is tasked to complete work by the end of FY25, culminating with recommending a final preferred alternative to CMSA's Board for approval. Thereafter, CMSA anticipates completing the pre-design and final design of the preferred alternatives in FY26-28 and begin construction in subsequent years.



Pictures of algae bloom near treasure island & resulting fish kills

MAJOR INITIATIVES (Continued)

Hillside Repairs: The Agency owns and maintains the hillside along Andersen Drive, which is located across the street from the treatment plant property. Due to limited access, the area surrounding storm drain channels and catch basins have become overgrown over the years with vegetation and became filled with packed soil such that it obstructed drainage. Heavy rains in January 2023 resulted in several landslides, and a geotechnical engineer was retained to design retaining walls and repair details for damaged areas.

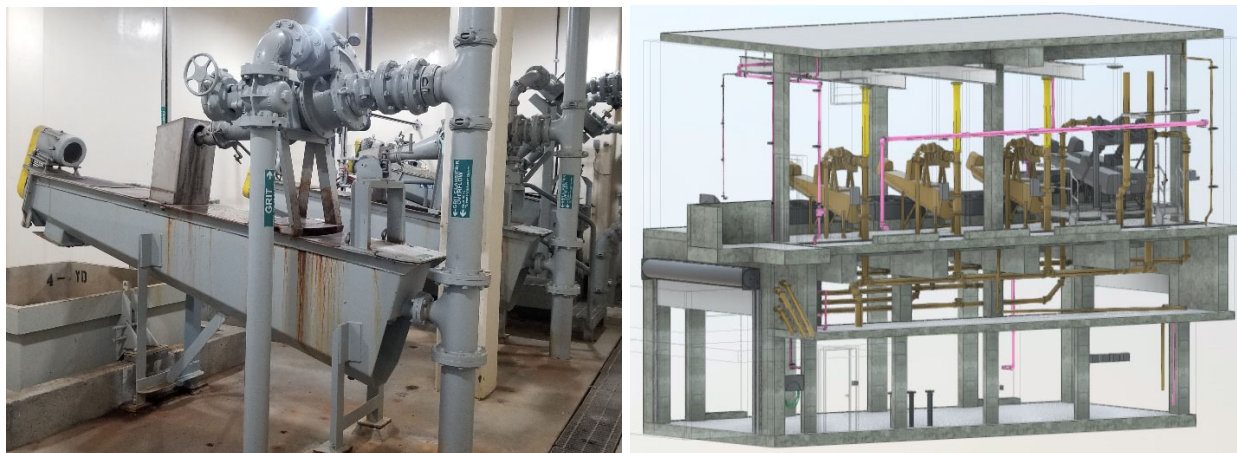
Two separate contractors were hired to maintain and construct improvements on Andersen Hillside. The first cleared the vegetation and sealed several cracks along the channel, and the second performed earthwork including grading, compaction, filling erosion gullies, and installing a retaining wall to stabilize areas that were damaged due to heavy rains. Both projects were completed in early 2024.



V-ditch Maintenance (left) and New Retaining Wall (right)

Grit Classifiers Replacement Design and Prepurchase: The Agency's five grit pumps and grit classifiers transport and dewater grit from the plant influent wastewater. The equipment was installed in the mid-90's, operate in a very corrosive and erosive environment, perform relatively poorly in terms of separating organics from grit, and have reached the end of their useful life. An engineering firm was retained in FY24 to evaluate replacing the aging classifiers in-kind versus installing a modern high-efficiency grit washer system that effectively removes almost all the organic materials from the grit. Based on site visits and an evaluation, the Agency decided to replace three classifiers with two new high-efficiency grit washers. The project team evaluated several washer layouts, and the engineer began developing the detailed design documents. Because the new grit washers will be installed in the current grit handling room, detailed coordination is required to minimize conflicts between the new and existing structural, electrical, and mechanical equipment. To aid in this effort, a 3D model was prepared and will be used to develop the new grit washer layout. The final design is expected to be completed in December 2024 and construction to begin in March 2025. The Board approved the pre-purchase of the two grit washers, and it is expected that the units will be delivered by the time construction commences.

MAJOR INITIATIVES (Continued)



Existing Grit Classifiers (left) and 3D Model of Current Grit Classifier Room (right)

CENTRAL MARIN ORGANIC WASTE PROGRAM

CMSA's organic waste program is comprised of the innovative and successful Central Marin Food-to-Energy (F2E) program and a separate program where CMSA receives and processes fats, oils, and grease (FOG) from private haulers, as well as occasional food waste deliveries from other solid waste collection partners.

F2E was launched in January 2014, with Marin Sanitary Service (MSS) collecting pre-consumer food waste from restaurants, markets, and other similar businesses in their service area. Collected food waste is processed at MSS's local transfer station, which is approximately one-half mile from CMSA. Processing involves the removal of contaminants such as utensils, plastic material, bones, melon rinds, metal objects, and similar items, followed by grinding the food waste into small particles. A special delivery truck then transports the cleaned processed food waste to CMSA, where it is dumped into an underground tank, mixed with FOG and other liquid organic wastes, and then injected into the treatment plant's anaerobic digesters.

Once in the digesters, the organic waste mixture is co-digested with wastewater solids to produce additional biogas, a form of methane gas that is used as fuel in the Agency's power generation system. CMSA historically operated the system on biogas fuel approximately seven hours a day, producing all the Agency's energy needs during that time. The additional biogas generated from the organic waste program materials enables the Agency to run the generator much longer; a near future goal is to achieve full energy self-sufficiency and continuously deliver renewable power off-site. This goal was achieved for several months in FY24, during which time CMSA produced more renewable power than it consumed with the excess being exported to the grid for sale.

Consistently attaining self-sufficiency would eliminate the need for the Agency to purchase natural gas, an alternate fuel source, and electricity from outside sources. CMSA aims to consistently attain self-sufficiency in FY25.

MAJOR INITIATIVES (Continued)

This collaborative and successful public-private partnership with MSS has created a program that achieves benefits both for the environment and CMSA, including diversion of food waste from the local landfill, reduction of regional greenhouse gas emissions, reduced truck traffic on the freeway and local roads, and additional energy production at CMSA. MSS has currently enrolled over 202 businesses that generate food waste. CMSA receives a tipping fee for each ton of food waste and gallon of liquid organic waste delivered, both of which assist in stabilizing wastewater service fees. Additionally, due to a new advanced pre-processing system installed at MSS in FY23, MSS now consistently receives expired packaged food waste materials from grocery distributors. About four trucks a month of unpacked food waste were delivered to CMSA by the end of FY24. During FY24, CMSA signed an agreement with Sustainable Organics Solutions (SOS), an organic waste processor in Santa Clara County. SOS operates a similar pre-processing system as MSS and has been delivering an average of one truck a week by the end of FY24.

Below is a summary of several noteworthy organic waste program activities and developments in FY24.

- Organic waste deliveries included: an average of approximately 6.9 tons of food waste per day from MSS, approximately 13,449 gallons of FOG per day (except Saturday & Sundays), a total of 302 tons of pre-processed food waste slurry from SOS and 353 tons of depackaged food waste from MSS.
- The mixture of food waste, FOG, and other organic materials produced enough additional biogas to run the energy generation system up to an average 19.3 hours per day, and 24 hours per day multiple weeks during the year.
- CMSA executed longer-term delivery agreements with SOS.
- CMSA executed a similar long-term delivery agreement with the City of Sunnyvale in early FY25.
- CMSA successfully commissioned the new Liquid Organic Waste Storage Tank Project (See Capital Projects Description) in FY24.

POWER DELIVERY PROGRAM

CMSA's power delivery program has been underway for several years and aims to utilize the Agency's excess digester capacity to accept additional organic waste materials to significantly increase biogas generation. In the spring of 2019, CMSA received official permission from the local utility, PG&E, to export excess power to its electrical grid, and from FY21 through FY24 significant amounts of renewable power were exported and sold to Marin Clean Energy (MCE) through an existing Power Purchase Agreement.

MAJOR INITIATIVES (Continued)



Main switchgear.



Power export meter to track energy being sold to MCE.

In FY24 CMSA's Power Delivery Program achieved the following major milestones:

- Exported and sold 895,000 kilowatt hours of electricity to MCE.
- Over the entire FY24, the electricity produced from biogas was approximately **98 percent** of the total electricity consumed by the facility.
- From January to June 2024, after increasing organic waste deliveries and optimizing the new cogeneration engine and new liquid organic waste storage tank, the electricity produced from biogas was approximately **104 percent** of the total electricity consumed by the facility.
- In FY25, CMSA expects to accept additional organic waste deliveries and optimize the power delivery program operations. As a result, CMSA estimates that the electricity produced from biogas will be approximately **120 to 140 percent** of the total electricity consumed by the facility. CMSA is aware of only one other wastewater treatment plant in the United States that consistently produces more electricity from biogas than the facility consumes.

WASTEWATER SERVICE AGREEMENTS FOR CMSA-PROVIDED SERVICES

CMSA provides various wastewater-related services to public agencies in Marin County through contractual agreements, offering benefits to both CMSA and the public agencies involved. These mutual partnerships allow the agencies to save costs by utilizing CMSA's specialized expertise, resources, and equipment rather than relying on external contractors or consultants. In turn, CMSA benefits from additional revenue, which helps lower wastewater service fees for its customers. The diverse nature of these services enhances CMSA staff engagement,

MAJOR INITIATIVES (Continued)

retention, and efficiency, fostering a work environment of improved productivity and job satisfaction. This positively impacts both CMSA and the agencies, benefiting end customers by maintaining efficient and effective wastewater services.

The services CMSA provides include monitoring, operating, and maintaining wastewater pump stations and force mains, managing a sewer collection system, and regulating commercial and industrial discharges into the sewer system. These services ensure compliance with NPDES permit requirements and state wastewater regulations, while safeguarding public health and protecting the environment.

CMSA's Strategic Plan and Business Plans support the provision of these services when resources permit, returning financial and organizational benefits for all parties involved. Highlights of noteworthy projects and activities from the past fiscal year reflect the success of these partnerships.

Sanitary District No. 2 of Marin: CMSA has maintained a service agreement with SD2 since April 1985, operating and maintaining SD2's 20 pump stations and providing limited maintenance to the district's force mains. Over the past year, the agreement has been reviewed and updated and was recently approved by both agencies governing boards. Below is a summary of the ongoing and completed asset management projects.

SD 2 engaged an engineering firm to conduct a comprehensive assessment of the condition the district's assets, which was finalized in FY23. Following the assessment, SD2 promptly initiated one of its key recommendations, hiring a civil engineering firm to design the rehabilitation of SD2's Paradise Pump Station. CMSA participated in the design phase of the project by facilitating access to the station for inspections, supplying original design drawings, providing detailed inventory of station assets, and reviewing and providing valuable feedback on the rehabilitation drawings and specifications. In 2024, the project entered the construction phase. CMSA currently participates in biweekly construction meetings, offering expertise in PLC programming, and ensuring the station operates efficiently throughout the rehabilitation work. The project is scheduled for completion tentatively by September 2025.

San Quentin State Prison: CMSA has administered a service agreement with the California Department of Corrections (CDCR) since 2012. Services include operating and maintaining San Quentin State Prison's main pump station and force main. The wastewater from this station is conveyed to CMSA's treatment facility for treatment and disposal of biosolids. Historically, San Quentin State Prison provided low security inmates to clean the pump station's wet well area; however, CDCR has transferred low security inmates to county jails or approved early releases. This reduced the availability of the inmate labor pool. Under the current 5-year service agreement, CDCR provides funds to CMSA for three limited-term Institutional Utility Laborers to perform wet well cleaning. When not assigned to CDCR, these employees contribute to custodial, groundskeeping, and light maintenance tasks at CMSA, ensuring operational efficiency for both entities.

MAJOR INITIATIVES (Continued)

San Quentin Village Sewer Maintenance District: In 2012, CMSA entered into a service agreement with the County of Marin to provide operation and maintenance services for the San Quentin Village's sewer collection system and single pump station. CMSA's services ensure the system operates efficiently and minimizes the risk of sewer overflows. CMSA's expertise in pump station management contributes to the long-term reliability and functionality of the infrastructure.

ASSET MANAGEMENT PROGRAM AND RELATED PROJECTS

Major asset maintenance and replacement projects that were completed or in progress during FY24 are summarized below.

Sodium Hypochlorite and Sodium Bisulfite - Pump Rehabilitation

Sodium hypochlorite is used in wastewater treatment to disinfect effluent by eliminating pathogens, while sodium bisulfite is deployed to neutralize residual chlorine, protecting aquatic life in receiving waters. Seven sodium hypochlorite pumps and four sodium bisulfite pumps were refurbished by staff. Work consisted of installing new ball checks and diaphragms, and replacing lubricant. Staff also installed new digital pressure sensors on all sodium hypochlorite and sodium bisulfite pumping systems. These sensors will protect the pumps and associated equipment from under and over pressurization occurrences. Feedback data for the sensors was added to the process control system for monitoring and analysis, a feature that was unavailable with the pre-existing analog pressure sensors. Rebuilding the pumps for these chemicals was crucial for maintaining accurate dosing and ensuring reliable operation to adhere to discharge permits, preventing environmental violations, and supporting the plant's operational integrity.



Cummins Standby Generator Replacement

The Cummins standby generator has been providing emergency backup power since 1985. Last fiscal year, the unit was assessed and findings indicated that the engine was in good condition, had relatively low operating hours, but a small oil leak on the rear main seal had allowed oil to leak into the generator. Upon further inspection of the generator, the windings coating on the rotor was brittle and needed to be reapplied. Staff compared the cost to replace the coating versus replacing the generator, and determined the latter would be the



MAJOR INITIATIVES (Continued)

more cost effective repair approach. Staff collaborated with an electrical contractor to complete the removal of the old generator and the subsequent installation and coupling of the new unit to the existing engine. Staff then installed a new mounting plate onto the existing engine skid, which was necessary to provide adequate support for the new generator which has a slightly smaller footprint. Staff completed the wiring connections, conducted load testing, and verified generator alignment. The generator performed seamlessly without any issues, and has been returned to standby mode ready for reliable operation.

San Rafael Interceptor Shutdown and Flowmeter Installation

The 45-inch San Rafael Interceptor that was installed during original plant construction in 1985 was fitted with a single ultrasonic flowmeter. The flowmeter requires frequent maintenance, is past its useful life, and its manufacturer no longer supports it. To improve flow measurement



for this interceptor, a new multi-path flowmeter was procured and installed. Installation was done after midnight when flows into the plant were at their lowest and the interceptor was isolated and pumped down. Work was expected to take four consecutive overnight shutdowns but was completed in two nights thanks to the SRSD and CMSA staff having practiced for this high-risk shutdown.



Grit Pump Rehabilitation

Grit in the wastewater industry, is often a mixture of abrasive materials such as rocks, gravel, glass, and sand. Grit pumps, designed to remove these materials, incur heavy wear and tear and must be periodically refurbished to prevent failure. Grit pump No. 4, installed in 1985, was exhibiting signs of failure with limited inventory on the secondary parts market. Staff investigated the purchase of new pumps and found that replacements were very expensive due to supply chain issues. In response, staff removed the pump, disassembled it, and fabricated parts such as shafts and volutes to original equipment specifications and tolerances. Staff proceeded to rebuild the pump and prepare it for use. This in house process was one third the cost of purchasing a new pump.

MAJOR INITIATIVES (Continued)

Aeration Sluice Gate Replacement

Over the past several years, staff have systematically replaced original sluice gates throughout the treatment plant. In FY24, staff replaced six cast iron sluice gates in the Aeration Basin area with stainless steel units. These new gates are corrosion resistant, lightweight, and easy to adjust. Wear parts are fabricated locally and can be easily replaced, reducing operational downtime. Staff completed two separate confined space entries and utilized the Agency's Telehandler forklift to skillfully separate the original gates from their frames and channel walls. The new gates were mounted, adjusted, and tested for watertightness. The actuator controllers, which lower and raise the gates, were also reinstalled, calibrated, and tested for operational efficiency.



Originally installed cast iron sluice gate



Recently installed stainless steel sluice gate

Biogas Scrubber Media Replacement Prior to biogas being used as a fuel in the cogeneration engine, it required a level of cleaning to meet air quality emission standards. The first stage of the cleaning process was the removal of hydrogen sulfide gas (H₂S) utilizing media scrubbers. The media used in these scrubbers periodically required replacement as it was depleted, due to constant removal of H₂S in the biogas. This past year, a contractor was hired to perform the media removal and replacement. Work consisted of safely purging the scrubbers of methane, removing both vessel service ports, and completing a confined space entry to chip and vacuum out 22,000 pounds of spent media. Once the vessels were empty, new media was installed along with new filter elements to keep loose media from entering the biogas process piping. This



MAJOR INITIATIVES (Continued)

process took approximately two days to complete. The contractor hauled the spent media offsite, and the units were returned to service.

Primary Sludge Flowmeters Replacement

The primary sludge flowmeters, originally installed in 1984, have been replaced. These flow meters had become increasingly unreliable, necessitating additional maintenance efforts to keep them accurate. Staff performed calibration procedures, ensured accuracy, and tested functionality on the new flowmeters. The flowmeters have been integrated into the process control system, are actively reporting data, and have enhanced operational efficiency and reliability.

**Jenbacher Cogeneration Engine Service**

The 13,333-hour scheduled preventative maintenance service was successfully completed on the Jenbacher cogeneration engine. Technicians from the cogeneration system supplier had previously conducted the service and provided training to CMSA staff for future maintenance tasks. All maintenance required for this service, which included replacing oil, air, and natural gas filters, re-gapping spark plugs, adjusting intake valves, and conducting exhaust emission checks was performed in-house by staff, saving service costs for the Agency. Staff were also able to adjust emissions on the new system, based on previous training from the supplier, enhancing their capabilities in maintaining the equipment and reducing contractor costs.

MAJOR INITIATIVES (Continued)

Inline Sludge Grinder Cartridge Replacement

The Agency utilizes two anaerobic digesters to break down organic matter, to produce biogas for energy and reduce sludge volume for disposal. The sludge heating loop, which controls and maintains the optimal temperature in the anaerobic digesters, for effective organic break down, utilizes a sludge grinder to reduce the size of debris entering the digesters. Staff performed annual maintenance on the sludge grinder, replacing the grinder’s cutting cartridge due to operational wear and tear. Cutting cartridges macerate sand, hair, inorganic materials, and are designed to be removed and replaced periodically to preserve the overall life of the sludge grinder. Typically, staff replaces one cartridge per year, which is then exchanged and refurbished by the grinder system’s manufacturer.



Facility Door Replacement

There are over one hundred exterior doors on the Agency’s facility, and most are original from plant construction in 1985. Given their exposure to high humidity and corrosive environments, these doors have deteriorated over time. In response, CMSA initiated a multi-year project to systematically replace doors based on their condition. In FY23, the initiative saw the replacement of ten facility doors, followed by an additional ten doors in FY24. The process involved the removal of old doors and cutting the frames out from the concrete walls that supported them. Subsequently, new doors and frames were installed and painted to match the existing aesthetics. Five more doors are slated for replacement in FY25, further enhancing the infrastructure and functionality of CMSA's facilities.



Original Door



New Door

DISCHARGE PERMITS

The RWB approved reissuing the Agency's National Pollutant Discharge Elimination System (NPDES) permit at its May 10, 2023, meeting. The permit became effective on July 1, 2023, and has a five-year term. This NPDES permit contains all the regulatory requirements, limitations, and authorization for CMSA to discharge treated water into the San Francisco Bay. CMSA was able to successfully negotiate this new permit with treated wastewater effluent limits remaining relatively unchanged, while permit monitoring requirements were reduced. CMSA has been in full compliance with the new NPDES permit since it was issued.

On November 13, 2023, the RWB adopted the Amendment of Waste Discharge Requirements for Municipal Dischargers to update Total Residual Chlorine and Oil and Grease Requirements Permit. This permit removes the oil and grease monitoring requirement for CMSA and increases the Water Quality Based Effluent Limit for Chlorine Residual from 0.0 mg/L instantaneous maximum to 0.56 mg/L hourly average. The RWB concluded that this amendment will address the over-application of sodium bisulfite that results in extra operational cost, and can decrease dissolved oxygen concentrations and depress pH in the effluent and S.F. Bay.

Additionally, the RWB approved reissuing the third Nutrient Watershed Permit at its May 10, 2024, meeting. The permit became effective on October 1, 2024, and has a five-year term. This permit renewal resulted in the increase of nutrient monitoring requirements for CMSA, an interim Total Organic Nitrogen limit of 1,300 kg/day in 2024 and a reduction in the Total Organic Nitrogen limit to 480 kg/day in 2034. These changes have resulted in increased monitoring and project planning by CMSA staff under the Nutrient Removal Project to address operational requirements to meet these new and future requirements.

ENVIRONMENTAL COMPLIANCE PROGRAMS

The Agency's NPDES permit includes source control program requirements, a Federal Pretreatment Compliance Program, and a RWB Pollution Prevention Program. The purpose of each program is for the Agency to regulate businesses and industries that discharge water into the wastewater collection system so that they will not detrimentally affect CMSA treatment processes, biosolids quality, or the treated water that is discharged into San Francisco Bay or beneficially reused as recycled water. CMSA staff currently monitors 631 dischargers and conducts an annual comprehensive inspection of each to ensure their wastewater meets CMSA's local discharge limits, and other State and RWB regulatory requirements.

MAJOR INITIATIVES (Continued)

Mercury Reduction Program: The Mercury Watershed Permit, renewed and became effective on February 1, 2023, requires a reduction of mercury discharges from all controllable sources to the S.F. Bay. The permit's goal is to eventually, over decades, lower the mercury concentration in the Bay sediment and water by 20%. It specifically states that wastewater agencies must regulate dental offices using source control techniques, because dental amalgam (~ 50% mercury) used to fill cavities in teeth is the largest controllable source of mercury discharged to the sanitary sewer in unindustrialized areas. CMSA's Mercury Reduction Ordinance requires dental offices to install and maintain dental amalgam separators, and to properly handle and dispose of dental amalgam. Since then, all dentists within the CMSA service area have installed amalgam separators. During annual compliance inspections, Agency staff determines the amount of amalgam removed from the dental offices waste stream and reports that information to the RWB. In 2023, approximately 18.25 pounds of mercury were removed and properly disposed of.



Novato Sanitary District and Las Gallinas Valley Sanitary District Mercury Reduction Programs: Both districts have contracted with CMSA to administer dental amalgam programs in their respective service areas. These programs are similar to the program implemented at CMSA, which has been recognized for its outreach, annual compliance inspections, and comprehensive record keeping. Compliance inspections in 2023 indicated that all dental offices complied with program requirements and the programs were responsible for the removal of approximately 5.25 pounds of mercury in the Las Gallinas service area and 10.5 pounds in the Novato service area.

FOG Source Control Programs: CMSA has served in a consultative and contractual capacity to assist local wastewater agencies in the development, implementation, and ongoing administration of FOG source control programs within their service areas. The goal of the FOG program is to reduce sewer blockages and prevent sanitary sewer overflows caused when grease is discharged directly into sanitary sewers. When FOG is improperly disposed it can build up, and if unchecked over time, can harden, combine with sand, roots, and/or debris, and clog sewer pipelines.

MAJOR INITIATIVES (Continued)

Agencies that retain CMSA to manage and administer their FOG source control programs utilize our staff to perform required permitting, inspection, and enforcement activities for restaurants and markets. CMSA has developed and implemented FOG source control programs for the Las Gallinas Valley Sanitary District, San Rafael Sanitation District, Ross Valley Sanitary District, Sanitary District No. 2, Tamalpais Community Services District, and Almonte Sanitary District. All these programs include routine inspections, documentation of grease removal device cleaning, and requirements to install grease removal devices for new restaurants, those undergoing a remodel, or a change of ownership involving upgrades to the kitchen plumbing or fixtures. In calendar year 2023, CMSA staff conducted 409 inspections, documented 1,366 FOG pumping activities and renewed 120 FOG permits.



INSPECTIONS BY FEDERAL AND STATE REGULATORS

NPDES Permit Inspection: The RWB conducted inspections of the Agency's treatment facilities, environmental laboratory, and its NPDES reporting files on January 10 and January 26, 2023. The final inspection results were issued and indicated that the CMSA facilities were well maintained and that NPDES reporting files were in order. Two findings were noted within the inspection report and corrective actions were implemented to address these findings.

NPDES Pretreatment Compliance Inspection: The RWB periodically conducts a Pretreatment Compliance Audit to verify the Agency's compliance with requirements specified in the Federal Pretreatment Regulations and in CMSA's NPDES permit. The last audit was in FY17, during which time the inspectors visited two industrial facilities that CMSA regulates and reviewed their respective records and procedures. The final inspection results recommended several revisions to the Agency's Sewer Use Ordinance, which was subsequently revised and adopted by the CMSA Board in December 2018.

PUBLIC EDUCATION

CMSA is the lead agency in administering a county-wide public education program for the six Marin County wastewater agencies that have treatment plants. The program continues to be innovative in developing public outreach measures to educate the public about ways to reduce pollutant disposal into the sanitary sewer and stormwater systems. Public outreach activities for the past year are summarized below.

MAJOR INITIATIVES (Continued)

Public Outreach Events: The program continued to partner with the Ross Valley Sanitary District to run television ads on specific wastewater pollution prevention topics - wipes clog pipes, proper FOG disposal, and don't flush drugs. In 2023, these ads ran on Comcast. During the ad campaign, the ads were delivered 174,571 times within premium content and the target audience watched 139,409 (80%) of the ads in their entirety.

Outreach Events: The public education program has outreach booths at several public events each year. During these events, staff engage the public and answer questions regarding pollution prevention, wastewater treatment, recycled water, and other environmental issues. Staff also talk to local teachers and inform them of possible outreach activities including in class presentations and facility tours offered by the program member agencies. In 2023, the following outreach activity events were hosted by staff, in which 2,072 participants were engaged on key pollution prevention messages.

- Eggstravaganza Event
- Rotary Day of Service
- Marin County Fair
- Mill Valley Earth Day
- Farmer's Market
- Get Ready to Go 94920
- Coloma Pump Station Project Ribbon Cutting Ceremony

School Presentations and Performances: The public education program staff works with professional entertainers to produce the scripts for entertaining and educational school outreach shows. The shows address water and pollution issues in a simple, humorous manner suitable for kindergarten to sixth grade. In 2023, 3,893 students in Marin County received this presentation and performance.



WORKPLACE SAFETY INITIATIVES

Health & Safety Program: CMSA and the Novato Sanitary District partner in a collaborative Health & Safety Program. Under the general direction of the CMSA General Manager, the Health and Safety Department is managed by a Safety Manager, who is responsible for developing, coordinating, and overseeing implementation of a comprehensive occupational safety, health, and injury management program at both agencies.

The program's focus is to promote and assist each agency in developing and maintaining workplace safety programs, while managing employee injury/return-to-work initiatives. The

MAJOR INITIATIVES (Continued)

program includes providing employee safety training, developing, and maintaining safety policies and procedures, performing safety assessments of facilities and employee work practices, monitoring changes in Cal/OSHA safety regulations, and providing a variety of other safety services.

CMSA's safety program has received favorable reviews by the California Sanitation Risk Management Authority and regional and state-level awards the California Water Environment Association.

Safety Incentive Program: This Program is designed to enhance overall employee safety through active employee participation. The program acknowledges and awards points for employee contributions in several key aspects of a sound safety culture, including providing safety hazard alerts, safety improvement suggestions, leading "tailgate" safety training sessions, and participating in outside safety training activities such as webinars and conferences. Wellness points are awarded in recognition of doctor/dentist visits, vaccinations, and outside wellness topic training such as those offered via the Agency's Employee Assistance Program. Twice per fiscal year employees are awarded monetary awards for achieving specific point levels.

Program data for FY24 shows continued participation in tailgate training and formal safety communications. For example, initially under this program, the Agency averaged one tailgate session every two months, and included nominal employee participation. In FY24, CMSA employees led a total of 74 tailgates, an increase over the total held in FY23 (65). Sixteen valid safety hazard observations were submitted and addressed during the year, an increase over the 14 submitted the previous year.

The total incentive program points earned by each employee provides a fair indication of the level of participation in the program. The Agency saw participation from 34 employees in FY24, who qualified for a total of 52 monetary awards over two six-month award periods.

Safety Training: In addition to informal safety training tailgate sessions, the Agency provides continuous reinforcement of proper safety procedures with regular, formal safety training. This formal training, unless required or warranted more frequently, is refreshed every three years. For scheduling purposes, the required training is placed into a 48-month training calendar to accommodate 12-, 24- and 36-month renewal cycles, with make-up training provided on an ad hoc basis. In FY24, the Agency facilitated or conducted approximately 51 formal safety training sessions on approximately **30** separate classroom or web-based topics, including Bobcat Safe Use, Chemical Hazard Communication, Wastewater and Bloodborne Pathogen Safety, Fall Protection Equipment Roll-out, Body Mechanics, Workplace Violence Prevention, Confined Space Entry and Rescue Practice, COVID-19 Prevention, Overhead Cranes & Hoists, Electrical Hazard Awareness, Hazardous Energy Control/Lockout-Tagout, Fire Extinguisher Use, First Aid/CPR, Office Ergonomics, Hearing Conservation, Heat Illness Prevention, Forklift, Job Hazard Analysis, Mobile Truck Crane/Rigging Safety, Respiratory Protection/Wildfire Smoke Protection, Safety Culture Concepts, Safety Footwear, and Underground Utility Locator Training. In

MAJOR INITIATIVES (Continued)

addition, ten new employees required safety orientation trainings and additional sessions in lockout/tagout and confined space safety. Combined with tailgates, staff received approximately 983 cumulative safety training-hours.

Safety Committee: The Agency's Safety and Security Committee is made up of staff members from each department, and it meets monthly. The committee communicates safety and security events, issues, and information from and to their respective work groups. The committee exists to promote a safe and secure work environment through identification and evaluation of health and safety issues, physical issues, and IT security matters. Part of its efforts to support Agency staff includes making recommendations for hazard corrections and enhanced protective measures, as well as monitoring the implementation and effectiveness of safety programs.

Safety Communications: One of several methods used to communicate safety to all staff is a newsletter-style communication, known as the "Friday Safety Communique", which is distributed periodically. The communique covers current safety-related events and topics of interest including those published in the *Cal OSHA Reporter* and the *Safety Alert for Supervisors*. CMSA maintains subscriptions to both publications, which are posted periodically on a safety bulletin board in the employee lunchroom and summarized in the Communique. The Communique also provides reminders on all upcoming training events at CMSA.

Special Projects: CMSA hosted a Safety Culture Perception Survey with follow-up meetings, to gauge employees' perception of their own and their employer's attitudes and practices pertaining to maintaining a safe and healthy workplace. Resulting immediate workplace improvements included increasing the safety footwear stipend amount and adding protective glove storage dispenser locations throughout the treatment facilities. CMSA began the implementation of recommended system improvements, such as ensuring weekly department meetings include a standing agenda item to discuss safety concerns, managers encouraging increased self-reporting of "near miss" incidents at meetings, and ensuring that the communication loop is always closed with any employee who brings up a safety concern or observation.

CMSA began a project to review and update more than 500 existing energy control (a.k.a. "lockout-tagout") procedures. This year all procedures were installed in a new Smart SOP digital platform, and a plan to use the application to field verify all procedures has begun implementation.

In response to a newly promulgated Cal/OSHA standard, a Workplace Violence Prevention Program was developed, and training was provided to all employees.

Fall protection improvement plans started in FY23 were implemented in FY24, with the addition of personal tie-off anchors installed near equipment sump openings. Personal self-retracting lifeline devices for Maintenance and Operations staff were replaced with new, upgraded versions.

HUMAN RESOURCES, FINANCIAL MANAGEMENT, AND LONG-TERM FINANCIAL PLANNING

The Agency continues to take the initiative to refine and address its business practices and long-term financial stability for FY24 and beyond.

Student Internship Program: CMSA provides internship opportunities for students interested in the water or wastewater industry. Internships are an opportunity for students to gain exposure in a public sector environment and enhance their academic training. High school and college students, as well as students in Career Technical Education, a Regional Occupational Program, or similar programs are eligible, as are recent graduates. A department manager seeking an intern prepares a draft learning plan that includes how the student will benefit from the training and experience of the internship program assignments. The Agency has had several interns in the environmental laboratory and engineering work groups over the past year, and plans for additional interns in other departments.

Retired Annuitants: The Agency also supports the use of retired annuitants for special projects requiring unique expertise. Last year, four retired annuitants worked at the Agency. A long-time Electrical/Instrumentation Supervisor and an E/I Technician were hired for various electrical and control system projects, and to train newly hired electricians. A Utility Worker was hired to work on special landscape improvement projects, and an Administrative Specialist was covering maternity leave for the incumbent employee.

PARS for Non-Full-Time Employees: The Agency uses the Public Agency Retirement System (PARS) for its retirement contributions for interns, retired annuitants, and Board members. PARS replaces social security and provides more retirement options for these employee classifications. The cost of PARS is shared 50% between the employer and employee, and plan contributions are submitted to a 401K style retirement plan. The employee has the option at time of separation to withdraw all contributions, roll the contributions into another retirement plan, or purchase CalPERS service credit should the employee become a member of CalPERS.

Self-Insured Dental Plan: Starting July 2019, the Agency contracted with Employer Driven Insurance Services (E.D.I.S.), a third-party administrator, to manage its self-insured dental plan. The plan works like other traditional dental plans but allows for customization in the benefit offered. Each plan participant is allowed up to \$2,500 per year for themselves and their dependents. This arrangement makes the plan inexpensive compared to the Agency's prior plan, especially when adjusting the prior plan's total premium to the cost of managing E.D.I.S.

Financial System Software: In FY21, the Agency purchased a new financial system software from Tyler Technologies, Incode, to replace the aging existing system. The financial and personnel suites include general ledger, accounts receivable, cashiering, purchasing, accounts payable, payroll, personnel management, employee self-service, time and attendance, fixed assets, project accounting, and Tyler content manager modules. The new system is a significant time- and cost-saver for all users, and provides reporting for managers and supervisors, and accounting and support services for administrative staff.

MAJOR INITIATIVES (Continued)

In FY23, staff completed implementation of credit card payments taken over the counter, on CMSA's website, and by phone. Credit card payments allow customers and the public an easy and convenient way to pay small dollar fees and routine invoices. The customer account feature in Incode maintains a history of transactions and payments.

Staff has also completed implementation of project accounting to better track the Agency's large capital program financial activities and approved timesheet hours. Project accounting tracks revenues, expenses, and budget over a project's life that can exceed a single-year accounting cycle. Amounts are charged to categories that are more understandably displayed, and reporting can be used for internal purposes or provided to an outside party for grant or loan administration and reporting.

Policy and Procedure Review: CMSA executive staff reviews the Agency's Personnel, Financial, and Administrative Policies on a regular rotating basis. A financial policy review was completed in FY24, a personnel policy review in FY23, and an administrative policy review in FY22. Personnel policy revisions can take longer than administrative or financial policies, as they require legal review and involve a meet-and-confer process with the employee union. These reviews benefit the Agency by keeping up-to-date with changing laws, rules, and regulations, and updates in the use of the policies as they relate to practical work situations. The FY24 Financial Policy Manual review resulted in numerous non-substantive revisions that were approved by the CMSA Board of Commissioners.

Two-Year Budget: The Agency utilizes a two-year budget format that began with FY20 and FY21. The two-year budget saves considerable staff time, compared to preparing a budget every year. Mid-year and mid-cycle adjustments are utilized should actual and/or projected revenue or expenses change which would prompt a revision. With the two-year budget in place, Administration staff have more time for other tasks and projects in the spring of year-one. The FY24 and FY25 budgets were adopted by the Board in late FY23 with adjustments to the FY25 budget were approved in late FY24.

Future Revenue Planning: The Agency updates its 10-year financial forecast when preparing the biennial budget. The forecast is a long-term budgetary examination of Agency operations and capital revenues, operating expenses, capital costs, and reserve balances. It is the result of a collaborative process between Agency staff and the CMSA Board Finance Committee, and it provides a strategic perspective to guide the Board in making decisions on the direction for future revenues, funding, and uses of Agency reserves.

The Agency currently has a 5-year revenue plan in place through FY28, and its revenue figures were incorporated into the FY24 and FY25 budgets. Under the plan, operating revenue is funded by regional service charges to the JPA members, contract and program service fees, and other non-capital general funding sources. Operating expenditures escalate from the base year by estimated general increases for pro-forma annual reasonable costs. Capital expenses are

MAJOR INITIATIVES (Continued)

funded by sewer system capacity charges, a debt service coverage charge, a capital fee, and unrestricted capital reserves.

The plan adopted in FY23 stipulated 4% growth with 3.5% growth through FY28. The plan was then revised at the November 2023 Board meeting to have all service charge rates growing at 4.5% per year starting in FY25. This policy action was to stave off rising projected costs in the operating budget.

Managing Unfunded Obligations: The Agency issued pension obligation bonds in April 2022 in the principal amount of \$9,432,000 at an interest rate of 3.36% with a 15-year amortization to take advantage of low interest rates and reduce annual costs in connection with the annual unfunded actuarial accrued liability (UAAL) payment made to CalPERS. The Agency will continue to budget for the annual payments to CalPERS, and the difference between the bond debt service and the UAAL amounts will be sent to a Section 115 trust that can only be used for future pension-related purposes. This financial arrangement will provide flexibility and savings to the Agency while reducing the unfunded obligation with CalPERS.

Future Debt Planning: The Agency is planning in FY26 to issue revenue bonds in the amount of \$13 million to continue to finance portions of its 10-year CIP. The 10-year CIP consists of the projects from four areas: facility improvements, general equipment, liquids treatment equipment and systems, and solids treatment and energy generation equipment and systems. These areas call for recurring repair and replacement of equipment and systems, as well as construction of new or upgrading processes and systems. The 10-year CIP currently contains 48 separate projects with an estimated cost to implement of \$151.5 million.

The Agency's has a \$65 million placeholder in the CIP for the construction of nutrient removal treatment facilities to comply with a new regulatory requirement. As the project design develops and construction costs are estimated, the Agency will investigate various methods to finance the project, such as tax-exempt revenue bonds, State Water Board revolving fund loans, and Federal government water/wastewater infrastructure loans.

FINANCIAL INFORMATION

Accounting System and Budgeting Controls: The Agency's executive team is responsible for establishing and maintaining a system of internal controls over financial reporting. In fulfilling this responsibility, they make decisions to assess the expected benefits and related costs of control procedures. The objectives of the system are (1) to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and (2) to ensure that transactions are executed in accordance with management and Board authorization, and are properly recorded in accordance with generally accepted accounting principles of the United States of America (US GAAP). CMSA believes that its internal controls over financial reporting adequately address both goals.

CMSA accounts for its financial activities in a single enterprise fund proportionately charging for wastewater treatment services to its JPA members who charge full service wastewater collection and treatment fees to service connections within their respective service areas. The Agency's account structure, insofar as is practical, and in accordance with GAAP, follows the California State Controller's System of Accounts for a Waste Disposal Enterprise. This is a set of procedures that provides general accounting and reporting guidelines to be used by California Special Districts performing waste disposal enterprise activities.

The Agency's Board of Commissioners adopts a biennial budget to serve as the approved financial plan for each of the two fiscal years. Provisions within the JPA agreement authorize the Board to set the regional service charge to the JPA member agencies. Total revenues received by CMSA from the JPA members, as well as several other revenue sources, fund the Agency's annual operations, capital programs, and debt service. The budget is used as a key control device to ensure Board oversight for operations and capital expenditures, monitor expenses and project their progress. All operating and capital activities of the Agency are included in the approved biennial budget, along with a 10-year CIP and 10-year financial forecast model.

Financial Condition: The maintenance of adequate cash reserves is an essential element of the Agency's prudent financial management practices and is a key component of the Agency's sound financial position. An appropriate level of reserves ensures that resources are available for unforeseen emergencies, future capital improvement projects, and unanticipated revenue fluctuations. The Board has adopted a comprehensive reserve policy that includes specific guidance on reserve designations, funding levels, and the accumulation and uses for the established reserves. The accumulated balance in each reserve designation is reported in the monthly Treasurer's Reports to the Board and is available in the Board meeting Agenda Packet that is posted on the website at <http://www.cmsa.us/board/agendas-and-minutes>.

Cash Management: The Agency utilizes the services of Westamerica Bank, the Local Agency Investment Fund (LAIF), and the California Asset Management Program (CAMP) to manage its cash and cash equivalent assets. Westamerica Bank serves the Agency's general banking requirements in processing Agency receipts and disbursements. LAIF is a pooled investment

FINANCIAL INFORMATION (Continued)

fund, administered by the Office of the State Treasurer of California and available to California local government agencies. LAIF investments are considered liquid and provide competitive short-term rates.

Additionally, the Agency invests a portion of its budgeted reserves in CAMP, a JPA established in 1989 to provide professional investment services to public agencies at a reasonable cost. Specifically, CAMP offers its investors a money market trust for the investment of public funds.

Total interest income earned and recognized from these accounts during FY24 was \$904,937. The increase is attributable to an inflationary interest rate environment on pooled investments held in LAIF and CAMP.

Agency Funding: The Agency began its FY24 and FY25 two-year budget development process with the review of the funding requirements for salaries, benefits, materials, supplies, debt service, reserves, and capital project activities. It next assessed the different sources of revenues to fund those requirements.

Regional service charges to JPA members and the contract services revenues received for providing wastewater services to SQSP account for the two major sources of Agency revenues. These charges are set annually by the Board or through contractual agreement. Guided by a revenue management financial policy, the Agency allocates sewer service charges to each JPA member based on the three-year rolling average of their volume and strength of delivered wastewater. This methodology represents a measurable and fair assignment of treatment costs, using the cost-of-service principal as applied.

An EDU rate of \$108.11 was used to allocate debt service to each JPA member for FY24. Historic EDU rates for the last ten years are displayed in Schedule 8 of the Statistical Section. During FY24, the Agency received a total of \$13,941,551 for sewer service charges and \$5,626,258 for debt service.

Significant Non-Cash Transactions: While most financial transactions involve the receipt or payment of cash, some transactions known as accruals involve the recognition of revenue or expense on a different time-period than with the receipt or payment of cash. In FY24, the Agency recorded non-cash pension expense that was the result of CalPERS both recognizing and amortizing the pension obligation bond refunding. The amount and change is listed below:

Non-Cash Transactions	FY Ended June 30, 2024	Increase from FY23	Percent (Decrease)
GASB 68 non-cash pension accrual	\$4,899,629	\$3,216,901	191 %

FINANCIAL INFORMATION (Continued)

Operating & Non-Operating Revenues: The table below shows a summary of revenues by source in FY24 and compares dollar and percentage changes over FY23. The amounts shown in the table below differs from the audited Statement of Revenues and Expenses as it provides additional detail for revenues by source and excludes non-operating revenues.

Operating & Non-Operating Revenues	Fiscal Year Ended June 30, 2024	FY24 Percent of Total	Increase (Decrease) from FY23	Percent Increase (Decrease)
Regional Service Charge	\$ 13,941,551	60.0 %	\$ 774,549	5.9 %
Debt Service Charge	5,626,258	24.2 %	(26,281)	(0.5) %
Contract Maintenance Revenue	1,694,712	7.3 %	(162,177)	(8.7) %
Property Use & Energy Resource Revenue	134,955	0.6 %	10,561	8.5 %
Permit and Inspection Fees	85,650	0.2 %	(4,802)	(5.3) %
Source Control Program Revenues	96,291	0.4 %	(2,717)	(2.7) %
Revenue from Haulers & RV	411,939	1.8 %	114,397	38.4 %
Public Education & Safety Program	134,746	0.6 %	18,907	16.3 %
Interest and Investment Income	1,159,918	5.0 %	681,620	142.5 %
Total Revenues	22,242,576	100.0 %	1,394,749	6.4 %

Note: The above schedule is corrected to show receipt of grant proceeds as a capital contribution.

Total operating and non-operating revenues, excluding capital contributions, increased by \$1,394,749. Increases and decreases in each revenue category is summarized as follows:

- Regional service charges include a user fee and a capital fee. These charges increased 4% in total per a scheduled increase for FY24.
- Debt service charges include the principal and interest for the base debt service, plus a 25% debt coverage fee used for capital funding. Debt service charges slightly decreased due to declining balances on the 2015 and the 2020 Revenue Bonds.
- Contract maintenance revenues decreased \$162,177 due to completion of one-time extra work asset management projects for SQSP.
- Property use and energy resource revenues increased \$10,561 due to increased sales of excess renewable energy to Marin Clean Energy from acceptance of more organic waste.
- Revenue from haulers increased \$114,397 from receiving more septic and FOG waste.
- Public education and safety program revenues increased \$18,907 primarily from a normal cost-of-living adjustment on payroll costs for the Safety program.
- Interest and investment income increased \$681,620 primarily from larger interest earned by the Local Agency Investment Fund.

FINANCIAL INFORMATION (Continued)

Capital Contributions: The following schedule presents a summary of capital contributions in FY24, with a dollar and percentage comparison for changes over FY23.

Capital Contributions	Fiscal Year Ended June 30, 2024	FY24 Percent of Total	Increase (Decrease) from FY23	Percent Increase (Decrease)
Capacity charges	\$ 1,152,938	41.1 %	\$ 511,604	79.8 %
Grants	1,650,501	58.9 %	723,803	78.1 %
Total Capital Contributions	\$ 2,803,439	100.0 %	\$ 1,235,406	78.8 %

Note: The above schedule is corrected to show receipt of grant proceeds as a capital contribution.

Total capital contributions increased by \$1,235,406. Increases and decreases in each category is summarized as follows:

- Capacity charges increased \$511,604 due to increased construction activity from new residential, commercial or additional drainage fixture connections. These fees are collected by the JPA members and remitted to CMSA.
- Grants increased \$723,803 due to completion of the Liquid Organic Waste Removal rehabilitation capital project. Costs for this project are reimbursable under the CalRecycle grant program.

The California Government Code requires certain disclosures regarding capacity charges. The Code requires separate accounting of capacity charges and the application of interest to outstanding balances at year end. The Agency's practice is to utilize capacity charges received on a first-in-first-out basis to finance capital projects during the fiscal year. No interest was posted to capacity charges and there was no outstanding balance of capacity charges at year end. Other required disclosures for FY24 are as follows:

- Total amount of capacity charges collected \$ 1,152,938

Listing of FY24 capital improvement projects for which capacity charges were applied:

- Secondary clarifier #2 rehabilitation \$ 546,505
- Primary clarifier #1 rehabilitation 542,282
- FY24 pavement repair project 64,151

FINANCIAL INFORMATION (Continued)

Expenses Related to General Operations: The following schedule presents a summary of general operating expenses, excluding non-operating expenses, capital assets, depreciation, and debt service expenses, for FY24. It also includes a comparison of dollar and percentage changes over FY23.

Operating Expenses	Fiscal Year Ended June 30, 2024	FY24 Percent of Total	Increase (Decrease) from FY23	Percent Increase (Decrease)
Salaries and Benefits	\$ 14,654,485	70.9 %	\$ 3,733,685	34.2 %
Biosolids Management	412,515	2.0 %	(27,450)	(6.2) %
Chemicals and Fuel	1,911,621	9.2 %	252,658	15.2 %
Repairs and Maintenance	1,753,981	8.5 %	1,089,128	163.8 %
Permit Testing and Monitoring	206,743	1.0 %	2,638	1.3 %
Insurance	570,090	2.8 %	159,655	38.9 %
Utilities and Telephone	427,641	2.1 %	(18,379)	(4.1) %
General and Administrative	737,774	3.6 %	(62,545)	(7.8) %
Total Operating Expenses	\$ 20,674,851	100.0 %	\$ 5,129,391	33.0 %

Total operating expenses increased by \$5,129,391 and are summarized as follows:

- Salaries and benefits increased \$3,733,685 from the prior year due to a 4.5% cost-of-living adjustment, a 9.8% increase of medical expenses, and a large non-cash accrued pension expense of approximately \$4,899,629.
- Biosolids management decreased \$27,450 due to the limited availability of the biosolids land application sites. Biosolids were instead delivered to the landfill which has lower transportation costs.
- Chemicals and fuel increased \$252,658 due to continued inflationary pressures and supply chain issues in the fiscal year.
- Repairs and maintenance increased \$1,089,128 due to the Agency performing more in-house routine repairs versus performing full replacement of machinery and equipment.
- Insurance increased \$159,655 due to continued cost pressures from both the property insurance and workers' compensation policies. The overall risk in property insurance policies increased because of recent natural disasters, property market values, and financial market turbulence. Similarly, the risk within the Agency's workers' compensation insurance policy increased because of more claims were being filed.
- Utilities and telephone costs decreased \$18,379 primarily due to the Agency generating the majority of the power it needs with only purchases of natural gas performed on an as needed basis.
- General and Administrative expenses decreased \$62,545 due to its Microsoft software license being on a three-year cycle and a lower number of conferences being attended.

FINANCIAL INFORMATION (Continued)

Revenue Bonds Assets and Liabilities: The Agency issued Refunding Revenue Bonds Series 2015 in the principal amount of \$49,310,000 at a premium of \$5,344,174 in an advance refunding to prepay the outstanding principal of 2006 Revenue Bonds, purchase a surety policy to replace the previous cash funded reserve, and pay certain costs of issuing the bonds. The Bonds are fully registered, with principal due annually on September 1, and interest payable semi-annually on March 1 and September 1 and bear an interest rate ranging from 2.5 to 5.0 percent. The bonds are callable at par anytime after September 1, 2025.

The Agency issued \$9,115,000 in Series 2020 Revenue Bonds during FY21 at a premium of \$215,574 and discount of \$70,982 with an interest rate ranging from 2.0 to 2.25 percent. The Bonds were used primarily for improvements to the Agency's treatment facilities, for certain other maintenance projects to replace capital assets at end of their service life, and to make other capital improvements as approved by the Board of Commissioners. The Bonds are fully registered with principal due annually on September 1 and interest payable semi-annually on March 1 and September 1. The bonds are callable at par anytime on or after September 1, 2030.

Each JPA member is obligated to pay its share of the semi-annual debt service and 25% debt coverage payments to CMSA, pursuant to a Debt Service Payment Agreement between CMSA and the JPA members, and the Master Indenture between CMSA and the Bond Trustee. The allocation of the debt service payment and coverage to each member is based on the number of EDUs reported for the member's service area. Debt Service Charges per EDU are fixed for each member's service area for consistency beginning with FY18. Service Charge Revenue reflects the actual semi-annual debt service payments received from the JPA members and is based solely on 125% of the scheduled semi-annual debt payments to the bond holders.

The following schedule is a summary of debt service activities related to Refunding Revenue Bond Series 2015 and Revenue Bond Series 2020 for the fiscal year ended June 30, 2024.

	Fiscal Year Ended
	June 30, 2024
Revenue Related to Debt Service	
Service charge revenue - principal	\$ 3,175,000
Service charge revenue - interest	1,326,006
Service charge revenue - coverage	1,125,252
Service Charge Revenue: Debt Service	<u>\$ 5,626,258</u>
Outstanding Debt	
Current Maturity (due in one year)	3,325,000
Long-term debt (greater than one year)	<u>32,170,000</u>
Total Outstanding Debt	<u><u>\$35,495,000</u></u>

FINANCIAL INFORMATION (Continued)

Pension Obligation Bonds: On April 28, 2022, the Agency issued \$9,432,000 in private placement Series 2022 taxable Pension Obligation Bonds (POBs) with an interest rate of 3.36%. The POBs were used solely for reducing the Agency's unfunded actuarial accrued pension liability (UAAL) by paying off a significant portion of the balance. The POBs are fully registered with principal due annually on September 1 and interest payable semi-annually on March 1 and September 1. The POBs are callable at par anytime on or after September 1, 2030.

	Fiscal Year Ended
	June 30, 2024
Expenditures Related to Debt Service	
Debt service expenditure - principal	\$ 130,000
Debt service expenditure - interest	309,154
Debt service expenditure: total	<u>\$ 439,154</u>
Outstanding Debt	
Current Maturity (due in one year)	248,000
Long-term debt (greater than one year)	<u>8,888,000</u>
Total Outstanding Debt	<u>\$ 9,136,000</u>

The POBs were set to pay off 98% of the UAAL with CalPERS. Funding for the POBs comes from the former annual scheduled UAAL payment with CalPERS. Annual POB debt service is lower than the scheduled annual UAAL payment. The Agency will continue to budget for the annual scheduled UAAL payment with the excess of the UAAL payment amount over the debt service payment amount contributed to a Section 115 pension trust. Monies accumulated in the trust currently in the amount of \$904,043 are accounted for as assets of the Agency and restricted net assets and may be used for pension benefit purposes only. The POB debt service is not separately invoiced to the JPA members with a coverage requirement like the 2015 and 2020 revenue bonds. The debt service is covered by the operating revenues collected. \$675,370 was contributed to the trust in FY24.

Capital Assets: The following schedule presents a summary of capital assets for the fiscal year ended June 30, 2024, with a dollar and percentage comparison for changes over FY23.

Capital Assets	Fiscal Year Ended June 30, 2024	Increase (Decrease) from FY23	Percent Increase (Decrease)
Plant and facilities at cost	\$180,624,865	\$1,090,970	0.6 %
Accumulated depreciation and amortization	(100,292,399)	(1,582,040)	1.6 %
Net Plant and Facility	\$ 80,332,466	\$ (458,685)	(0.5) %

The Agency's investment in capital assets as of June 30, 2024 totaled \$80,332,466, net of accumulated depreciation. The investment in capital assets includes land and land improvements, construction-in-progress, wastewater treatment facilities, wastewater disposal

FINANCIAL INFORMATION (Continued)

facilities, general plant and administrative facilities, and right-of-use assets. During FY24, the Agency acquired \$4,798,568 in capital assets, transferred approximately \$4,489,955 from construction-in-progress into service, and recorded an additional amount of approximately \$4,113,017 for depreciation of capital assets in service. Depreciation expense increased by \$308,070, as there were more assets placed in service in FY24 versus FY23. Major capital asset transactions including amounts spent during the fiscal year include the following:

- Completed the FY24 Pavement Repair Project, \$284,541
- Completed the 2023 Andersen Hillside Slope Repairs, \$289,207
- Completed the Secondary Clarifier #2 Rehabilitation, \$546,505
- Completed the Biosolids Hopper Structural Repairs, \$236,588
- Completed the Liquid Organic Waste Facility project, \$3,126,471
- Ongoing capital costs for the Primary Clarifier #1 Rehabilitation, \$542,282
- Ongoing capital costs for the Centrifuge Replacement, \$177,536
- Ongoing capital costs for the Headworks Grit Classifiers Replacement, \$150,197
- Purchased and placed in service various pumps and wastewater facilities, \$217,055
- Purchased and placed in service various laboratory and general equipment, \$91,854
- Purchased and placed in service a new vehicle, \$32,481

Pension Benefits: Retirement costs have been under scrutiny in recent years due to increasing costs in connection with CalPERS and the financial performance of CalPERS. Total employer pension obligation has been reduced for new employees hired after January 1, 2013 under what is known as the Public Employees' Pension Reform Act (PEPRA). CalPERS is now essentially a two-tiered system for Classic members hired before January 1, 2013 and PEPRA members for those hired on or after January 1, 2013. CalPERS continues to revise its pension-related actuarial assumptions, such as the discount rate and life expectancy, among others, that often leads to increased employer contribution rates. Due to the sensitivity of rates and their relationship as a percentage of revenue, the Agency has elected to disclose this information on its website for transparency (See Table of CalPERS Pension Contributions as Percentage of Revenue at www.cmsa.us/finance/documents/). Approximately 71% of Agency employees were hired under the lower-cost PEPRA plan.

One of the requirements of a recent governmental accounting pronouncement, GASB 68, is to reflect a liability for total pension obligation on the face of the Statement of Net Position and for increases or decreases in the obligation to flow through the Statement of Revenues and Expenses and Changes in Net Position. Differences between the total change in obligation and actual cash paid are an accounting procedure known as accruals. For transparency, the Agency describes details of significant cash versus accrual items when they occur to ensure clarity for large changes in benefit expenses.

FINANCIAL INFORMATION (Continued)

<u>Fiscal Year</u>	<u>Base Pension Contributions</u>	<u>UAL Pension Contributions</u>	<u>Pension Accrued</u>	<u>Total Pension</u>
FY24	\$ 720,700	\$ 21,243	\$ 4,899,629	\$ 5,641,620
FY23	647,909	518,633	1,682,728	2,849,270
FY22	639,170	975,377	(669,921)	944,626
FY21	687,250	831,045	690,696	2,208,991
FY20	596,587	724,668	1,058,022	2,379,277
FY19	533,164	598,231	310,173	1,441,568
FY18	347,760	619,899	1,040,765	2,008,424
FY17	553,681	403,722	1,174,900	2,132,303
FY16	607,041	352,583	(256,509)	703,115
FY15	927,186	(1)	(731,956)	195,230
FY14	2,724,054	(1)	(2)	2,724,054

Note ¹ UAL pension contributions formerly included in employer base contributions rate.

Note ² Pension accruals became effective with GASB 68.

Other Post-Employment Benefits (OPEB): The Agency provides other post-employment benefits (OPEB) for eligible employees also on a two-tiered basis. Tier-1 employees hired before July 1, 2010 receive a fully paid lifetime medical insurance benefit for the employee only, while Tier-2 employees hired after July 1, 2010 may receive a lifetime medical insurance benefit, currently in the amount of \$157 per month and adjusted annually thereafter, with the remainder of the monthly insurance premium paid by the retiree. During active years, Tier-2 employees also receive an employer provided health reimbursement account (HRA) used to accumulate funding to pay for medical costs after retirement. The Agency contributes 1.5% of gross base salary to the HRA plan, that is not taxed as compensation, upon transfer to the trust, or upon receipt of benefits from the trust.

The Agency is subject to an accounting pronouncement known as GASB 75 that became effective in FY18 for its post-retirement health care plan. Like pensions, the total obligation for the OPEB plan, net of plan assets, will be reflected as a liability on the Statement of Net Position. The plan is approximately 63% funded with an unfunded liability remaining in the amount of \$1,819,874. Increases or decreases in the obligation will now flow through the Statement of Revenues and Expenses and Changes in Net Position and, if material, will be described in its two components of cash payments made as well as non-cash accruals recorded. For transparency, the Agency has also elected to post its OPEB actuarial valuation reports on the website at www.cmsa.us/finance/documents.

The Agency uses the California Employers' Retirement Benefit Trust (CERBT) to hold its plan assets for distribution to eligible retirees and beneficiaries. The table below reflects the Agency's retiree count, plan contributions, and total OPEB expense by year.

FINANCIAL INFORMATION (Continued)

<u>Fiscal Year</u>	<u>Number Retirees</u>	<u>OPEB Contributions</u>	<u>OPEB Accrued ⁽¹⁾</u>	<u>Total OPEB</u>
FY24	39	\$ 193,621	\$ 292,155	\$ 485,776
FY23	38	170,046	(29,583)	140,463
FY22	35	176,458	(195,119)	(18,661)
FY21	34	209,974	(50,917)	159,057
FY20	32	226,958	(39,025)	187,933
FY19	31	224,526	21,772	246,298
FY18	32	292,033	(38,862)	253,171
FY17	30	286,875	15,912	302,787
FY16	30	289,977	19,997	309,974
FY15	30	314,006	(1)	314,006
FY14	31	307,370	(1)	307,370

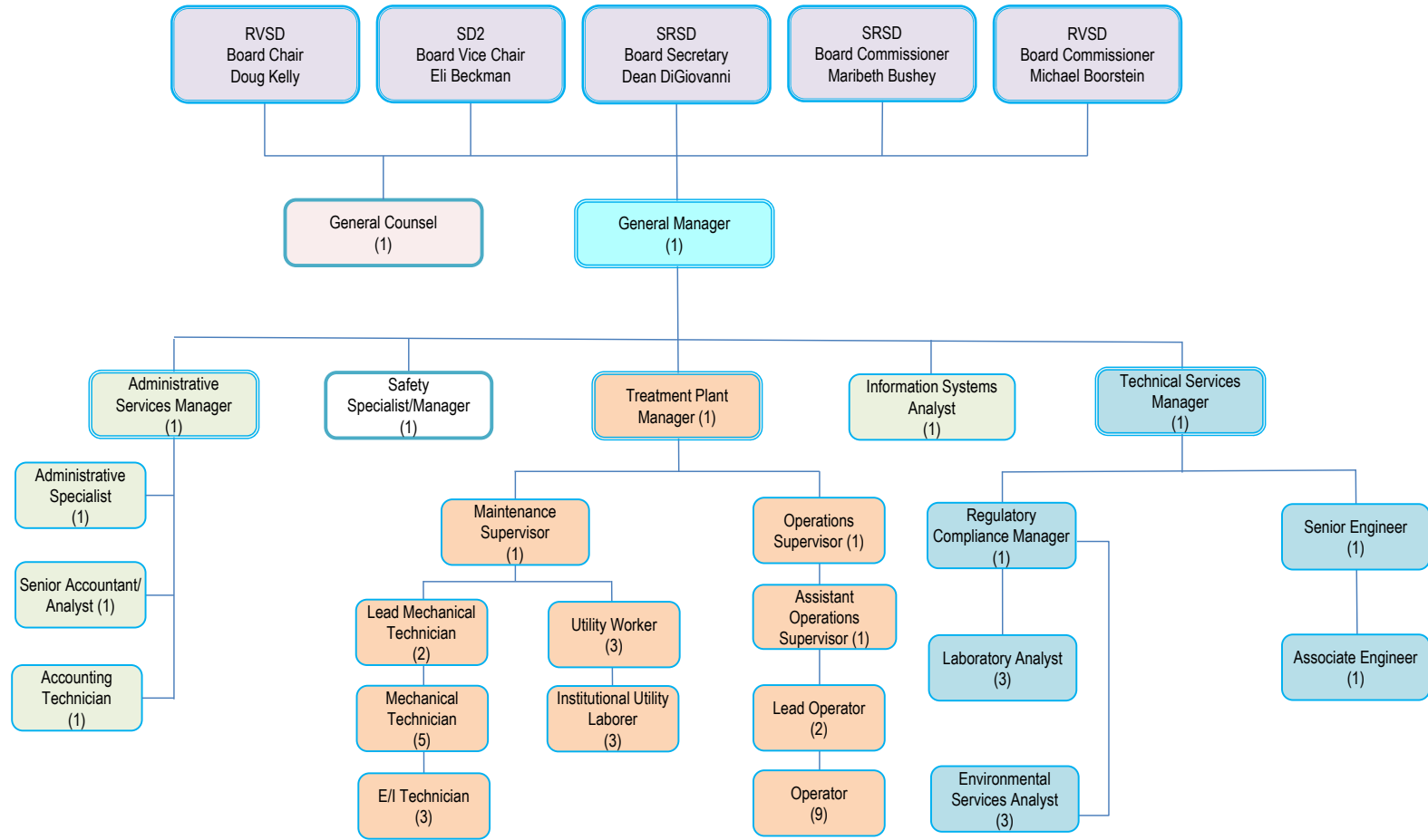
Note ¹ OPEB accruals became effective with GASB 43 later superseded by GASB 75.

Risk Management: The Agency maintains a comprehensive risk management program which encompasses risk retention and/or transfer, and risk reduction or avoidance. In the area of risk retention and/or transfer, the Agency transfers risk using insurance policies, while retaining a manageable portion of risk through deductibles. The Agency is a member of the California Sanitation Risk Management Authority, a JPA with 59-member wastewater agencies in the state, that was established for the operation of common risk management and loss prevention programs for its Workers' Compensation, general liability and auto liability, employment practice, and property insurance needs. Risk is transferred whenever possible using hold harmless (indemnification) clauses in all Agency-related contracts and agreements.

In the area of risk reduction or avoidance, the Agency utilizes a safety officer, a safety committee comprised of employees from different department and work groups, the cooperative Health & Safety Program, and outside risk management and safety consultants. Much attention is focused on safety at CMSA. Training is provided to educate employees on all aspects of workplace safety. It includes required Cal-OSHA safety training, and proper workplace performance procedures for everyday duties such as the proper usage of tools and machinery and safe driving programs for employees using Agency vehicles. Additional recognition is given to the safety committee and safety officer for their ongoing efforts to ensure workplace safety.

Independent Audit: State statutes require an annual audit by independent Certified Public Accountants. The accounting firm of Maze & Associates Accounting Corporation performed the audit of the Agency's FY24 financial statements. Maze & Associates Accounting Corporation specializes in governmental and non-profit audit engagements. In addition to meeting the requirements set forth in state statutes, the auditor also reviewed the Agency's financial policies and procedures, as well as the Agency's adherence to them in conducting financial transactions. The auditor's report on the general-purpose financial statements and accompanying notes are included in the financial section of this report.

CMSA ORGANIZATIONAL CHART



48 Full Time Equivalent Employees (FTE)
June 30, 2024

CMSA Authorized Staff Positions	FY22	FY23	FY24
ADMINISTRATION			
General Manager	1	1	1
Administrative Specialist (I-III)	1	1	1
Administrative Services Manager	1	1	1
Senior Accountant/Analyst	1	1	1
Accounting Technician	1	1	1
Information Systems Administrator	1	1	1
Total Administration	6	6	6
HEALTH & SAFETY			
Safety Specialist/Manager	1	1	1
Total Health & Safety	1	1	1
MAINTENANCE			
Treatment Plant Manager (0.5 FTE split with Operations)	0.5	0.5	0.5
Maintenance Supervisor	1	1	1
Assistant Maintenance Supervisor*	1	-	-
Maintenance Lead Worker	1	1	-
Lead Mechanical Technician	1	2	2
Mechanical Technician (I-III)	4	4	5
Utility Worker	3	3	3
Institutional Utility Laborer (Dedicated to SQSP)	3	3	3
Electrical/Instrumentation Tech (I-III)	3	3	3
Total Maintenance	17.5	17.5	17.5
OPERATIONS			
Treatment Plant Manager (0.5 FTE split with Maintenance)	0.5	0.5	0.5
Operations Supervisor	1	1	1
Assistant Operations Supervisor	1	1	1
Lead Operator	1	1	1
Operator (Trainee, I-III)	10	10	10
Total Operations	13.5	13.5	13.5
TECHNICAL SERVICES			
Technical Services Manager	1	1	1
Senior Engineer**	-	1	1
Associate Engineer	2	1	1
Regulatory Compliance Manager	1	1	1
Laboratory Analyst***	2	2	3
Environmental Services Analyst (I-II)	3	3	3
Total Technical Services	9	9	10
TOTAL AUTHORIZED STAFFED POSITIONS	47	47	48

* The Assistant Maintenance Supervisor position was replaced by a Lead Mechanical Technician during FY23

** An Associate Engineer was promoted in January 2023 to Senior Engineer

*** An additional Laboratory Analyst was approved during FY24



Government Finance Officers Association

Certificate of
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**Central Marin Sanitation Agency
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO



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the United States and Canada**

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance and Administration Department
Central Marin Sanitation Agency, California



The Award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the department or individual designated as instrumental in the government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Christopher P. Morrill

Date: 8/29/2024

CENTRAL MARIN SANITATION AGENCY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

CENTRAL MARIN SANITATION AGENCY
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Central Marin Sanitation Agency
San Rafael, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Central Marin Sanitation Agency (Agency), California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Agency, as of June 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Emphasis of a Matter

During the year ended June 30, 2024, it was noted that there was a error of capitalization of a capital asset in the prior year as noted in Note 7 and 14. As a result, the beginning balance of capital assets and net position increased in the amount of \$88,155 as of July 1, 2023.

The emphasis of this matter does not constitute a modification to our opinions.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2024, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Central Marin Sanitation Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California

October 23, 2024

Central Marin Sanitation Agency
 Management's Discussion and Analysis (*Unaudited*)
 June 30, 2024

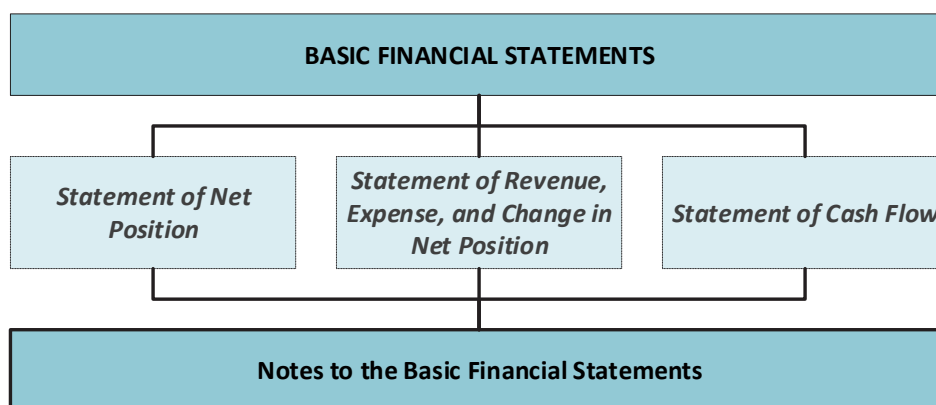
The purpose of management's discussion and analysis (MD&A) is to help Agency customers and other readers understand what the financial statements and notes in this financial report say about the Agency's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the Administration Department staff's knowledge of the Agency's finances.

If you have questions about this report or would like further information, please contact the Agency located at 1301 Andersen Drive San Rafael, CA 94901 or by calling (415) 459-1455.

Overview of the Financial Statements

The Agency's financial statements contain two components, *Basic Financial Statements* and *Notes to the Basic Financial Statements*.

Figure 1 – Contents of the Agency's Financial Statements



The *Basic Financial Statements* have three individual statements:

- **Statement of Net Position**: This statement presents information on the Agency's assets, deferred outflows, liabilities, and deferred inflows as year-end, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or worsening.
- **Statement of Revenues, Expenses and Changes in Net Position**: This statement presents the results of the Agency's operations over the course of the fiscal year and information as to how net position changed during the year. These statements can be used as an indicator of the extent to which the Agency successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement from items that will result in future cash flows.

Central Marin Sanitation Agency
Management's Discussion and Analysis (*Unaudited*)
June 30, 2024

- **Statement of Cash Flows:** This statement presents the changes in cash and cash equivalents resulting from operational, capital financing, non-capital financing, and investing activities. These statements summarize the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt, and excludes non-cash accounting measures of depreciation or amortization.

The *Notes to the Basic Financial Statements* delve deeper into the Agency's finances as reported in the *Basic Financial Statements*. The information in the *Notes to the Basic Financial Statements* is as important to understanding the Agency's finances as the information in the *Basic Financial Statements*. The Agency uses this component to (1) present information in greater detail than is possible within the *Basic Financial Statements* themselves, (2) explain the nature of amounts in the *Basic Financial Statements* and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the *Basic Financial Statements* (such as certain contingencies).

Types of Information in the Financial Statements

The Agency's financial report uses the *economic resources measurement focus* and *accrual basis of accounting*. In other words, they comprehensively report all of the below elements:

- **Assets:** Resources the Agency controls, from short-term assets like cash to long-term assets like equipment and treatment facility infrastructure.
- **Liabilities:** Amounts the Agency owes, from short-term liabilities such as salaries payable to long-term liabilities such as outstanding debt and net amounts owed to employees for pensions.
- **Deferred Outflows of Resources and Deferred Inflows of Resources:** Flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- **Revenues and Expenses:** Inflows and outflows of economic resources, respectively, related to the current year.

More detail about the measurement focus and basis of accounting can be found in *Note 2 – Summary of Significant Accounting Policies*.

Central Marin Sanitation Agency
Management's Discussion and Analysis (*Unaudited*)
June 30, 2024

Analysis of the Agency's Finances

Table 1 - Comparative Condensed Statement of Net Position
June 30, 2024 and 2023
(Amounts expressed in thousands)

	2024	(Restated) 2023	\$ Change	% Change
Total assets:				
Cash and cash equivalents	\$ 22,711	\$ 21,868	\$ 842	3.9 %
Other current assets	4,818	4,349	469	10.8 %
Restricted cash and investments	905	209	696	332.7 %
Capital assets, net	80,332	80,863	(530)	(0.7) %
Other noncurrent assets	317	381	(64)	(16.9) %
Total assets	109,083	107,670	1,413	1.3 %
Deferred outflows of resources	8,317	12,945	(4,628)	(35.8) %
Total liabilities:				
Current liabilities	6,428	5,144	1,283	24.9 %
Bonds payable, net	43,325	47,254	(3,929)	(8.3) %
Other noncurrent liabilities	9,493	9,558	(65)	(0.7) %
Total liabilities	59,246	61,957	(2,711)	(4.4) %
Deferred inflows of resources	7,965	7,468	497	6.7 %
Net position:				
Net investment in capital assets	43,446	40,733	2,713	6.7 %
Restricted net position	905	209	696	332.7 %
Unrestricted net position	5,837	10,248	(4,411)	(43.0) %
Total net position	\$ 50,189	\$ 51,191	\$ (1,001)	(2.0) %

The Agency's total net position decreased \$1 million, or 2%, between fiscal year 2024 and 2023. The overall decrease is attributable to total assets increasing \$1.41 million, or 1.3%, offset by total deferred outflows of resources decreasing \$4.63 million, or 35.8%, and total liabilities decreasing \$2.71 million, or 4.4%. Each total category is further detailed out below:

Central Marin Sanitation Agency
Management's Discussion and Analysis (*Unaudited*)
June 30, 2024

- Cash and cash equivalents overall increased by \$0.84 million, or 3.9%, from conducting essential operation of the wastewater treatment plant facility and following through on the capital improvement program (CIP). Significant drivers of the net increase include greater regional service charge (RSC) collections paid for by the joint powers authority (JPA) members, more interest income received due to higher interest rates, and collection of \$1.5 million in CalRecycle grant proceeds. The greater collections, however, were offset by routine payments to its employees, vendors, and bondholders. Further detail on the Agency's cash flow activity can be reviewed on the *Statement of Cash Flows*.
- Restricted cash and investments increased by \$0.69 million, or 332.7%, primarily from the Agency's annual contribution to its Internal Revenue Code Section 115 pension trust following its pension funding plan.
- Deferred outflows of resources decreased by \$4.63 million, or 35.8%, primarily due to the California Public Employees Retirement System (CalPERS) fully recognizing and beginning amortization of the Agency's \$9.43 million pension obligation bond (POB) contribution. Actuarial recognition of Agency contributions is performed on a two-year lag due to when CalPERS performs their assessment of Agency pension investments and liability calculations. Amortization of excess contributions follow a five-year period.
- Current liabilities increased by \$1.28 million, or 24.9%, primarily due to an increase of approximately \$0.81 million in CIP activity in May 2024 and June 2024 that were paid in July 2024, an increase of approximately \$0.21 million in accrued leave payments due to several retirements expected in early fiscal year 2025, and further principal paydown of the Agency's bond obligations of approximately \$0.27 million.
- Bonds payable decreased by \$3.93 million, or 8.3%, due to the Agency paying down its bond obligations following the relevant bond indenture agreements.
- Deferred inflow of resources increased by \$0.49 million, or 6.7%, primarily due to CalPERS earning approximately 5.8% on the pension plan assets in fiscal reporting year 2024. This positive return increased the pension plan's assets that sufficiently funded the current year benefit payments. Positive rates of return, however, are recognized as a current year long-term liability and amortized over a five-year period. For further detail on CalPERS' investment rate of return, please refer to CalPERS' fiscal year 2023 Annual Comprehensive Financial Report (ACFR) located at <https://www.calpers.ca.gov/>.

The activity within the various components of net position, i.e., net investment in capital assets, restricted net position, and unrestricted net position, reflect the above changes impacting the components.

Central Marin Sanitation Agency
Management's Discussion and Analysis (*Unaudited*)
June 30, 2024

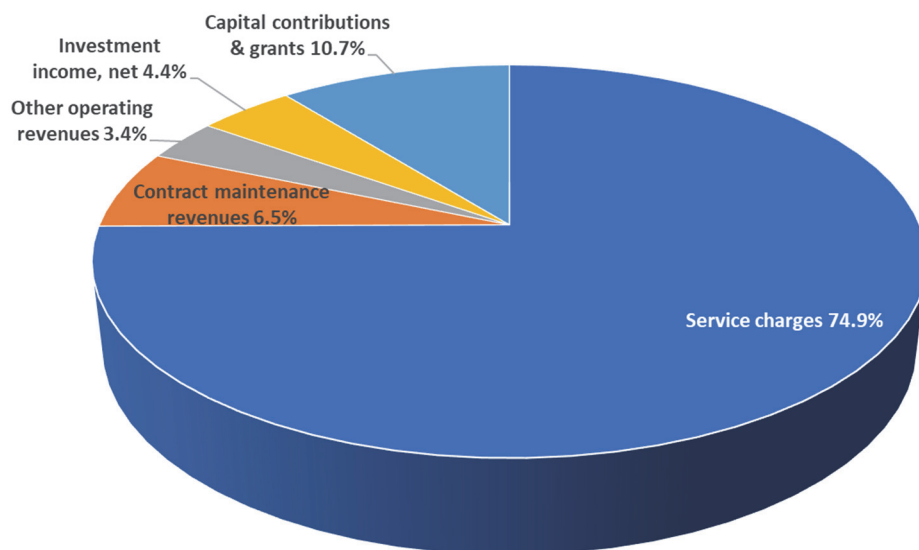
Table 2 - Comparative Statement of Revenue, Expense and Changes in Net Position
June 30, 2024 and 2023
(Amounts expressed in thousands)

	2024	(Restated) 2023	\$ Change	% Change
Revenues:				
Service charges	\$ 19,568	\$ 18,820	\$ 748	4.0 %
Contract maintenance revenues	1,695	1,857	(162)	(8.7) %
Contract safety & education	135	116	19	16.3 %
Leasing income	109	69	39	57.0 %
Renewable energy sales	64	55	9	15.5 %
Discharge permit fees	42	56	(14)	(25.1) %
Source control inspection fees	96	99	(3)	(2.7) %
Waste hauler service fees	412	298	114	38.4 %
COVID & illegal substance sampling fees	43	34	9	27.3 %
Investment income (expense), net	1,160	478	682	142.5 %
Other non-operating rev (exp)	(115)	29	(145)	(491.9) %
Total revenue	23,208	21,911	1,297	5.9 %
Expenses:				
Salaries & benefits	14,654	10,921	3,734	34.2 %
Biosolids management	413	440	(27)	(6.2) %
Chemicals & fuel	1,912	1,659	253	15.2 %
Repairs & maintenance	1,754	665	1,089	163.8 %
Permit testing & monitoring	207	204	3	1.3 %
Insurance	570	410	160	38.9 %
Utilities & telephone	428	446	(18)	(4.1) %
General & administrative	738	800	(63)	(7.8) %
Depreciation & amortization	4,893	4,497	396	8.8 %
Interest expense	1,445	1,540	(95)	(6.1) %
Total expenses	27,013	21,582	5,431	25.2 %
Income / (loss) before cap contributions	(3,805)	329	(4,134)	(1255.6) %
Capital contributions & grants	2,803	1,568	1,235	78.8 %
Change in net position	(1,001)	1,897	(2,899)	(152.8) %
Net position - beginning	51,191	49,293	1,897	3.8 %
Net position - ending	\$ 50,189	\$ 51,191	\$ (1,001)	(2.0) %

Central Marin Sanitation Agency
Management's Discussion and Analysis (*Unaudited*)
June 30, 2024

The Agency's total change in net position decreased by \$1 million between fiscal year 2024 and 2023. The decrease is primarily attributable to the year-over-year increases in total revenue of \$1.3 million and capital contributions of \$1.24 million offset by increases in total expense of \$5.43 million. Significant changes within total revenue and capital contributions are discussed together with significant changes within expenses being discussed separately.

Figure 2 – Revenue By Source



Note 1: "Other operating revenues" includes contract safety & public education, leasing income, renewable energy sales, wastewater discharge permit fees, source control inspection fees, waste hauler service fees, and COVID & illegal substance sampling fees.

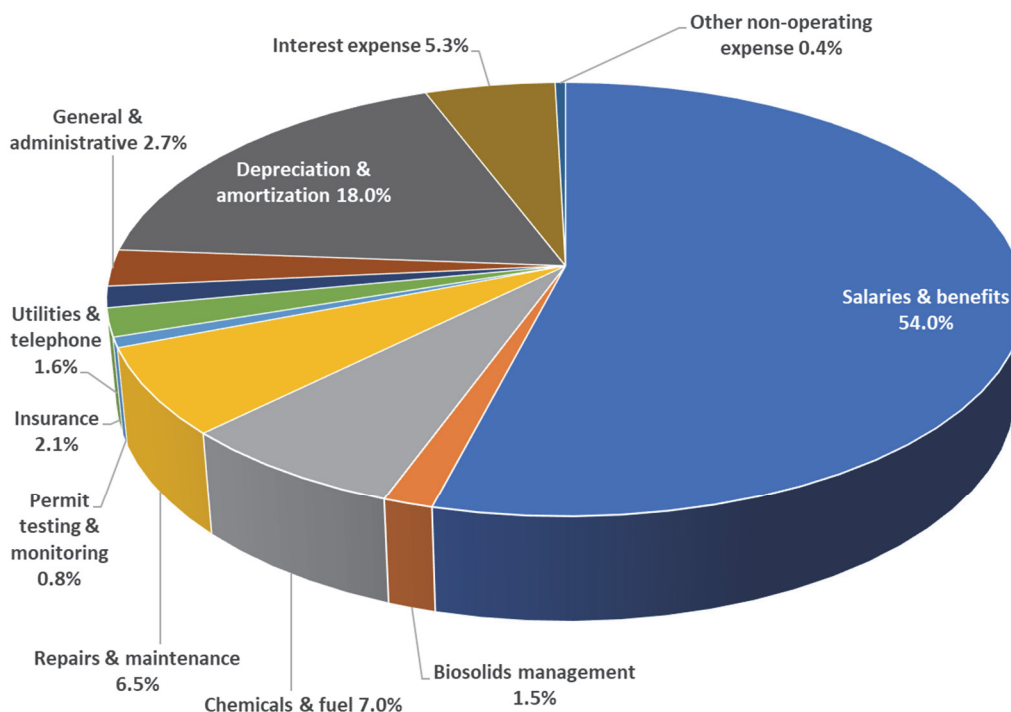
Note 2: Other non-operating revenue (expense) is included in the Expense By Source chart due to it being a net expense balance.

- Service charges, which account for 74.9% of the Agency's total current year revenue, increased \$0.75 million, or 4%, between fiscal year 2024 and 2023. The increase is driven by the Agency's Board of Commissioner approved Revenue Plan in November 2023. Total service charges are comprised of RSCs, capital fees, debt service charges, and debt coverage fees, of which were all approved in the aggregate to increase by 4% going into fiscal year 2024.
- Contract maintenance revenues, which account for 6.5% of the Agency's total current year revenue, decreased \$0.16 million, or 8.7%, between fiscal year 2024 and 2023. The decrease is attributable to completion of capital projects at the San Quentin pump station. The cost of the capital project activity is reimbursable to the Agency and will likely re-occur in the future as the San Quentin representatives approve of the Agency's recommended capital asset rehabilitation or improvement projects.

Central Marin Sanitation Agency
 Management’s Discussion and Analysis (*Unaudited*)
 June 30, 2024

- Investment income (expense), net, which account for 4.4% of the Agency’s total current year revenue, increased \$0.68 million, or 142.5%, between fiscal year 2024 and 2023. The increase is attributable to both the Local Investment Agency Fund (LAIF) investing its portfolio into higher coupon Treasury securities thereby earning more interest and a recovery in the fair market value of the same portfolio. Market interest rates have steadily been declining due to the United States Federal Reserve’s interest rate policy thereby causing the fair market value of Treasury securities to increase in value. The fair value of Treasury securities increase when market interest rates decrease.
- Capital contributions & grants, which account for 10.7% of the Agency’s total current year revenue, increased \$1.24 million, or 78.8%, between fiscal year 2024 and 2023. The increase is attributable to both collecting more capacity charges from the JPA members and invoicing the next reimbursement request to the State of California under the CalRecycle grant program. Capacity charge collection is tethered to building activity within the service area, which began to increase as borrowing rates began to decrease leading to increased home improvement activity. The next CalRecycle reimbursement request was submitted at completion of the Liquid Organic Waste Receiving Facility capital project.

Figure 3 – Expense by Use



Central Marin Sanitation Agency
Management's Discussion and Analysis (*Unaudited*)
June 30, 2024

- Salaries & benefits, which account for 54% of the Agency's total current year expense, increased \$3.73 million, or 34.2%, between fiscal year 2024 and 2023. The increase is primarily attributable to CalPERS actuarially recognizing the POB contribution resulting in additional pension expense as the excess contribution is being amortized following accounting policy. Amortization of excess contributions follows a five-year plan. Salaries & benefits also increased because of the 4.5% cost-of-living adjustment (COLA) approved within the employee collective bargaining agreements as well as a 6.6% cost escalation observed in the health insurance markets as a result from higher medical costs. Otherwise, the Agency's personnel count as well as benefits plan offerings and structure have remained fairly consistent year-over-year.
- Chemicals & fuel, which account for 7% of the Agency's total current year expense, increased \$0.25 million, or 15.2%, between fiscal year 2024 and 2023. The increase is primarily due to persistent cost inflation permeating throughout the US economy in selected areas. In particular, there is greater demand for the disinfecting chemical, Sodium Hypochlorite, for industrial cleaning and sanitation purposes.
- Repairs & maintenance, which account for 6.5% of the Agency's total current year expense, increased \$1.09 million, or 163.8%, between fiscal year 2024 and 2023. The increase is primarily due to the Agency performing process piping condition assessments at the Biotowers, Primary Clarifiers, Primary Effluent and Secondary Effluent areas, as well as an assessment at the Outfall area, and entering into a multi-year servicing agreement with Northeast-Western for the Jenbacher cogeneration engine. For further detail, please refer to the *Major Initiatives* subsection within the *Introduction* section of the ACFR.
- Insurance, which account for 2.1% of the Agency's total current year expense, increased \$0.16 million, or 38.9%, between fiscal year 2024 and 2023. The increase is primarily driven by insurance premium increases in both the property and workers' compensation policies. Property insurance is heavily swayed by the economic activity of the property market, of which has been experiencing severe turbulence because of natural disasters (hurricanes, flooding, wildfires, etc.), property market values, as well as financial market interest rates, resulting in greater pooled losses. The workers' compensation insurance premium increased due to the Agency experiencing more claims leading to greater losses needing to be made up by the insurance pool participants.
- Depreciation & amortization, which account for 18% of the Agency's total current year expense, increased \$0.39 million, or 8.8%, between fiscal year 2024 and 2023. The increase is due to the Agency continuing to rehabilitate and improve its wastewater treatment facility infrastructure and place into service newly purchased equipment following its approved CIP. For further detail on capital asset activity, please refer to section *Significant Capital Asset and Long-Term Financing Activity*.

Central Marin Sanitation Agency
Management's Discussion and Analysis (*Unaudited*)
June 30, 2024

Significant Capital Asset and Long-Term Financing Activity

The discussion thus far has only touched upon certain significant transactions and events during fiscal year 2024 that may impact capital assets and long-term debt. The below subsections discuss in further detail significant capital asset project activity, equipment procurement, and long-term debt activity used for funding the CIP.

Capital Assets

The Agency has allocated a significant amount of resources into a variety of capital assets for performing its essential operations. This includes land and associated improvements, wastewater treatment and disposal infrastructure, equipment, and software applications.

Table 3 - Comparative Capital Assets, Net of Accumulated Depreciation and Amortization
June 30, 2024 and 2023
(Amounts expressed in thousands)

	2024	(Restated) 2023	\$ Change	% Change
Land and land improvements	\$ 5,800	\$ 5,511	\$ 289	5.2 %
Construction-in-progress	1,011	1,958	(947)	(48.4) %
Wastewater treatment facility	67,584	66,861	723	1.1 %
Wastewater disposal facility	1,574	1,857	(283)	(15.3) %
General, plant and admin facilities	4,239	4,505	(266)	(5.9) %
Intangible right-of-use assets	4	11	(8)	(66.7) %
Intangible right-of-use subscriptions	122	160	(38)	(23.8) %
Total capital assets, net	\$ 80,332	\$ 80,863	\$ (530)	(0.7) %

The Agency's total capital assets, net of accumulated depreciation and amortization, decreased \$0.53 million, or 0.7%, between fiscal year 2024 and 2023. The primary drivers for this decrease are continued depreciation and amortization of the wastewater treatment facility infrastructure and associated equipment, along with disposals of rehabilitated capital assets. Depreciation and amortization are ongoing costs to estimate wear-and-tear of a capital asset from its usage, and the current year experienced an increase from completion of capital projects and placing into service new equipment. Capital asset disposals are a routine part to the Agency's operations in so far as the replacement of older equipment is re-occurring.

Central Marin Sanitation Agency
Management's Discussion and Analysis (*Unaudited*)
June 30, 2024

Regarding new capital additions during the fiscal year, the Agency annually prepares a CIP plan that details the Agency's capital projects, equipment procurement, and needed maintenance programs. Some of the capital projects are completed throughout the fiscal year, while others are carried forward. Once completed, depreciation begins reducing the carrying value. Significant capital projects that were completed and purchased equipment placed into service during fiscal year 2024 are:

Capital Project / Equipment Purchase Activity	Amount (in thousands)
FY24 Pavement Repair Project	\$ 285
2023 Andersen Hillside Slope Repairs	289
Secondary Clarifier #2 Rehabilitation	547
Biosolids Hopper Structural Repairs	237
Liquid Organic Waste Removal Facility Rehabilitation	3,126
Wastewater facility improvements	296
Wastewater facility equipment	561
General & administrative equipment	124
Total completed capital asset additions	<u>\$ 5,465</u>

The capital projects that are still in progress are carried forward as construction in progress are the following:

Capital Project Activity	Amount (in thousands)
Primary Clarifier #1 Rehabilitation	\$ 542
Diesel Underground Storage Tank Replacement	40
Nutrient Removal	8
Centrifuge Replacement	270
Headworks Grit Classifiers Replacement Project	150
Total ongoing capital projects	<u>\$ 1,011</u>

For further detail on the Agency's capital assets, please refer to *Note 7 – Plant and Facilities (Capital Assets)*. For further detail on the Agency's CIP plan, please refer to the CIP project descriptions within the Budget located here: <https://www.cmsa.us/finance/documents/>.

Long-Term Debt

The Agency has issued several bond obligations, both through the public marketplace and via private placement, to carry out its operations. The publicly issued tax-exempt revenue bonds were sold at a combination of a premium and a discount on certain tranches in 2015 and 2020. The 2015 issuance was used to refund the original 2006 revenue bond into a lower costing obligation, and the 2020 issuance was used to fund several CIP projects. The original 2006 revenue bond was publicly issued with the proceeds being used for funding capital projects. Meanwhile, the private placement bond was sold at par in 2022, and was used to refund the Agency's unfunded actuarial pension liability into a lower costing fixed debt obligation.

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Table 4 - Comparative Outstanding Bond Obligations, Net of Unamortized Premium and Discount
June 30, 2024 and 2023
(Amounts expressed in thousands)

	2024	2023	\$ Change	% Change
2015 refunding revenue bond	\$ 29,674	\$ 32,808	\$ (3,134)	(9.6) %
2020 revenue bond	8,088	8,485	(397)	(4.7) %
2022 pension obligation bond	9,136	9,266	(130)	(1.4) %
Total outstanding bonds, net	<u>\$ 46,898</u>	<u>\$ 50,559</u>	<u>\$ (3,661)</u>	<u>(7.2) %</u>

The Agency's total outstanding bond obligations, net of unamortized premiums and discounts, decreased \$3.66 million, or 7.2%, between 2024 and 2023. This decrease is due to the Agency continually repaying its debt obligations following the terms of the debt agreements. The current year annual debt service on the principal balance is \$3.31 million for all obligations, and the current year net non-cash bond premium and discount amortization resulted in \$0.36 million following accounting policy. The Agency otherwise did not issue any new bond obligations. For further detail, please refer to *Note 8 – Long-Term Obligations*.

All bond obligations are subject to periodic review by various credit agencies, such as Standard & Poor's (S&P) and Moody's. As of fiscal year 2024, the Agency's credit ratings on its bonds from S&P and Moody's respectively are "AA" and "Aa2".

Furthermore, all revenue bond obligation indenture agreements include covenants which require the Agency to collect sufficient net revenues each fiscal year for payment of debt service. The benchmark threshold for all bond obligations is at least 1.25 times annual debt service. The annual debt service ratio for fiscal year 2024 is 2.28 times, meaning the Agency has collected sufficient funds to meet its required rate covenant under the terms of the indenture agreements.

The Agency lastly is not subject to any debt limitations.

Additional details concerning the Agency's indenture agreements and offering statements are available at <https://www.emma.msrb.org>.

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Currently Known Facts, Decisions, or Conditions

The Agency is aware of six developments that will have either an impact on the Agency's financial position or a significant impact on next year's results. Many of these expected events were built into the upcoming budget for long-term planning:

- 1) Updated revenue plan
- 2) Salaries and benefits COLA update
- 3) Persistent cost inflation in procurement activities
- 4) Deferred capital projects
- 5) OPEB plan assumption changes
- 6) Pension plan funding

Updated Revenue Plan

In November 2023, the Board adopted an updated multi-year Revenue Plan where the Agency's total service charges, which includes regional service charges, capital fees, debt service charges, and coverage fees, were to all increase at an annual rate of 4.5% instead of 4% going into fiscal year 2025. The intent of the upward revision was to provide relief to the Agency's forecasted operating budget shortfall given the rising cost of chemical procurement noted.

Salaries and Benefits COLA Update

Going into the upcoming fiscal year, the salary COLA for all Agency employees was determined to be 3.667% following the annual calendar year average consumer price index (CPI) for all urban consumers within the San Francisco-Oakland-Hayward, CA area. The collective bargaining agreements allow for annual COLA updates following the annual percentage change in the CPI with a minimum of 1% and an allowable maximum of 4.5%.

In addition to the salary COLA, the Agency is further expecting an average 6.6% cost increase in Agency employee health insurance costs. The cost is driven by significantly higher healthcare medical costs from plan retirees for the entire health insurance pool. Health insurance is purchased through CalPERS' health insurance exchanges.

Persistent Cost Inflation in Procurement Activities

The US and global economy are still weathering the impacts of persistent inflation. As of June 2024, the US Bureau of Labor Statistics reported CPI with all items, food, energy, rent, and all other goods and services, growing at an average rate of 3%. This is still below the average rate of 9.1% reported in June 2022; however, inflation is still above the US Federal Reserve's target inflation rate of 2% that the institution deems to be sustainable. This effects the Agency's procurement activities, especially with its purchasing of routine chemicals for disinfecting purposes. The Agency, as such, is budgeting for further cost increases.

Central Marin Sanitation Agency
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June 30, 2024

procurement activities, especially with its purchasing of routine chemicals for disinfecting purposes. The Agency, as such, is budgeting for further cost increases.

Deferred Capital Projects

Over fiscal year 2024, the Agency completed and worked on several capital projects resulting in growth in the Agency's gross capital asset balance. However, the Agency had to defer several of the planned project activities due to longer equipment delivery schedules, regulatory approvals, and rescheduling of capital projects. The Agency annually updates a ten-year CIP plan that allocates resources to each fiscal year based on the Agency's risk assessment of which specific areas within the Treatment Plant facility requiring attention. The original adopted fiscal year 2025 capital budget, the second year within the two-year biannual budget cycle, was adjusted from \$6.65 million to be \$10.11 million because of these impacts. This \$3.45 million budgetary increase will impact the Agency's upcoming financial net position.

OPEB Plan Assumption Changes

The Agency has elected to decrease the discount rate applied for the calculation of the net OPEB liability from 7.28% to 6.75%. The decrease is to conservatively account for CalPERS' forecasted drop in the California Employers' Retirement Benefit Trust (CERBT) net return in the investment portfolio. This change in assumption results in both lowering the projected fiduciary net position of the OPEB plan and increasing the total OPEB liability on an actuarial basis. So, the Agency's non-cash OPEB expense is projected to increase impacting the change in net position. For further detail, please refer to *Note 14 – Other Post Employment Benefits (OPEB)* and the *Required Supplementary Information* for a historical view.

Pension Plan Funding

In fiscal year 2022, the Agency refunded the majority of its unfunded actuarial pension liability (UAL) into a fixed rate POB. The Agency further set up a pension reserve trust fund in fiscal year 2022 following *Financial Policy #556 – Pension Funding Policy* to either offset its future pension cost or defease callable outstanding POB debt service. Total contributions to date to the pension trust is \$0.88 million with the current year contribution being \$0.67 million. Contributions are based on budgetary savings between the original twenty-year CalPERS UAL amortization schedule at the point of refunding less any debt service on the POB and actual UAL payment made to CalPERS. The Agency's current year US GAAP pension funding ratio is 88% and 89.6% on a pro forma basis with the pension trust demonstrating an improvement in financial position from the prior year. Contributions to the pension trust are expected to decrease to \$0.36 million going into the upcoming fiscal year due to escalating debt service cost on the POB following the amortization schedule. However, the Agency's total pension funded position is going to remain within the 90% pro forma funded range, especially given CalPERS achieving a preliminary 9.3% rate of return on its PERF C portfolio.

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Table 5 - Comparative Pension Funding
June 30, 2024 and 2023
(Amounts expressed in thousands)

	2024	2023	\$ Change	% Change
Total pension liability	\$ 57,033	\$ 54,807	\$ 2,226	4.1 %
Fiduciary net position (PERF C)	50,188	47,855	2,333	4.9 %
Net pension liability (asset) - <i>US GAAP</i>	6,845	6,952	(106)	(1.5) %
Funding ratio - <i>US GAAP</i>	88.0 %	87.3 %	<i>n/a</i>	0.7 %
Section 115 pension trust	904	208	696	335.1 %
Net pension liability (asset) - <i>pro forma</i>	\$ 5,941	\$ 6,744	\$ (803)	(11.9) %
Funding ratio - <i>pro forma</i>	89.6 %	87.7 %	<i>n/a</i>	1.9 %

As shown above, the Agency's pension funding ratio has improved over the past fiscal year due to both CalPERS achieving a positive investment rate of return of 5.8% and the Agency continuing to fund its pension trust. As such, the Agency's financial position is expected to improve because of its pension funding situation. For further detail, please refer to *Note 13 – Defined Benefit Pension Plan* and the *Required Supplementary Information* for a historical view.

The succeeding sections of the Financial Statements include the *Basic Financial Statements*, *Notes to the Basic Financial Statements*, and *Required Supplementary Information* that support the analysis within the MD&A.

Financial Statements

CENTRAL MARIN SANITATION AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents (Note 3)	\$22,710,787
Accounts receivable	2,221,723
Lease receivable (Note 5)	63,711
Accrued interest receivable	240,141
Prepaid expenses	42,538
Deposits (self-insured dental) (Note 4)	15,868
Inventory - parts and fuel	2,234,180
Total current assets	<u>27,528,948</u>
NON-CURRENT ASSETS	
Restricted cash and investments (Note 3)	905,396
Prepaid insurance on bond issuance	20,039
Lease receivable, noncurrent (Note 5)	296,613
Capital assets - non-depreciable (Note 7)	6,810,692
Capital assets - depreciable, net (Note 7)	73,521,773
Total non-current assets	<u>81,554,513</u>
TOTAL ASSETS	<u>109,083,461</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on early retirement of long-term debt (Note 9)	1,150,010
Related to pension (Note 14)	6,439,353
Related to OPEB (Note 14)	727,589
TOTAL DEFERRED OUTFLOWS	<u>8,316,952</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	1,812,154
Accrued salaries and employee benefits	177,882
Interest payable on revenue bonds	519,817
Current portion of right-of-use lease liability (Note 5)	4,091
Current portion of right-of-use SBITA (Note 6)	26,330
Current portion of compensated absences payable (Note 8)	314,334
Current portion of bonds payable (Note 9)	3,573,000
Total current liabilities	<u>6,427,608</u>
NON-CURRENT LIABILITIES	
Right-of-use SBITA (Note 6)	97,345
Compensated absences payable (Note 8)	730,987
Bonds payable, net of premium and discount (Note 9)	43,325,345
Net pension liability (Note 13)	6,845,166
Net OPEB Liability (Note 14)	1,819,874
Total non-current liabilities	<u>52,818,717</u>
TOTAL LIABILITIES	<u>59,246,325</u>
DEFERRED INFLOWS OF RESOURCES	
Lease income (Note 5)	311,544
Related to pension (Note 13)	6,870,744
Related to OPEB (Note 14)	782,559
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,964,847</u>
NET POSITION	
Net investment in capital assets	43,446,484
Restricted for pension trust	904,096
Restricted for revenue bond trust	1,300
Restricted for pension obligation bond trust	53
Unrestricted	5,837,308
TOTAL NET POSITION	<u>\$50,189,241</u>

See accompanying notes to financial statements

CENTRAL MARIN SANITATION AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

OPERATING REVENUES	
Service charges	\$19,567,809
Contract maintenance revenues	1,694,712
Contract safety and public education program	134,745
Leasing income	108,666
Renewable energy sales	63,757
Wastewater discharge permit fees	42,207
Source control fees	96,291
Waste hauling service fees	411,939
COVID and illegal substance sampling fees	43,443
	<u>22,163,569</u>
Total operating revenues	<u>22,163,569</u>
OPERATING EXPENSES	
Salaries and benefits	14,654,491
Biosolids management	412,515
Chemicals and fuel	1,911,621
Repairs and maintenance	1,753,982
Permit testing and monitoring	206,743
Insurance	570,090
Utilities and telephone	427,641
General and administrative	737,774
Depreciation and amortization	4,893,277
	<u>25,568,134</u>
Total operating expenses	<u>25,568,134</u>
OPERATING INCOME (LOSS)	<u>(3,404,565)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment income (expense)	1,159,924
Interest expense on long-term debt	(1,444,918)
Other non-operating revenue (expenses)	(115,177)
	<u>(400,171)</u>
Total nonoperating revenues (expenses), net	<u>(400,171)</u>
Income (loss) before capital contributions	<u>(3,804,736)</u>
CAPITAL CONTRIBUTIONS	
Capacity fees	1,152,938
Federal and State grant proceeds	1,650,501
	<u>2,803,439</u>
CHANGES IN NET POSITION	(1,001,297)
NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY STATED	<u>51,102,383</u>
PRIOR PERIOD ADJUSTMENT (Note 17)	<u>88,155</u>
NET POSITION, BEGINNING OF YEAR AS RESTATED	<u>51,190,538</u>
NET POSITION, END OF YEAR	<u><u>\$50,189,241</u></u>

See accompanying notes to financial statements

CENTRAL MARIN SANITATION AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from JPA member service charges	\$19,899,617
Receipts from contractual collection system maintenance	1,486,277
Receipts from contractual county education and safety programs	121,845
Receipts from leasing activities	71,198
Receipts from renewable energy sales	71,819
Receipts from permits, source control, waste hauler and other	480,165
Payments to employees and related benefits	(9,411,180)
Payments to vendors for goods and services	(5,318,826)
Net cash provided (used) by operating activities	<u>7,400,915</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Receipts from capacity charges	986,988
Receipts from federal and state grant proceeds	1,556,349
Acquisition of capital assets	(4,506,528)
Principal payment on capital long-term debt	(3,219,960)
Interest paid on capital long-term debt	(1,329,628)
Net cash provided (used) by capital financing activities	<u>(6,512,779)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Principal payment on pension obligation bonds	(130,000)
Interest paid on pension obligation bonds	(309,154)
Cash Flows (used for) Capital and Related Financing Activities	<u>(439,154)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and dividends received	836,065
Purchases of Section 115 pension trust investments	(675,370)
Receipts from borrowers of computer purchase program	1,750
Payments to borrowers of computer purchase program	(1,750)
Net cash provided (used) by investing activities	<u>160,695</u>
NET CASH FLOWS	609,677
Cash, beginning of year	<u>22,177,839</u>
Cash, end of year	<u><u>\$22,787,516</u></u>

CENTRAL MARIN SANITATION AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	(\$3,404,565)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation (less amortization on bond insurance)	4,890,614
Other non-operating income (loss)	30,996
Change in assets and liabilities:	
(Increase) / decrease accounts receivable	(14,864)
(Increase) / decrease lease receivable	60,894
(Increase) / decrease prepaid expenses	6,520
(Increase) / decrease inventory	(118,287)
(Increase) / decrease other current assets	(11,274)
(Increase) / decrease prepaid bond insurance	2,663
(Increase) / decrease deferred outflows - pension and OPEB	4,441,572
Increase / (decrease) accounts payable	813,312
Increase / (decrease) accrued salaries and benefits	23,742
Increase / (decrease) compensated absences	39,054
Increase / (decrease) net pension liability	(106,358)
Increase / (decrease) net OPEB liability	249,890
Increase / (decrease) deferred inflows - retirement and lease	497,006
Total adjustments	10,805,480
Net cash provided by operating activities	\$7,400,915
Total unrestricted cash	\$22,786,163
Total restricted cash	1,353
Add: fair value adjustment for short-term investments	(75,376)
Total cash and cash equivalents	\$22,712,140

See accompanying notes to financial statements

Notes to the Financial Statements

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 1 – NATURE OF ORGANIZATION

Central Marin Sanitation Agency (CMSA) is a regional wastewater treatment agency that serves the residents, businesses and governmental institutions including the large San Quentin State Prison in central Marin County. In the 1970's, central Marin County had four small wastewater treatment plants whose operations were not able to meet the stringent new requirements of the 1972 Clean Water Act and its amendments. Accordingly, the four local wastewater agencies, San Rafael Sanitation District, Sanitary District No. 1 of Marin County, Sanitary District No. 2 of Marin County, and the City of Larkspur entered into a joint powers agreement (JPA) in October 1979 to create a separate governmental entity, the Central Marin Sanitation Agency (CMSA), to oversee the construction and operation of a regional wastewater treatment facility. San Quentin State Prison chose not to join the JPA. The treatment facility was constructed at a cost of \$84 million and was funded by federal (75%) and state (12.5%) clean water grants and local shares (12.5%) from the four local wastewater agencies and San Quentin State Prison. The CMSA wastewater treatment facility became operational in January 1985. In 1995 Larkspur annexed into District No. 1 and subsequently formally withdrew from JPA in 2020. Sanitary District No. 1 also later renamed to the Ross Valley Sanitary District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

Although the nucleus of a financial reporting entity usually is a primary government, an organization other than a primary government, such as a stand-alone government, may serve as the nucleus for its financial reporting entity when the stand-alone government provides separately issued financial statements. A stand-alone government is a legally separate governmental organization that does not have a separately elected governing body and does not meet the definition of a component unit. Central Marin Sanitation Agency meets the criteria as a stand-alone government, and accordingly, is accounted for and reported on as though it were a primary government.

Component units are defined as legally separate organizations for which the primary government are financially accountable, and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Agency considered all potential component units in determining what organizations should be included in the financial statements. Since no other entities are controlled by, or rely upon the Agency, the reporting entity consists solely of the Agency. Based on these criteria, there are no component units to include in the Agency's financial statements.

Basis of Presentation

The Agency's Basic Financial Statements are prepared in accordance with the policies and procedures for California special districts. The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America, and as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units, issued by the American Institute of Certified Public Accountants.

The activities of the Agency are accounted for in a single enterprise fund. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

Enterprise funds are accounted for on the flow of economic resources measurement focus utilizing full accrual accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the enterprise are recorded on its statement of net position, and under the full accrual basis of accounting, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

A deferred outflow of resources is defined as a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. A deferred inflow of resources is defined as an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

When applicable, unamortized portion of the gain and loss on refunding debt are reported as deferred inflows and deferred outflows of resources, respectively. Deferred outflows and inflows of resources are reported for the changes related to pension, other post-employment benefits, and leases from the implementation of GASBS No. 68, No. 75, and No. 87, respectively.

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue.

The Agency applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued *GASBS No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements.

Statement of Net Position

The statement of net position is designed to display the financial position of the Agency. The Agency's net position is classified into three categories as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.
- Restricted – This component of net position consists of constraints placed on an asset's use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law and regulations of other governments, and reduced by liabilities and deferred inflows of resources related to those assets. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation. The Agency applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Unrestricted – This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income. Operating revenues and expenses generally result from providing services in connection with the Agency's principal ongoing operations. The principal operating revenues of the Agency are charges to customers for services. Operating expenses for the Agency include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Joint Ventures

The Agency is the locus of a joint powers agreement among its three member agencies, which provide wastewater collection and transmission to the treatment plant. Joint venture details are discussed in Note 10.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No.3)*, certain disclosure requirements for deposits and investment risks were made in the areas of interest rate risk and credit risk. The credit risk disclosures include the following components; overall credit risk, custodial credit risk and concentrations of credit risk. In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

Investments are reported in the statement of net position at fair value, with the exception of the CAMP pool. Changes in fair value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The Agency participates in an investment pool managed by the State of California and regulated by California government code Section 16429 known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

Investments held with LAIF are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is a summary of the definition of fair value:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach – This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach – This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach – This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

Investments held with CAMP are recorded at amortized cost in accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Agency participates in the California Asset Management Program (CAMP) which is a voluntary investment alternative authorized by Section 53601(p) of the California Government Code. CAMP is managed by a seven-member Board of Trustees comprised of California public agency finance officials. Investments are transacted by an investment advisor and all securities are held by a third-party custodian. All securities in CAMP are purchased under the authority of Section 53601, subdivisions (a) to (n) of the California Government Code.

Statement of Cash Flows

For purposes of the statement of cash flows, all highly liquid investments with original maturities of three months or less are considered cash equivalents.

Plant and Facilities Capital Assets

Capital assets are defined by the Agency as long-lived assets acquired for use, and not intended for consumption in operations. The capitalization threshold is at \$5,000 or above.

Treatment plant and facilities purchased are stated at cost less accumulated depreciation. Assets contributed by member districts have been recorded at the fair value at the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Costs of feasibility studies are accumulated in construction-in-progress. If the study results in a capital asset addition, these costs are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Alternately, costs not resulting in a capital asset addition are expensed through operating expenses. Feasibility studies, when used, are considered necessary for maintaining the efficient operations of the treatment plant.

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is computed using the straight-line method based on the estimated useful lives of related asset classifications useful life in excess of one year. Depreciation of all plant and facilities in service is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net position as a reduction in the book value of the capital assets.

The Agency has assigned the useful lives listed below to plant and facilities:

Wastewater Treatment Facilities:

Buildings	40 Years
Other	5 - 25 years
Wastewater Disposal Facilities	40 - 50 years

General Plant & Administrative Facilities:

Buildings	40 Years
Other	5 - 30 years

Leases Receivable

Lease receivables are recognized based on the future base rental income to be received over the lease term. The receivable value is estimated by discounting the future cash flows by the implicit interest rate stated within the lease agreement. The value of the receivable is to be presented at net carrying value. Over the life of the receivable, rental interest income is earned as the receivable is amortized based on the collected payments.

Right-to-Use Lease Assets and Liabilities

Lease or subscription arrangements where the Agency serves as lessee, the contract life is greater than one year, and the capitalized asset is greater than the capitalization threshold are capitalized as a component of capital assets and debt obligations. The total value is estimated using the future cash payments over the total lease or subscription term discounted to the present from the implicit interest rate stated in the lease or subscription agreement. The asset recognized is presented at net amortized cost which is based on a straight-line method of amortization. The liability recognized is presented at net carrying value which is amortized using the effective interest rate method. Interest expense is recognized as a result of the liability amortization.

Long-Term Debt

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium and discounts are reported as noncurrent liabilities along with any insurance payments made during issuance of the bond. Bond issuance costs, other than prepaid insurance, are expensed in the period incurred.

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated absences include vacation leave and sick leave. Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to the employees. A liability is recognized for that portion of accumulated sick leave that has been vested.

Pensions

The net pension liability or asset, deferred outflows of resources, deferred inflows of resources, and pension expense are actuarially determined on the same basis reported by the California Public Employees' Retirement System (CalPERS). The allocated net pension liability or asset is measured as the present value of projected benefit payments to be provided to retired employees participating within the Miscellaneous Plan less the pension trust fund (PERF C) investments held at CalPERS. Investments are reported at fair value. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Other Post-Employment Benefits (OPEB)

The net OPEB liability or asset, deferred outflows of resources, deferred inflows of resources, and OPEB expense are actuarially determined by an independent actuary. The net OPEB liability or asset is measured as the portion of the present value of projected benefit payments to be provided to retired employees that meet the eligible service requirements less the OPEB trust fund investments. Investments are measured at fair value. Benefit payments are further recognized when currently due and payable in accordance with the benefit terms.

Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Implemented New Accounting Pronouncements

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting for Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement is effective for reporting periods beginning after June 15, 2023, or the fiscal year 2023-24. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement is effective for reporting periods beginning after December 15, 2023, or the fiscal year 2024-25. The Agency early adopted this statement, but it did not have a material effect on the financial statements.

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upcoming New Accounting Pronouncements

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This Statement is effective for reporting periods beginning after June 15, 2024, or the fiscal year 2024-25. The Agency does not anticipate that the Statement will have a material effect on the financial statements.

GASB Statement No. 103 – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement is effective for reporting periods beginning after June 15, 2025, or the fiscal year 2025-26. The Agency does not anticipate that the Statement will have a material effect on the financial statements.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The Agency’s cash, cash equivalents and investments consisted of the following as of June 30, 2024:

Cash and Investments	Carrying Amount	Fair Value	Investment Rating	Maturities
Business-type Activities:				
Cash Deposits:				
Unrestricted cash	\$1,905,097	\$1,905,097	N/A	N/A
Restricted cash	905,396	905,396	N/A	N/A
Petty Cash	440	440	N/A	N/A
Total Cash Deposits	2,810,933	2,810,933		
Investments:				
California Local Agency Investment Fund	20,460,734	20,385,358	Unrated	< 1 year
California Asset Management Program	419,892	419,892	AAAm	< 1 year
Total Investments	20,880,626	20,805,250		
Total Cash and Investments	\$23,691,559	\$23,616,183		

Cash Deposits

Bank balances are insured up to \$250,000 per bank by the Federal Deposit Insurance Company ("FDIC"). The actual bank statement balance of the Agency’s cash in bank exceeded the insured limit by \$1,722,878 as of June 30, 2024. The difference between the book balance and the bank statement balance was for outstanding checks. None of the Agency’s deposits with financial institutions in excess of FDIC limits were held in uncollateralized accounts. All of the Agency’s accounts met the collateral and categorization requirements as noted in the following paragraphs.

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The Agency has the following recurring fair value measurements as of June 30, 2024:

- California Local Agency Investment Fund (LAIF) of \$20,385,358; valued using Level 2 inputs. The LAIF fair value factor at June 30, 2024 was 0.996316042.

California Local Agency Investment Fund

The Agency participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities, defined as follows:

- Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

LAIF allows local governments such as the Agency to participate in a Pooled Money Investment Account managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value.

The total amount invested by all public agencies in LAIF, as of June 30, 2024, was approximately \$170.8 billion. The balance in LAIF is available for withdrawal on demand.

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

California Assets Management Program

The CAMP pool has a diverse credit risk allocation averaging a rating of AAAM, per S&P ratings. The total amount invested by all public agencies in CAMP, as of June 30, 2024 was approximately \$11.9 billion. Of that amount, 69% was invested in non-derivative financial products and 31% was invested in repurchase agreements. An investment in the Trust is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the Trust are distributed by PFM Fund Distributors, Inc., member Financial Industry Regulatory Authority (FINRA) (www.finra.org) and Securities Investor Protection Corporation (SIPC) (www.sipc.org). PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC. The plan has elected to be measured at amortized cost for financial reporting purposes per GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The plan's net assets, portfolio holdings, are valued at amortized cost based on trade date.

Investment Policy

The Agency is authorized under California Government Code and the Agency's investment policy to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government or its agencies; bankers acceptances of U.S. banks; commercial paper of prime quality; negotiable certificates of deposit; repurchase or reverse repurchase agreements; and passbook savings account demand deposits. Investments prohibited by the Agency are inverse floaters, range notes, mortgage pool interest-only strips, and zero interest accrual at maturity notes. The Agency's investments were in compliance with the below provisions as of and for the year ended June 30, 2024. The Agency's investment policy follows the California Government Code which authorizes the Agency to invest in the following:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
State and Local Agency Bonds, Notes and Warrants	5 years		100%	None
Registered State bonds, Notes and Warrants	5 years		100%	None
U.S. Treasury Obligations	5 years		100%	None
Federal Agency Securities	5 years		20%	30%
Banker's Acceptances	180 days	A-1	25%	20%
Prime Commercial Paper	270 days	AA-1	25%	20%
Negotiable Certificates of Deposit	5 years	A-1	30%	20%
Repurchase Agreements	1 year	AA	100%	None
Reverse Repurchase Agreements	92/30 days		20% of base	None
Medium-term Notes	5 years	AA	30%	20%
Money Market Mutual Funds	N/A		10%	10%
Mortgage Pass-through Securities	N/A		30%	None
California Local Agency Investment Fund	N/A		account	None
Passbook Savings Account Demand Deposits	N/A		20%	20%

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Risk Disclosures

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

- *Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The Agency manages its exposure to interest rate risk by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The sensitivity of the Agency’s investments to interest rate risk is displayed in the summary schedule of cash and cash equivalents at the top of Note 3.
- *Credit Risk* – Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. In order to limit loss exposure due to Credit Risk, the investment policy limits purchases of investments to those rated A-1 by Standard & Poor’s or P-1 by Moody’s Investors Service. The Agency’s minimum legal rating is not applicable to the LAIF and CAMP investment pools.
- *Custodial Credit Risk* – Custodial credit risk is the risk that in the event of a bank failure, the Agency’s deposits may not be returned to it. The Agency does not have a written policy for custodial credit risk over deposits.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. In the case of investments, the risk of loss of the investment due failure, impairment or malfeasance of the third party whose name in which the investment is held and who has physical possession of the instrument. Neither the California Government Code nor the Agency’s investment policy contains legal or policy requirements that would limit the exposure to custodial risk.

- *Concentration of Credit Risk* – See the chart in investment policy for the Agency’s limitations on the amount that can be invested in any one issuer. As of June 30, 2024, external investment pools were not subject to a limitation. As of June 30, 2024, 86% of the Agency’s investments were in LAIF. There were no other investments in any one issuer that represent five percent or more of the total investments.

NOTE 4 – SELF-INSURED DENTAL DEPOSIT

The Agency analyzed third-party dental insurance plans and determined that it would be fiscally beneficial to self-insure. Funds have been deposited into a separate account which is used to pay employee dental expenses to dentists for authorized procedures. The funds from this deposit are drawn down monthly and replenished automatically by the trustee. At June 30, 2024, the balance in the self-insurance account was \$15,868.

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 5 – LEASES

Leases as Lessee

The Agency, as lessee leases a copier with terms from January 2020 through December 2024. The original cost of the copier was \$37,979. As of June 30, 2024, the copier has a carrying amount of \$3,798, net of accumulated amortization of \$34,181.

The following is a schedule of future minimum principal and interest payments to be paid under the lease entered into by the Agency as lessee that has initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2024.

For the Year Ended June 30	Principal	Interest	Total
2025	\$4,091	\$40	\$4,131
Totals	\$4,091	\$40	\$4,131

For the year ended June 30, 2024, amortization expense was \$7,596.

Leases as a Lessor

The Agency, as lessor, leases an unused portion of the corporation year as a parking facility for Marin Airpporter to park their buses. The lease has a term of five years with optional five one-year extensions beginning July 2019.

The following is a schedule of the future minimum rentals to be received under the lease entered into by the Agency as lessor that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2024.

For the Year Ended June 30	Principal	Interest	Total
2025	\$63,711	\$9,537	\$73,248
2026	67,706	7,651	75,357
2027	71,880	5,647	77,527
2028	76,238	3,520	79,758
2029	80,789	1,265	82,054
Totals	\$360,324	\$27,620	\$387,944

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 6 – SUBSCRIPTIONS-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Agency utilizes various computer software applications in the course of normal operations. Most of the software is paid for on an annual basis and is expensed as costs are incurred. The Agency has one subscription for Microsoft with terms from January 2023 through December 2028. The original value of the subscription was \$162,321. As of June 30, 2024, the subscription has a carrying amount of \$126,675 net of accumulated amortization of \$40,580.

	Balance June 30, 2023	Retirements	Balance June 30, 2024	Current Balance
Subscription Liabilities				
Software Subscriptions	\$149,375	(\$25,700)	\$123,675	\$26,330
Total Subscription Liabilities	<u>\$149,375</u>	<u>(\$25,700)</u>	<u>\$123,675</u>	<u>\$26,330</u>

The following is a schedule of future minimum costs to be paid:

For the Year Ended June 30	Principal	Interest	Total
2025	\$26,330	\$2,708	\$29,038
2026	26,976	2,062	29,038
2027	27,637	1,401	29,038
2028	28,315	723	29,038
2029	14,417	102	14,519
Totals	<u>\$123,675</u>	<u>\$6,996</u>	<u>\$130,671</u>

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 7 – PLANT AND FACILITIES (CAPITAL ASSETS)

The Agency's plant and facilities capital assets consisted of the following as of June 30, 2024:

	Original Balance June 30, 2023	Prior Period Adjustment	Adjusted Balance June 30, 2023	Additions	Disposals & Adjustments	Transfers	Balance June 30, 2024
Non-depreciable capital assets:							
Land and land improvements	\$5,510,600		\$5,510,600			\$289,206	\$5,799,806
Construction-in-process	1,958,156		1,958,156	\$4,113,017	(\$281,126)	(4,779,161)	\$1,010,886
Total non-depreciable capital assets	7,468,756		7,468,756	4,113,017	(281,126)	(4,489,955)	6,810,692
Depreciable capital assets:							
Wastewater treatment facilities	146,960,746		146,960,746	561,215	(3,074,728)	4,445,700	148,892,933
Wastewater disposal facilities	13,746,112		13,746,112			44,255	13,790,367
General plant and administrative facilities	11,146,076		11,146,076	124,335	(339,838)		10,930,573
Right of use assets	37,979		37,979				37,979
Subscription-based IT arrangements	174,227		174,227		(11,906)		162,321
Total depreciable capital assets	172,065,140		172,065,140	685,550	(3,426,472)	4,489,955	173,814,173
Less accumulated depreciation for:							
Wastewater treatment facilities	(80,188,323)	\$88,155	(80,100,168)	(4,191,085)	2,981,847		(81,309,406)
Wastewater disposal facilities	(11,889,057)		(11,889,057)	(327,542)			(12,216,599)
General plant and administrative facilities	(6,640,841)		(6,640,841)	(337,339)	286,546		(6,691,634)
Right of use assets	(26,586)		(26,586)	(7,595)			(34,181)
Subscription-based IT arrangements	(14,519)		(14,519)	(27,053)	992		(40,580)
Total accumulated depreciation	(98,759,326)	88,155	(98,671,171)	(4,890,614)	3,269,385		(100,292,400)
Total depreciable assets, net	73,305,814	88,155	73,393,969	(4,205,064)	(157,087)	4,489,955	73,521,773
Total capital assets, net	\$80,774,570	\$88,155	\$80,862,725	(\$92,047)	(\$438,213)		\$80,332,465

Total depreciation and amortization expense for the year ended June 30, 2024 was \$4,901,529.

NOTE 8 – COMPENSATED ABSENCES

Accumulated unpaid vacation and compensatory time have been accrued at year end. The changes in compensated absences were for the year ending June 30, 2024 is as follows:

Balance June 30, 2023	Net Change	Balance June 30, 2024	Due Within One Year
\$1,006,266	\$39,055	\$1,045,321	\$314,334

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 9 – LONG-TERM OBLIGATIONS

The Agency's long-term obligations consisted of the following as of June 30, 2024:

	Original Issue Amount	Balance June 30, 2023	Retirements	Balance June 30, 2024	Amount due within one year
2015 Refunding Revenue 2.50 - 5.00%, due 9/01/2031	\$49,310,000	\$30,310,000	\$2,785,000	\$27,525,000	\$2,930,000
Bonds					
Discounts and premiums, net		2,497,820	348,533	2,149,287	
2020 Revenue Bonds 2.0 - 2.25%, due 9/1/2024	9,115,000	8,360,000	390,000	7,970,000	395,000
2020 Revenue Bonds					
Discounts and premiums, net		125,348	7,290	118,058	
2022 Pension Obligation Bonds 3.36%, due 9/1/2038	9,432,000	9,266,000	130,000	9,136,000	248,000
Total long-term debt, net		<u>\$50,559,168</u>	<u>\$3,660,823</u>	<u>\$46,898,345</u>	<u>\$3,573,000</u>

On March 26, 2015, the Agency issued \$49,310,000 in Series 2015 Refunding Revenue Bonds at a premium of \$5,344,174 with an interest rate ranging from 2.5 to 5.0 percent. The Bonds were used to refund the Series 2006 Revenue Bonds whose proceeds were used to finance improvements to the wastewater treatment and disposal system of the Central Marin Sanitation Agency, consisting primarily of improvements to the Agency's Treatment Plant to increase capacity for wet weather flows, to pay costs of issuance of the Bonds and for certain other capital projects to provide treatment capacity, replace capital assets at end of service life and to make other capital improvements as approved by the Board of Commissioners. The Bonds are fully registered with principal due annually on September 1 and interest payable semi-annually on March 1 and September 1.

The Agency's 2015 Refunding Revenue Bonds debt service requirements were as follows as of June 30, 2024:

For the Year Ending June 30	Principal	Interest	Total
2025	\$2,930,000	\$1,014,506	\$3,944,506
2026	3,075,000	864,381	3,939,381
2027	3,250,000	738,756	3,988,756
2028	3,340,000	606,506	3,946,506
2029	3,510,000	435,256	3,945,256
2030-2032	11,420,000	533,216	11,953,216
Totals	<u>\$27,525,000</u>	<u>\$4,192,622</u>	<u>\$31,717,622</u>

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 9 – LONG-TERM OBLIGATIONS (Continued)

On November 3, 2020, the Agency issued \$9,115,000 in Series 2020 Revenue Bonds at a premium of \$215,574 and discount of \$70,982 with an interest rate ranging from 2.0 to 2.25 percent. The Bonds were used primarily for improvements to the Agency's Treatment Plant and for certain other capital projects to provide treatment capacity, replace capital assets at end of service life and to make other capital improvements as approved by the Board of Commissioners. The Bonds are fully registered with principal due annually on September 1 and interest payable semi-annually on March 1 and September 1. The bonds are callable at par anytime on or after September 1 2030.

The Agency's 2020 Refunding Revenue Bonds debt service requirements were as follows as of June 30, 2024:

For the Year Ending June 30	Principal	Interest	Total
2025	\$395,000	\$160,775	\$555,775
2026	405,000	152,775	557,775
2027	415,000	144,575	559,575
2028	420,000	136,225	556,225
2029	430,000	127,725	557,725
2030 - 2034	2,285,000	504,575	2,789,575
2035 - 2039	2,530,000	261,119	2,791,119
2040 - 2041	1,090,000	24,638	1,114,638
Totals	<u>\$7,970,000</u>	<u>\$1,512,407</u>	<u>\$9,482,407</u>

On April 1, 2022, the Agency issued \$9,432,000 in private placement Series 2022 taxable Pension Obligation Bonds with an interest rate of 3.36%. The Bonds were used solely for reducing the Agency's unfunded actuarial accrued pension liability (UAAL) by paying off a significant portion of the balance. The Bonds are fully registered with principal due annually on September 1 and interest payable semi-annually on March 1 and September 1. The bonds are callable at par anytime on or after September 1 2030.

The Agency's 2022 Pension Obligation Bonds debt service requirements were as follows as of June 30, 2024:

For the Year Ending June 30	Principal	Interest	Total
2025	\$248,000	\$302,803	\$550,803
2026	632,000	288,019	920,019
2027	653,000	266,431	919,431
2028	676,000	244,104	920,104
2029	699,000	221,004	920,004
2030 - 2034	3,869,000	730,043	4,599,043
2035 - 2038	2,359,000	120,237	2,479,237
Totals	<u>\$9,136,000</u>	<u>\$2,172,641</u>	<u>\$11,308,641</u>

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 10 – JOINT VENTURES

The Agency serves as a regional wastewater treatment plant for its three member agencies and San Quentin State Prison (SQ) and is governed by a five-member Board of Commissioners, two appointed by the governing board of Ross Valley Sanitary District (RVSD), two appointed by the governing board of San Rafael Sanitation District (SRSD), and one appointed by the governing board of Sanitary District No. 2 (SD 2). Total project costs for the joint venture were funded from federal (75%) and state (12.5%) clean water grants and from local shares (12.5% total) allocated among the member agencies and SQ based upon the weighted average of the strength and volume of sewage flows applicable at inception of the project. Final individual local shares of total project costs were approximately \$6.3 million for SD 1, \$7.6 million for RVSD, \$1.6 million for SD 2, \$1 million for Larkspur who later withdrew from the JPA in 2020 and \$1.4 million for SQ.

CMSA derives its annual funding for its operations and equipment repair and replacement programs almost exclusively from service charges to its member agencies and SQ. Beginning in fiscal year 2006-07, funding for CMSA's capital program also includes proceeds from the sale of revenue bonds which were exhausted in fiscal year 2014-15. The joint powers agreement makes no provisions for an equity interest for any of the joint venture participants' operations and stipulates that all excess capital funds and all excess administration, operations and maintenance funds, from whatever source, are the property of the Agency. Complete separate financial statements of the member agencies may be obtained by contacting their administrative offices directly.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Agency had \$585,917 in construction-related contractual commitments as of June 30, 2024.

Contingencies of an undeterminable amount include normal recurring pending claims and litigation. Agency management is of the opinion that the resolution of these matters will not result in a material liability to the Agency. No provision has been made for a contingent liability that meets the criteria for accrual set forth in current government accounting standards.

NOTE 12 – RISK MANAGEMENT

The Agency is exposed to risks of loss from property, liability, and workers' compensation. The Agency mitigates risk by participating in risk sharing and insurance purchasing pools through membership in the California Sanitation Risk Management Authority (CSRMA). The Pooled Liability Program provides its members such as the Agency with third-party liability coverage specifically designed to meet the exposures faced by the wastewater industry. Members are provided with coverage for General Liability, Automobile Liability, Employment Practices Liability and Public Entity Errors and Omissions Liability. Deductibles for these coverages range from \$0 to \$500,000.

The cost to each CSRMA member agency for program participation is determined by the Executive Board upon the basis of cost allocation plan and rating formula. The deposit for each participating agency includes the agency's share of expected losses, program insurance costs, and program administrative costs for the year, plus the agency's share of Authority general expense allocated to the program by the Board. Insurance purchasing pools provided property insurance, excess coverage to \$15,500,000 on general liability, and excess coverage to \$1,000,000 for workers' compensation.

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 12 – RISK MANAGEMENT (Continued)

Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2023 (most recent information available):

	<u>June 30, 2023</u>
Total Assets	\$35,837,500
Total Liabilities	25,803,417
Total Equity	10,034,083
Total Revenues	21,686,396
Total Expenses	18,692,969

NOTE 13 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plans

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Agency’s Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees’ Retirement Law.

The Plan provisions and benefits in effect at June 30, 2024, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Tier I</u>	<u>PEPRA</u>
Benefit formula	2% - 2.7% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	2% - 2.7%	2.00%
Required employee contribution rates	8.00%	7.75%
Required employer contribution rates	15.95%	7.68%

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2024 contributions of \$741,991 were recognized as part of pension expense.

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

As of June 30, 2024, the Agency reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Total Net Pension Liability	\$6,845,166

The Agency’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The Agency’s proportion of the net pension liability was based on a projection of the Agency’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Agency’s proportionate share of the net pension liability for the Plan as of June 30, 2022 and 2023 was as follows:

	Miscellaneous
Proportion - June 30, 2022	0.0602%
Proportion - June 30, 2023	0.1369%
Change - Increase (Decrease)	0.0767%

For the year ended June 30, 2024, the Agency recognized actuarial pension expense of \$1,078,949. At June 30, 2024, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$741,991	
Differences between actual and expected experience	349,688	(\$54,245)
Changes in assumptions	413,274	
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	3,826,107	(719,793)
Change in proportion		(6,096,706)
Net differences between projected and actual earnings on plan investments	1,108,293	
Total	\$6,439,353	(\$6,870,744)

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

Of the \$6,439,353 reported as deferred outflows of resources on the Statement of Net Position, \$741,991 related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

Year Ended June 30	Annual Amortization
2025	(\$976,877)
2026	(774,278)
2027	545,971
2028	<u>31,802</u>
Total	<u><u>(\$1,173,382)</u></u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous Tier I, II, and III
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return – In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

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

Asset Class	Assumed asset Allocation	Real Return Years 1 - 10 ¹
Global Equity-Cap-Weighted	30.0%	4.54%
Global Equity - Non-Cap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-Backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100%	

(1) An expected inflation of 2.30% used for this period.

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

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

	Miscellaneous All Tiers
1% Decrease	5.90%
Net Pension Liability (Asset)	\$14,558,614
Current Discount Rate	6.90%
Net Pension Liability (Asset)	\$6,845,166
1% Increase	7.90%
Net Pension Liability (Asset)	\$496,336

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The Agency's defined benefit postemployment healthcare plan provides a post-retirement health care benefit to eligible retirees in accordance with a Memorandum of Understanding (M.O.U.) for union represented employees and Board approval for unrepresented management, supervisory, and confidential employees. For both employee groups, eligible employees retiring at or after age 50 with a minimum of 5 years CalPERS service credit may opt to continue health care coverage, with a portion of the monthly premium paid for by the Agency. Coverage may discontinue at the request of the retiree. The amount of the Agency's contribution towards retiree's medical benefit is based on the date of hire as an employee.

The Agency contracts with CalPERS to administer its retiree health benefits plan (an agent multiple-employer defined benefit plan) and to provide an investment vehicle, the California Employees' Retiree Benefit Trust Fund (CERBT), to prefund future OPEB costs. The Agency chooses from a menu of benefit provisions and adopts certain benefit provisions by Board resolution. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. By participating in CERBT, the Agency is also obligated to follow the actuarial assumptions established by the CalPERS Board of Administration. CalPERS issues a Comprehensive Annual Financial Report for the retirement plans. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, CA, 95814.

Employees Covered

As of the June 30, 2024 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active plan members	44
Inactive employees currently receiving benefit	38
Inactive employees not yet receiving benefit	<u>-</u>
Total plan membership	<u><u>82</u></u>

Contributions

The Agency's plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the Agency and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year June 30, 2024, the Agency's cash contributions were \$0 to the CERBT trust and the implied subsidy, which includes payments of retiree medical premiums, reimbursements to retirees and other non-cash subsidies, was \$203,301.

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Liability

The Agency's Net OPEB Liability was measured on June 30, 2023 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation dated June 30, 2023 that was rolled back to June 30, 2022, and forward to June 30, 2023 to determine the total OPEB liability, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Actuarial cost method	Entry age normal, level percent of pay
Actuarial assumptions:	
Discount rate	6.75%
Inflation	2.75%
Salary increase	3.00%
Healthcare trend rates	5.50%
Investment Rate of Return	6.75%
Mortality rate	In all actuarial valuations, assumed life expectancies were based on the CalPERS Mort and Disb Rates_PA Misc Tables.
Retirement rates	In all actuarial valuations, assumed retirement ages were based on the CalPERS Rx PA Misc 2% @ 62 and Rx PA Misc 2.7% @ 55 Tables.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	49%	5.00%	MSCI All Country World Index IMI (Net)
Fixed Income	23%	5.00%	Bloomberg Long Liability Index
TIPS	5%	3.00%	Bloomberg US TIPS Index, Series L
Commodities	3%	3.00%	S&P GSCI Total Return Index
REITs	20%	5.00%	FTSE EPRA/NAREIT Developed Index (Net)
Cash	0%	2.00%	ICE BofA US 3-Month Treasury Bill Index
Total	<u>100%</u>		

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75 percent. The cash flows of the OPEB plan were projected to future years, assuming that CMSA will contribute an amount so that the assets always exceed expected benefits to retirees. Under that projection, the plan assets are projected to be adequate to pay all benefits to retirees in all future years, so the discount rate has been set equal to the long-term expected rate of return on investments, 6.75%

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2022 (Measurement Date)	\$4,598,604	\$3,028,620	\$1,569,984
Changes Recognized for the Measurement Period:			
Service Cost	153,534		153,534
Interest on the total OPEB liability	327,378		327,378
Changes in benefit terms			
Difference between expected and actual experience	(292,351)		(292,351)
Changes of assumptions	288,366		288,366
Net investment income		194,654	(194,654)
Contributions - Employer			
Contributions - Implicit Subsidy		33,254	(33,254)
Benefit Payments	(170,047)	(170,047)	
Implicit Subsidy Credit	(33,254)	(33,254)	
Administrative Expense		(871)	871
Net Changes during July 1, 2022 to June 30, 2023	<u>273,626</u>	<u>23,736</u>	<u>249,890</u>
Balance at June 30, 2023 (Measurement Date)	<u>\$4,872,230</u>	<u>\$3,052,356</u>	<u>\$1,819,874</u>

Sensitivity of the Net OPEB Liability to the Changes in the Discount Rate

The following presents the Net OPEB Liability of the Agency if it were calculated using a discount rate that is one percentage point higher or lower than the current discount rate, for the measurement period ended June 30, 2023.

Plan's Net OPEB Liability (Asset)		
Discount Rate -1% (5.75%)	Current Discount Rate (6.75%)	Discount Rate +1% (7.75%)
<u>\$2,453,173</u>	<u>\$1,819,874</u>	<u>\$1,298,943</u>

Sensitivity of the Net OPEB Liability to the Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the Agency if it were calculated using health care cost trend rates that are one percentage point higher or lower than the current rate, for the measurement period ended June 30, 2023:

Plan's Net OPEB Liability (Asset)		
Discount Rate -1% 4.50%	Healthcare Cost 5.50%	Discount Rate +1% 6.50%
<u>\$1,286,721</u>	<u>\$1,819,874</u>	<u>\$2,466,807</u>

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Plan Fiduciary Net Position

CERBT issues a publicly available financial report that may be obtained from CalPERS, Prefunding Programs, CERBT (OPEB), P.O. Box 1494, Sacramento, CA 95812-1494.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the Agency recognized OPEB expense of \$251,958. At June 30, 2024, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
CMSA contributions subsequent to measurement date	\$96,598	
Differences between actual and expected experience		\$772,713
Changes of assumptions	268,619	9,846
Net difference between projected and actual earnings on OPEB plan investments	362,372	
	<u>\$727,589</u>	<u>\$782,559</u>

The \$96,598 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025.

CENTRAL MARIN SANITATION AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

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

Measurement Period Ended June 30	Annual Amortization
2025	(\$13,563)
2026	(33,625)
2027	82,603
2028	(102,112)
2028	(47,212)
Thereafter	(37,659)
	<u><u>(\$151,568)</u></u>

NOTE 15 – DEFERRED COMPENSATION 457 (b) AND 401(a) PLANS

Agency employees may defer a portion of their compensation under the Agency's sponsored deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457 and 401. Under these Plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death, or in an emergency.

The Agency has Deferred Compensation Plan administration agreements with both Mission Square and Nationwide to provide for the administration and management of employees' deferred compensation plan assets. The agreement incorporates changes in the laws and IRC regulations governing deferred compensation plan assets, which require plan assets to be held for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under the plan are not the Agency's property and not subject to claims by general creditors of the Agency, it has been excluded from these financial statements.

NOTE 16 – SUBSEQUENT EVENT

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

NOTE 17 – RESTATEMENT OF BEGINNING NET POSITION

During the year ended June 30, 2024, it was noted that there was a error of capitalization of a capital asset in the prior year. As a result, the beginning balance of capital assets and beginning net position were increased in the amount of \$88,155.

	2024
Net position beginning balance, as previously stated	\$51,102,383
Prior period adjustment:	
Error from accumulated depreciation	88,155
Net position beginning balance, as restated	\$51,190,538

Required Supplementary Information

CENTRAL MARIN SANITATION AGENCY
Schedule of Proportionate Share of Net Pension Liability
Last 10 Years *

Fiscal Year End June 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Measurement date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Proportion of the net pension liability	0.30349%	0.27225%	0.27951%	0.28603%	0.29455%	0.30212%	0.31011%	0.42205%	0.14856%	0.13689%
Proportion share of the net pension liability	\$7,500,711	\$7,469,105	\$9,709,970	\$11,275,453	\$11,100,877	\$12,098,439	\$13,080,864	\$8,013,909	\$6,951,525	\$6,845,166
Covered payroll	\$4,304,138	\$4,157,166	\$4,424,935	\$4,723,972	\$4,965,222	\$4,942,374	\$5,349,606	\$5,675,059	\$5,785,065	\$6,090,471
Proportionate share of the net pension liability as a percentage of covered payroll	174.27%	179.67%	219.44%	238.69%	223.57%	244.79%	244.52%	141.21%	120.16%	112.39%
Plan's fiduciary net position as a percentage of the Plan's total pension liability	79.10%	79.89%	75.44%	74.16%	74.96%	74.11%	73.58%	84.28%	87.32%	88.00%

CENTRAL MARIN SANITATION AGENCY
Schedule of Agency's Pension Plan Contributions
Last 10 Years*

Fiscal Year End June 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contributions (actuarially determined)	\$44,141	\$848,569	\$942,199	\$991,502	\$1,130,901	\$1,315,602	\$1,491,516	\$1,609,691	\$1,160,485	\$741,991
Contributions in relation to the actuarially determined contributions	44,141	848,569	942,199	991,502	1,130,901	1,315,602	1,491,516	1,609,691	1,160,485	741,991
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	4,157,166	4,424,935	4,723,972	4,965,222	4,942,374	5,349,606	5,675,059	5,785,065	6,090,471	6,489,958
Contributions as a percentage of covered payroll	1.06%	19.18%	19.95%	19.97%	22.88%	24.59%	26.28%	27.82%	19.05%	11.43%

*Fiscal year ending June 30, 2015, was the first year of implementation.

CENTRAL MARIN SANITATION AGENCY
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Fiscal Years *

Other Post-Employment Benefits (OPEB) - Agent-Multiple Employer Plan

Measurement period	2017	2018	2019	2020	2021	2022	2023
Total OPEB liability							
Service cost	\$111,349	\$114,689	\$118,130	\$122,614	\$126,292	\$149,062	\$153,534
Interest on the OPEB liability	293,164	309,421	326,176	306,773	322,355	309,061	327,378
Changes in benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	(485,040)	-	(462,302)	-	(292,351)
Changes of assumptions	-	-	(18,331)	-	41,906	-	288,366
Benefit payments	(170,667)	(180,592)	(181,444)	(183,958)	(166,966)	(176,458)	(170,047)
Implicit rate subsidy fulfilled	-	(11,122)	(14,771)	(34,735)	(45,053)	(33,254)	(33,254)
Net change in total OPEB liability	233,846	232,396	(255,280)	210,694	(183,768)	248,411	273,626
Total OPEB liability - beginning	4,112,305	4,346,151	4,578,547	4,323,267	4,533,961	4,350,193	4,598,604
Total OPEB liability - ending (a)	\$4,346,151	\$4,578,547	\$4,323,267	\$4,533,961	\$4,350,193	\$4,598,604	\$4,872,230
OPEB fiduciary net position							
Net investment income	\$207,513	\$177,929	\$161,815	\$97,301	\$788,875	(\$655,328)	\$194,654
Contributions - Employer	287,122	287,906	224,526	226,958	209,974	176,458	-
Contributions - Implicit Subsidy	-	11,122	14,771	34,735	45,053	33,254	33,254
Benefit payments	(170,667)	(180,592)	(181,444)	(183,958)	(166,966)	(176,458)	(170,047)
Implicit subsidy credit	-	(11,122)	(14,771)	(34,735)	(45,053)	(33,254)	(33,254)
Administrative expense	(1,006)	(1,214)	(543)	(1,336)	(1,087)	(923)	(871)
Net change in plan fiduciary net position	322,962	284,029	204,354	138,965	830,796	(656,251)	23,736
Plan fiduciary net position - beginning	1,903,765	2,226,727	2,510,756	2,715,110	2,854,075	3,684,871	3,028,620
Plan fiduciary net position - ending (b)	2,226,727	2,510,756	2,715,110	2,854,075	3,684,871	3,028,620	3,052,356
Plan net OPEB liability (asset) - ending (a) - (b)	\$2,119,424	\$2,067,791	\$1,608,157	\$1,679,886	\$665,322	\$1,569,984	\$1,819,874
Plan fiduciary net position as a percentage of the total OPEB liability	51.23%	54.84%	62.80%	62.95%	84.71%	65.86%	62.65%
Covered payroll	\$4,723,972	\$4,965,222	\$4,942,374	\$5,349,606	\$5,675,059	\$5,785,065	\$5,739,125
District's Net OPEB liability as a percentage of covered payroll	44.87%	41.65%	32.54%	31.40%	11.72%	27.14%	31.71%

* June 30, 2018 was the first year of implementation for GASB 75.

CENTRAL MARIN SANITATION AGENCY
SCHEDULE OF OPEB CONTRIBUTIONS
Last Ten Fiscal Years *
Other Post-Employment Benefits (OPEB) - Agent-Multiple Employer Plan

	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	\$287,122	\$299,028	\$239,297	\$261,693	\$255,027	\$209,712	\$203,301
Contributions in relation to the actuarially determined contribution	<u>287,122</u>	<u>299,028</u>	<u>239,297</u>	<u>261,693</u>	<u>255,027</u>	<u>209,712</u>	<u>203,301</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$4,965,222	\$4,942,374	\$5,349,606	\$5,675,059	\$5,785,065	\$6,090,471	\$6,489,958
Contributions as a percentage of covered payroll	5.78%	6.05%	4.47%	4.61%	4.41%	3.44%	3.13%

Notes to Schedule:Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-Age Normal Cost
Amortization Method	Closed Period, Level Percent of Pay
Discount Rate	6.75%
Inflation	2.75%
Healthcare Cost Trend Rates	5.50%
Salary Increases	3.00%
Investment Rate of Return	6.75%
Retirement Age	In all actuarial valuations, assumed life expectancies were based on the CalPERS Mort and Disb Rates_PA Misc Tables.
Mortality	In all actuarial valuations, assumed life expectancies were based on the CalPERS Mort and Disb Rates_PA Misc Tables.

* June 20, 2017 was the first year of implementation

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners
Central Marin Sanitation Agency
San Rafael, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Central Marin Sanitation Agency (Agency), California, as of and for the year ended June 30, 2024 and the related notes to the financial statements, and have issued our report thereon dated October 23, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We have also issued a separate Memorandum on Internal Control dated October 23, 2024 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

Maze + Associates

Pleasant Hill, California
October 23, 2024

STATISTICAL SECTION

STATISTICAL SECTION

Overview

This part of the Agency's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Agency's overall financial health.

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Schedules 1-7: Financial Trends	
These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being has changed over time.	
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These schedules contain information to help the reader assess the Agency's most significant local revenue sources.	
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Schedules 11-13: Debt Capacity, Revenue Coverage, Right-of Use Leases and Subscription-Based IT Arrangements (SBITA)	
These schedules contain information to help the reader assess the affordability of the Agency's current levels of outstanding debt, the Agency's ability to issue additional debt in the future, and information on lease obligations, and site lessor future rental arrangements.	
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**Central Marin Sanitation Agency
Statement of Net Position**

Schedule 1

Fiscal Year Ending June 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Net Investment in Capital Assets	\$ 43,446,484	\$ 40,645,174	\$ 38,327,344	\$ 39,642,802	\$ 36,620,936 ⁽²⁾	\$ 36,596,279	\$ 36,596,025	\$ 36,400,782	\$ 36,022,116	\$ 38,085,361
Restricted for Pension Trust	904,096	207,961	19,357	-	-	-	-	-	-	-
Restricted for Revenue Bond Trust	1,300	-	-	-	-	-	-	-	-	-
Restricted for Pension Obligation Bond Trust	53	-	-	-	-	-	-	-	-	-
Unrestricted	5,837,308	10,249,248	10,946,561 ⁽¹⁾	7,101,708	6,428,473	7,048,782	5,623,608	6,218,578	7,438,757	7,259,794
Total Net Position	\$ 50,189,241	\$ 51,102,383	\$ 49,293,262	\$ 46,744,510	\$ 43,049,409	\$ 43,645,061	\$ 42,219,633	\$ 42,619,360	\$ 43,460,873	\$ 45,345,155

(1) The Agency corrected a FY22 ACFR presentation error.

(2) The Agency corrected a FY21 ACFR Schedule 1 presentation error related to a FY21 Audit prior period adjustment that should not have affected FY20.

Source: Central Marin Sanitation Agency Audited Financial Statements

Central Marin Sanitation Agency
Statement of Revenues, Expenses and Changes in Net Position

Schedule 2

Fiscal Year Ended June 30	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-operating Revenues (Expenses)	Capital Contributions - Capacity Charges	Federal and State Grant Proceeds	Change in Net Position	Beginning Net Position	Prior Period Adjustment	Ending Net Position
2024	\$ 22,163,569	\$ (25,568,134)	\$ (3,404,565)	\$ (400,171)	\$ 1,152,938	\$ 1,650,501	\$ (1,001,297)	\$ 51,102,383	\$ 88,155 (1)	\$ 50,189,241
2023	21,403,663	(20,130,669)	1,272,994	(1,031,907)	641,334	926,699	1,809,120	49,293,262	-	51,102,383
2022	20,865,949	(17,896,331)	2,969,618	(1,591,390)	1,171,130	55	2,549,413	46,744,510	(661) (2)	49,293,262
2021	19,851,438	(17,638,231)	2,213,207	(1,203,484)	1,592,633	-	2,602,356	43,049,409	1,092,745 (3)	46,744,510
2020	18,802,873	(17,825,011)	977,862	(2,084,679)	511,165		(595,652)	43,645,061		43,049,409
2019	17,901,670	(16,553,636)	1,348,034	(594,375)	671,769		1,425,428	42,219,633		43,645,061
2018	17,353,966	(16,351,993)	1,001,973	(1,223,633)	197,753		(23,907)	42,619,360	(375,820) (4)	42,219,633
2017	17,235,271	(16,793,252)	442,019	(1,613,611)	330,079		(841,513)	43,460,873	-	42,619,360
2016	16,495,058	(15,257,981)	1,237,077	(1,119,479)	162,705		280,303	45,345,155	(2,164,585) (5)	43,460,873
2015	17,000,940	(13,419,393)	3,581,547	(1,928,681)	415,845		2,068,711	50,554,474	(7,278,030) (6)	45,345,155

- (1) The Agency noted there was an error of capitalization of a capital asset in the prior year. This resulted in a prior period adjustment that increased beginning net position.
- (2) The Agency implemented GASB Statement No. 87 to report lease liabilities and to improve financial accounting for leases. This resulted in a prior period adjustment for FY21 which decreased beginning net position. See Note #2 GASB Statement No. 87, Leases.
- (3) The Agency prepared and recorded a prior period adjustment to partially restore the depreciated value of the 2005 cogeneration system replacement project. In 2019 the engine failed and was replaced, but the 2005 entire project value was depreciated.
- (4) The Agency restated beginning net position. There was a net decrease in net position as a result of implementing GASB Statement No. 75, Accounting and Reporting for Postemployment Benefits Other than Pensions (OPEB) and a correction of depreciation on fixed assets. The decrease was offset with an increased value of inventory resulting from a full retroactive inventory count and cost analysis.
- (5) During the FY17 audit, prior period adjustments were recorded which affected the FY16 financial statements. No reissuance of the FY16 audited financial statements was deemed necessary, however the adjustments have been reflected in this schedule for accurate comparison data and analysis.
- (6) The Agency implemented GASB No. 68 Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 (Issued 06/12), as of July 1, 2014 which resulted in a prior period adjustment that reduced the beginning net position.

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency
Operating Revenue by Source**

Schedule 3

Fiscal Year Ended June 30	Service Charges	Contract Maintenance Revenue	Contract Safety and Public Education Program	Leasing Income (Marin Airporter)	Renewable Energy Sales	Wastewater Discharge Permit Fees	Source Control Fees	Waste Hauling Service Fees	COVID and Illegal Substance Sampling Fees	Total Other Operating Revenue	Total Operating Revenues
2024	\$ 19,567,809	\$ 1,694,712	\$ 134,745	\$ 108,666	\$ 63,757	\$ 42,207	\$ 96,291	\$ 411,939	\$ 43,443	\$ -	\$ 22,163,569
2023	18,819,541	1,856,889	115,838	69,206	55,189	56,316	99,008	297,541	34,135	-	21,403,664
2022	18,183,132	2,126,787	115,059	64,800	35,431	42,562	68,838	229,341	-	-	20,865,950
2021	17,578,817	1,670,204	100,512	64,800	47,040	38,768	70,353	280,944	-	-	19,851,438
2020	16,974,164	1,401,010								427,699	18,802,873
2019	16,400,143	1,067,515								434,012	17,901,670
2018	15,845,548	1,114,680								393,738	17,353,966
2017	15,355,475	1,442,550								437,246	17,235,271
2016	14,471,578	1,546,239								477,241	16,495,058
2015	15,215,367	1,352,202								433,371	17,000,940

Effective FY24, Total Other Operating Revenue has been allocated to present revenue by all sources and to align with CMSA's budget presentation. Preceding three fiscal years were adjusted for this presentation.

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency
Operating Expenses by Function**

Schedule 4

Fiscal Year Ended June 30	Salaries and Benefits	Chemicals and Fuel	Utilities and Telephone	Biosolids Management	Operations Supplies and Services	Permit Testing and Monitoring	Repairs and Maintenance	Insurance	General and Administrative	Depreciation and Amortization	Total Operating Expenses
2024	\$ 14,654,491	\$ 1,911,621	\$ 427,641	\$ 412,515	\$ -	\$ 206,743	\$ 1,753,982	\$ 570,090	\$ 737,774	\$ 4,893,277	\$ 25,568,134
2023	10,920,801	1,658,963	446,020	439,965	-	204,105	664,853	410,435	800,319	4,585,208	20,130,669
2022	8,420,965	1,077,079	591,701	433,202	-	198,248	1,367,073	445,916	1,062,829	4,299,319	17,896,331
2021	9,683,861	983,485	263,560	381,059	-	176,249	654,095	380,764	893,530	4,221,630	17,638,233
2020	9,925,545		495,207		1,638,012	178,099	588,963	134,522	736,513	4,128,150	17,825,011
2019	8,486,703		454,082		1,436,895	144,968	1,034,818	111,545	774,050	4,110,575	16,553,636
2018	8,877,307		311,191		1,366,871	149,815	886,312	95,517	669,900	3,995,080	16,351,993
2017	9,079,369		318,900		1,496,774	110,973	947,285	97,095	697,499	4,045,357	16,793,252
2016	7,411,654		346,701		1,408,893	121,094	1,373,609	101,447	595,639	3,902,112	15,261,149
2015	6,343,530		429,324		1,341,798	130,687	1,035,053	97,622	550,139	3,491,240	9,928,153

Effective FY24, Operations Supplies and Services was broken out into Biosolids Management and Chemicals and Fuel to align with CMSA's budget presentation. Preceding three fiscal years were adjusted for this presentation.

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency
Non-Operating Revenues and Expenses**

Schedule 5

Fiscal Year Ended June 30	Interest and Investment Income	Interest Expense	Other Non- operating Revenues (net)	Other Non- operating Expenses (net)	Total Non- operating Revenues (Expenses)
2024	\$ 1,159,924	\$ (1,444,918)	\$ -	\$ (115,177)	(400,171)
2023	478,298	(1,539,596)	29,391	-	(1,031,907)
2022	(197,571)	(1,418,586)	24,766	-	(1,591,391)
2021	98,988	(1,411,404)	108,932	-	(1,203,483)
2020	352,481	(1,386,336)	-	(1,050,824)	(2,084,679)
2019	410,653	(1,457,861)	452,833	-	(594,375)
2018	218,516	(1,527,361)	85,212	-	(1,223,633)
2017	113,085	(1,752,699)	26,067	(64)	(1,613,611)
2016	376,752	(1,758,318)	80,717	518	(1,300,331)
2015	41,950	(2,108,649)	830,223	(692,205)	(1,928,681)

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency
Capital Contributions**

Schedule 6

Fiscal Year Ended June 30	Capacity Charges	Federal and State Grant Proceeds (1)	Total
2024	\$ 1,152,938	\$ 1,650,501	\$ 2,803,439
2023	641,334	926,699	1,568,033
2022	1,171,130	55	1,171,185
2021	1,592,633	-	1,592,633
2020	511,165		511,165
2019	671,769		671,769
2018	197,753		197,753
2017	330,079		330,079
2016	162,705		162,705
2015	415,845		415,845

- (1) The Agency receives grant proceeds from the State of California under the CalRecycle grant program for work completed on the Liquid Organic Waste Receiving Facility capital project. For the FY24 ACFR, FY23 and FY22 proceeds were reclassified from Other Non-Operating Revenue and Expense.

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency
Capital Additions**

Schedule 7

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Capital</u> <u>Additions</u>
2024	\$ 4,798,567
2023	5,040,726
2022	6,770,091
2021	4,682,942
2020	3,314,983
2019	2,185,309
2018	2,043,192
2017	2,730,175
2016	4,372,405
2015	2,244,858

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency
Major Revenue Rates and Base**

Schedule 8 (1)

Fiscal Year Ended June 30	Regional Service Charges	Regional Service Charge Revenue	Debt Service Charge per EDU	Total Debt Service Charges	Total Regional Service Charge and Debt Charges Per EDU	EDUs Reported by JPA Members (1)	EDUs Assigned SQSP	Total Equivalent Dwelling Units (EDUs) (1)	EDUs Assigned JPA Members for Debt Service	EDUs SQSP Debt Service	Total Debt Service (EDUs)
2024	\$ 291.62	\$ 13,941,551	\$ 108.11	\$ 5,626,258	\$ 399.73	47,807	4,005	51,812	48,039	4,005	52,044
2023	278.59	13,167,002	108.61	5,652,539	387.20	47,263	4,005	51,268	48,039	4,005	52,044
2022	267.10	12,527,030	108.68	5,656,102	375.78	46,900	4,005	50,905	48,039	4,005	52,044
2021	261.79	12,631,001	95.07	4,947,816	356.86	48,248	4,005	52,253	48,039	4,005	52,044
2020	249.78	12,015,001	95.29	4,959,163	345.06	48,103	4,005	52,108	48,039	4,005	52,044
2019	236.82	11,433,635	95.43	4,966,508	332.25	48,279	4,005	52,284	48,039	4,005	52,044
2018	226.56	10,893,165	95.16	4,952,383	321.72	48,081	4,005	52,086	48,039	4,005	52,044
2017	217.82	10,395,358	94.74	4,960,117	312.56	47,724	4,005	51,729		4,005	51,729
2016	204.71	9,897,549	87.10	4,574,029	291.81	48,350	4,005	52,355		4,005	52,355
2015	193.78	9,399,740	111.49	5,815,627	305.27	48,507	4,005	52,512		4,005	52,512

This schedule reflects Regional Service Charges, Debt Service Charges, and applicable EDUs, respectively used in connection with the calculation of a cost per EDU. The cost per EDU is generally used for information purposes or with certain other charges within the Agency's Fee Ordinance. Regional service charges are billed to members based upon volume and strength of wastewater flow. Effective since FY18, debt service charges have been billed to members based upon fixed EDU counts assigned to each member to smooth fluctuations in debt service allocation.

Note (1):

EDU counts are provided annually to CMSA by the JPA member agencies. An EDU generally is one household. In the case of multiple dwellings, the number of EDUs is based upon units. Commercial EDU is based upon winter time water use. Industrial EDU is based on volume and strength of the wastewater flow. Included in this total is 4,005 EDU assigned to SQSP for the debt service allocation. Actual and assigned EDU counts are reflected on this schedule. See also Schedule 10.

Source: Annual Agency Budgets

Central Marin Sanitation Agency
Annual Flows into CMSA in Million Gallons and Pounds
Volume and Strength of Wastewater Treated

Schedule 9

The wastewater flow (volume) and strength (BOD & TSS) for each JPA member agency and SQSP is used to determine its allocation of the CMSA regional service charge. Additional information about how the initial service charge at the beginning of the fiscal year is calculated can be found in the Agency's FY24 & FY25 Budget available on www.cmsa.us/finance. Reported below is actual data for the 12 month reporting period April 1 to March 31st.

A. Total Volume of Wastewater Flow into CMSA in million gallons						
12-Month Period	SRSD	RVSD	SD #2	SQSP	Influent Flow	
April 1, 2023 to March 31, 2024	1,710.40	2,077.10	483.40	274.10	4,545.00	
April 1, 2022 to March 31, 2023	1,790.60	2,162.60	489.60	234.60	4,677.40	
April 1, 2021 to March 31, 2022	1,528.75	1,823.97	380.60	191.71	3,925.03	
April 1, 2020 to March 31, 2021	1,334.37	1,592.48	344.64	180.54	3,452.03	
April 1, 2019 to March 31, 2020	1,480.12	1,923.57	400.86	174.72	3,979.27	
April 1, 2018 to March 31, 2019	1,807.98	2,301.31	438.86	192.18	4,740.33	
April 1, 2017 to March 31, 2018	1,411.51	1,888.58	382.15	166.12	3,848.36	
April 1, 2016 to March 31, 2017	1,844.03	2,597.79	472.68	136.90	5,051.40	
April 1, 2015 to March 31, 2016	1,435.31	1,912.90	422.01	129.48	3,899.70	
April 1, 2014 to March 31, 2015	1,521.91	1,953.05	424.90	143.97	4,043.83	
B. Total Mass of Biological Oxygen Demand (BOD in pounds)						
12-Month Period	SRSD	RVSD	SD #2	SQSP	Influent BOD	
April 1, 2023 to March 31, 2024	2,875,288	3,032,390	837,188	427,445	7,172,311	
April 1, 2022 to March 31, 2023	4,129,275	5,481,327	864,776	371,692	10,847,070	
April 1, 2021 to March 31, 2022	3,917,515	4,363,453	696,542	414,336	9,391,846	
April 1, 2020 to March 31, 2021	4,905,691	4,639,850	483,868	360,164	10,389,573	
April 1, 2019 to March 31, 2020	4,698,037	4,903,805	525,205	381,608	10,508,655	
April 1, 2018 to March 31, 2019	4,743,449	4,438,157	599,208	376,680	10,157,494	
April 1, 2017 to March 31, 2018	3,605,713	4,281,207	585,582	404,146	8,876,648	
April 1, 2016 to March 31, 2017	4,293,860	4,450,865	674,224	355,347	9,774,296	
April 1, 2015 to March 31, 2016	3,892,566	4,358,760	592,658	306,804	9,150,788	
April 1, 2014 to March 31, 2015	4,451,240	5,101,508	447,649	509,759	10,510,156	
C. Total Mass of Total Suspended Solids (TSS) in pounds						
12-Month Period	SRSD	RVSD	SD #2	SQSP	Influent TSS	
April 1, 2023 to March 31, 2024	2,458,975	2,666,112	1,020,479	557,173	6,702,739	
April 1, 2022 to March 31, 2023	4,798,016	7,166,745	858,085	377,075	13,199,921	
April 1, 2021 to March 31, 2022	4,544,402	4,592,978	726,137	446,304	10,309,821	
April 1, 2020 to March 31, 2021	7,138,092	5,581,641	585,643	422,700	13,728,076	
April 1, 2019 to March 31, 2020	5,844,502	5,813,416	631,754	515,623	12,805,295	
April 1, 2018 to March 31, 2019	6,114,054	4,991,101	862,434	514,072	12,481,661	
April 1, 2017 to March 31, 2018	4,660,290	5,612,940	799,015	487,062	11,559,307	
April 1, 2016 to March 31, 2017	5,543,868	5,629,170	905,498	457,495	12,536,031	
April 1, 2015 to March 31, 2016	5,569,476	6,827,531	934,372	398,325	13,729,704	
April 1, 2014 to March 31, 2015	7,812,006	8,343,902	699,225	1,503,385	18,358,518	

Notes:

Laboratory analysis of the data above is performed to allocate treatment costs by members into its components of flow, biological oxygen demand, and total suspended solids.

**Central Marin Sanitation Agency
Member Agencies and San Quentin Prison
Actual Reported Equivalent Dwelling Units (EDUs)**

Schedule 10

Fiscal Year Ended June 30	Ross Valley Sanitary District	City of Larkspur (1)	Sanitary District #2	San Rafael Sanitation District	Subtotal JPA Member EDU Counts	San Quentin State Prison	Total EDUs	EDU Change from Prior Year
2024	22,308	-	6,157	19,342	47,807	4,005	51,812	544
2023	22,114	-	5,815	19,334	47,263	4,005	51,268	363
2022	22,098	-	5,680	19,122	46,900	4,005	50,905	(1,348)
2021	22,422	-	6,152	19,674	48,248	4,005	52,253	146
2020	22,248	-	6,245	19,609	48,102	4,005	52,107	(177)
2019	19,345	3,066	6,152	19,716	48,279	4,005	52,284	198
2018	19,448	3,060	6,008	19,565	48,081	4,005	52,086	357
2017	19,298	3,039	6,055	19,332	47,724	4,005	51,729	(626)
2016	19,700	3,019	6,076	19,555	48,350	4,005	52,355	(157)
2015	19,666	2,982	6,216	19,643	48,507	4,005	52,512	351

The actual EDU count presented for informational purposes in this schedule also is used to establish Waste Hauler Charges and Industrial Monitoring Fees as set forth in CMSA Ordinance No. 2023-1 (see <http://www.cmsa.us/documents/ordinances>). The assigned EDU presented in Schedule 8 is the basis of revenue allocation when determining debt service charge revenue which is the funding source to repay debt service.

(1) Larkspur withdrew from the JPA in January 2020, ending the need to show the City's individual EDU count, which is now included in the RVSD count.

Source: Annual Agency Budgets

**Central Marin Sanitation Agency
Long-Term Debt Outstanding
Pension Obligation and Revenue Bonds**

Schedule 11

Fiscal Year Ended June 30	2022 Pension Obligation Bonds (1)	2020 Revenue Bonds	2015 Revenue Bonds	Total Outstanding Debt	Total Debt Per EDU (2)	Total Debt Capita (3)
2024	\$ 9,136,000	\$ 8,088,058	\$ 29,674,287	\$ 46,898,345	\$ 901	\$ 446
2023	9,266,000	8,485,348	32,807,821	50,559,169	971	481
2022	9,432,000	8,872,638	35,841,354	54,145,992	1,040	516
2021		9,254,928	38,769,887	48,024,815	923	461
2020			41,588,420	41,588,420	799	398
2019			44,331,953	44,331,953	852	424
2018			47,010,486	47,010,486	903	450
2017			49,609,019	49,609,019	959	475
2016			51,935,424	51,935,424	992	497
2015			54,325,451	54,325,451	1,035	520

Notes:

- (1) Pension Obligation Bonds are not subject to pledged revenue coverage
- (2) EDU counts for debt service purposes are described on Schedule 8
- (3) Debt per capita is based upon US Census Bureau QuickFacts April 2020 census data and United States Zip Codes.org. Both are used to estimate the population within the CMSA service area at 105,040.

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency
Pledged Revenue Coverage**

Schedule 12

Fiscal Year Ended June 30	Sewer Service Charges	Less Operating Expenses	Net Revenues Available (1)	2020	2020	Total 2020	2015	2015	Total 2015	2006	2006	2006	Total Annual Debt Service	Debt Service Coverage (2)
				Revenue Bonds Principal	Revenue Bonds Interest	Revenue Bonds Debt Service	Revenue Bonds Principal	Revenue Bonds Interest	Revenue Bonds Debt Service	Revenue Bonds Principal	Revenue Bonds Interest	Revenue Bonds Debt Service		
2024	\$ 25,866,982	\$ 15,599,967	\$ 10,267,015	\$ 390,000	\$ 168,625	\$ 558,625	\$ 2,785,000	\$ 1,157,381	\$ 3,942,381			\$ -	\$ 4,501,006	2.28
2023	23,520,980	13,746,523	9,774,457	380,000	176,325	556,325	2,685,000	1,280,706	3,965,706			-	4,522,031	2.16
2022	22,130,300	13,978,534	8,151,766	375,000	183,875	558,875	2,580,000	1,386,006	3,966,006			-	4,524,881	1.80
2021	21,652,819	12,797,204	8,855,615	-	61,499	61,499	2,470,000	1,487,006	3,957,006			-	4,018,506	2.20
2020	18,615,695	10,916,950	7,698,745				2,395,000	1,386,336	3,781,336			-	3,781,336	2.04
2019	19,436,925	11,567,182	7,869,743				2,330,000	1,457,861	3,787,861			-	3,787,861	2.08
2018	17,855,447	11,355,010	6,500,437				2,250,000	1,527,361	3,777,361			-	3,777,361	1.72
2017	17,704,438	11,424,190	6,280,248				2,195,000	1,752,699	3,947,699			-	3,947,699	1.59
2016	16,753,516	11,359,037	5,394,479				2,095,000	1,577,466	3,672,466			-	3,672,466	1.47
2015	17,596,753	9,928,153	7,668,600							2,135,000	2,108,649	4,243,649	4,243,649	1.81

Notes:

(1): Net revenues available is computed on revenues from all sources less operating expenses not including depreciation and amortization.

(2): The Agency supports pension obligation bonds as shown in Schedule 11 that are not subject to pledged revenue coverage requirements as are revenue bonds reflected above.

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency
Right-of-Use Leases and Subscription-Based IT Arrangements (SBITA)**

Schedule 13

Fiscal Year Ended June 30	Copiers (1)		Operating Rental Lease (2)	Subscriptions (SBITA) (3)	
	RU Asset Balance - Net	RU Lease Balance @	Lessor Balance @	RU Asset Balance - Net	RU Lease Balance @
2024	\$ 3,797	\$ 4,091	\$ 387,944	\$ 121,741	\$ 123,675
2023	11,393	12,070	459,141	159,708	160,656
2022	18,989	19,786	138,410	-	-

- (1) The Agency as lessee leases a copier under an operating lease with terms January 2020 through December 2024. See Note 5 for the details.
- (2) The Agency as lessor leases an unused portion of the corporation yard as a parking facility for Marin Airporter buses. The operating lease has a term of 5 years with optional five one-year extensions beginning July 2019. See Note for for the details.
- (3) The Agency has one subscription for Microsoft with terms from January 2023 through December 2028. See Note 6 for the details.

Source: Central Marin Sanitation Agency Audited Financial Statements Note 5 and Note 6

Note: 10 Years data will be shown as it becomes available

**Central Marin Sanitation Agency
Demographic and Economic Statistics**

Schedule 14

Fiscal Year Ended June 30	Marin County Population (1)	Marin County Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Marin County Averaged Unemployment Rate (1)
2024	N/A	N/A	N/A	3.7%
2023	N/A	N/A	N/A	2.7%
2022	255,851	\$ 43,824,350	\$ 171,177	3.0%
2021	258,719	42,936,183	165,673	5.8%
2020	262,161	37,796,487	144,658	4.4%
2019	263,917	35,896,884	136,460	2.4%
2018	264,944	33,770,671	128,091	2.5%
2017	264,753	31,324,429	119,063	3.1%
2016	265,181	29,825,203	113,226	3.3%
2015	263,964	28,764,641	109,274	3.8%
2014	258,324	26,755,509	102,032	4.6%
2013	255,778	24,806,255	95,473	5.6%

Source: (1) State of California Employment Development Department Labor Market Information and United States Zip Codes.org websites:
www.labormarketinfo.edd.ca.gov www.unitedstateszipcodes.org
 (2) US Department of Commerce Bureau of Economic Analysis (BEA) website:
www.bea.gov/iTable

**Central Marin Sanitation Agency
Ten of the Largest Employers Statistic**

Schedule 15

Total Marin County Employment:		126,400		127,400		128,900		122,600		117,000	
		Percentage of		Percentage of		Percentage of		Percentage of		Percentage of	
Ten of the Largest Employers in the CMSA		Number of	Total Marin	Number of	Total Marin	Number of	Total Marin	Number of	Total Marin	Number of	Total Marin
Service Area	Type of Entity	Employees	County	Employees	County	Employees	County	Employees	County	Employees	County
		FY24	Employment (1)	FY23	Employment (1)	FY22	Employment (1)	FY21	Employment	FY20	Employment
BioMarin (2)	Biotech	1,700	1.34%	1,700	1.33%	1,700	1.32%	1,700	1.39%	1,700	1.45%
MarinHealth Medical Center	Hospital	1,650	1.31%	1,650	1.30%	1,650	1.28%	1,650	1.35%	1,650	1.41%
San Quentin State Prison	State Government	1,468	1.16%	1,531	1.20%	1,547	1.20%	1,764	1.44%	1,614	1.38%
Dominican University	University	1,033	0.82%	1,033	0.81%	1,033	0.80%	1,117	0.91%	1,200	1.03%
Golden Gate Transit	Transit District	853	0.67%	845	0.66%	845	0.66%	840	0.69%	828	0.71%
San Rafael City Schools	School District	561	0.44%	404	0.32%	404	0.31%	362	0.30%	362	0.31%
Tamalpais Union High School District (TUHSD) (3)	School District	531	0.42%	368	0.29%	368	0.29%	402	0.33%	409	0.35%
College of Marin	College District	512	0.41%	512	0.40%	512	0.40%	529	0.43%	529	0.45%
Restoration Hardware (2)	Home Furnishings	500	0.40%	500	0.39%	500	0.39%	500	0.41%	500	0.43%
City of San Rafael	Government	416	0.33%	420	0.33%	420	0.33%	405	0.33%	405	0.35%

Total Marin County Employment:		134,700		135,800		135,800		135,000		133,900	
		Percentage of		Percentage of		Percentage of		Percentage of		Percentage of	
Ten of the Largest Employers in the CMSA		Number of	Total Marin	Number of	Total Marin	Number of	Total Marin	Number of	Total Marin	Number of	Total Marin
Service Area	Type of Entity	Employees	County	Employees	County	Employees	County	Employees	County	Employees	County
		FY19	Employment	FY18	Employment	FY17	Employment	FY16	Employment	FY15	Employment
BioMarin (added FY17)	Biotech	1,700	1.26%	1,700	1.25%	1,700	1.25%				
MarinHealth Medical Center	Hospital	1,650	1.22%	1,650	1.22%	1,650	1.22%	1,650	1.22%	1,650	1.23%
San Quentin State Prison	State Government	1,836	1.36%	1,600	1.18%	1,662	1.22%	1,832	1.36%	1,832	1.37%
Dominican University	University	1,200	0.89%	1,000	0.74%	1,000	0.74%	1,000	0.74%	1,000	0.75%
Golden Gate Transit	Transit District	828	0.61%	820	0.60%	810	0.60%	775	0.57%	775	0.58%
San Rafael City Schools	School District	362	0.27%	355	0.26%	355	0.26%	355	0.26%	355	0.27%
Tamalpais Union High School District	School District	409	0.30%			355	0.26%	332	0.25%	310	0.23%
College of Marin	College District	360	0.27%	360	0.27%	507	0.37%	332	0.25%	328	0.24%
Restoration Hardware (added FY17)	Home Furnishings	500	0.37%	500	0.37%	500	0.37%				
City of San Rafael	Government	410	0.30%	404	0.30%	401	0.30%	390	0.29%	390	0.29%
Kentfield Rehabilitation & Hospital	Hospital			345	0.25%	345	0.25%	344	0.25%	344	0.26%
Marin Municipal Water District (MMWD)	Water District							246	0.18%	246	0.18%

- (1) Total Marin County employment for June 2024 was 126,400. The data source is from www.labormarketinfo.edd.ca.gov Labor Force and Unemployment Local Area Profile for June 2024. Employment statistics by cities within Marin County are not available.
- (2) BioMarin and Restoration Hardware were identified as two of the top 10 employers in CMSA's service area in FY17 replacing MMWD and TUHSD. MMWD's employee headcounts for FY14 through FY15 remain on the 10 year schedule.
- (3) In FY19 the TUHSD website reported the district employed 535 of which 409 are employed in the CMSA service area making the district once again one of the larger employers in Central Marin.

**Central Marin Sanitation Agency
Authorized Staffing by Department**

Schedule 16

Authorized Staffing by Department	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16
Administration (3) (6)	6	6	6	6	7	7	7	7	6
Maintenance (1) (5) (6)	17.5	17.5	17.5	17.5	17	14	14	14	14
Operations (6)	13.5	13.5	13.5	13.5	13	13	13	13	13
Technical Services (3) (4) (8)	10	9	9	9	9	9	8	8	
Environmental Services (3)	-	-	-	-	-	-	-	-	5
Engineering (2) (3)	-	-	-	-	-	-	-	-	4
Safety Program (7)	1	1	1	1	1	1	1	1	1
Agency Total	<u>48</u>	<u>47</u>	<u>47</u>	<u>47</u>	<u>47</u>	<u>44</u>	<u>43</u>	<u>43</u>	<u>43</u>

Notes:

- (1) FY16 Addition of one Utility Worker.
- (2) FY16 Addition of one new Associate Engineer position.
- (3) The Board approved a department reorganization plan at the November 10, 2016 meeting. Three Engineering and four Environmental Services positions were reorganized into Technical Services. One IT Analyst position was transferred into Administration.
- (4) FY19 Addition of one new Laboratory Analyst position.
- (5) FY20 addition three Institutional Utility Laborers.
- (6) FY21 Treatment Plant Manager moved from Administration and is allocated 0.5 FTE to Maintenance and 0.5 FTE to Operations.
- (7) The Safety Program is a shared services position with CMSA Safety Department 0.6 FTE share and one local wastewater agency whose share is 0.4 FTE.
- (8) FY24 Addition of one new Laboratory Analyst position.

Source: Central Marin Sanitation Agency records

**Central Marin Sanitation Agency
Wastewater and Biosolids Treated**

Schedule 17

Treatment Plant	Millions of Gallons per Day									
	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15
Average Dry Weather Flow (ADWF) Permitted Capacity Limit (1)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
ADWF (2)	8.5	8.3	7.5	8.3	8.5	8.5	7.0	8.2	4.6	4.7
Average Wastewater Treated per day	12.4	13.3	10.8	9.2	10.5	13.3	9.3	12.9	7.8	7.0

	Wet Tons per Year									
	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15
Biosolids Treated	5,311	5,863	4,579	4,194	5,982	6,512	6,517	6,500	6,231	5,882

Note (1): ADWF limit is set forth in CMSA's NPDES Permit.

Note (2): ADWF is based on the average of the 3 lowest months of daily average influent flow (July, August, September).

Source: Central Marin Sanitation Agency records

CENTRAL MARIN SANITATION AGENCY

Agency Information

June 30, 2024

**1301 Andersen Drive
San Rafael, CA 94901
415 459-1455**

Authority	Joint Powers Agreement						
Date of formation	October 1979						
Governing body	Board of Commissioners appointed by JPA member agencies: <table> <tr> <td>Ross Valley Sanitary District</td> <td>2 appointees</td> </tr> <tr> <td>Sanitary District No. 2 of Marin County</td> <td>1 appointee</td> </tr> <tr> <td>San Rafael Sanitation District</td> <td>2 appointees</td> </tr> </table>	Ross Valley Sanitary District	2 appointees	Sanitary District No. 2 of Marin County	1 appointee	San Rafael Sanitation District	2 appointees
Ross Valley Sanitary District	2 appointees						
Sanitary District No. 2 of Marin County	1 appointee						
San Rafael Sanitation District	2 appointees						
Chief Executive Officer	General Manager, Jason Dow						
Chief Fiscal Officer	Administrative Services Manager, Corey Spray						
Type of service	Wastewater treatment and disposal						
Number of Authorized Positions	48						

Member Agency Contact Information:

Retirement Plans Contact Information:

Ross Valley Sanitary District
1111 Andersen Drive
San Rafael, CA 94901
(415) 259-2949

California Public Employee's Retirement System
Lincoln Plaza North
400 Q Street
Sacramento, CA 95814
(888) 225-7377

Sanitary District No. 2 of Marin County
300 Tamalpais Drive
Corte Madera, CA 94925
(415) 927-5057

San Rafael Sanitation District
111 Morphew Street
San Rafael, CA 94915-1560
(415) 454-4001

Source: Central Marin Sanitation Agency

Appendix A

Agency's Mission, Vision, and Values



Agency's Mission, Vision, and Values

MISSION

MISSION

WHAT THE AGENCY DOES

Central Marin Sanitation Agency protects the environment and public health and is integral to the community by providing wastewater, environmental, and resource recovery services.

VISION

VISION

WHERE THE AGENCY WANTS TO BE IN THE FUTURE

Central Marin Sanitation Agency will be a forward-thinking organization by providing innovative and effective wastewater services, capturing and utilizing renewable resources, and implementing sustainable solutions for an enhanced quality of life.

VALUES

VALUES

KEY STATEMENTS THAT DESCRIBE THE IDEALS OF THE AGENCY

CMSA values...

- Continuous regulatory compliance to protect the environment.
- Sound financial practices.
- Effective asset management.
- A safe and healthy workplace.
- Creating job satisfaction within a diverse workforce.
- Engaging public outreach and educational programs.
- Leadership, partnerships, teamwork, and collaboration.

Appendix B

Key Terms and Financial Glossary with Acronym Listing

Key Terms and Financial Glossary with Acronym Listing

- **ASSETS:** Anything of material and economic value or usefulness owned by the entity.
- **BOND PREMIUM:** A bond that is priced higher than its stated face (par) value.
- **CAPITAL ASSETS:** Includes Agency land, treatment plant, facilities, buildings, and equipment net of depreciation.
- **CAPITAL EXPENDITURE:** An expenditure of \$5,000 or more that is used to newly purchase a capital asset with a useful life of five years or more or an investment that improves the useful life of an existing asset.
- **CAPITAL IMPROVEMENT PROGRAM (CIP):** A plan that describes and explains the Agency's maintenance and capital projects over ten fiscal years. The CIP is a planning document that provides the Agency with an opportunity to evaluate and assess its equipment, infrastructure, and asset management needs from financial, engineering, operational, and planning perspectives.
- **CONTRACT SERVICE REVENUES:** Services provided by the Agency under contract to other local agencies for pump station and collection system maintenance and pollution prevention source control programs.
- **CURRENT AND OTHER ASSETS:** Assets that can easily be converted to cash or consumed within one year. Includes cash, investments, receivables, prepaid expenses, deposits with others (example: OPEB asset).
- **CURRENT LIABILITIES:** Payment obligations owed by the Agency within the next 12 months.
- **DEPRECIATION:** A current year non-cash expense that reduces the value of an asset because of wear and tear, age, or obsolescence. Accumulated depreciation is the total amount expensed since the asset was placed in service.
- **ENTERPRISE FUND:** A government accounting fund that provides goods or services to the public for a fee that makes the entity self-supporting.
- **EQUIVALENT DWELLING UNIT (EDU):** An EDU is one single-family residence.
- **FLOW(S):** The total incoming wastewater flow(s) to CMSA from the satellite collection agencies, measured in millions of gallons and collected for the previous April 1 to March 31, are used to calculate the CMSA sewer service charge.
- **HAULERS, PERMITS & INSPECTION REVENUE:** Fees and charges for use of Agency septage receiving facility; permit fees to discharge commercial and industrial waste; reimbursement of Agency labor and administrative costs for performing inspections and other services.
- **JOINT POWERS AUTHORITY (JPA):** An agreement between two or more local government agencies to form a separate governmental entity distinct from the member governments and authorizing the powers the JPA is allowed to exercise.
- **LIABILITIES:** What the Agency owes others.
- **NET INVESTMENTS IN CAPITAL ASSETS:** Represents amounts invested in capital assets less accumulated depreciation and any outstanding debt used to acquire the assets.
- **NON-CURRENT LIABILITIES:** Payment obligations owed by the Agency more than 12 months in the future.
- **OTHER NON-OPERATING REVENUE:** Includes CSRMA dividends, CalCARD prompt payment incentive rebates, settlement claims, the occasional sale of assets, SDI disability reimbursements, grants, and other miscellaneous revenue sources.
- **PENSION OBLIGATION BONDS:** Taxable bonds that state and local governments issue as part of an overall strategy to fund the unfunded accrued liability associated with their pension obligations. These bonds are not subject to debt service coverage requirements as with revenue bonds.

- **PROGRAM REVENUES:** The Agency is the lead coordinator for the Health and Safety Director and Countywide Education Programs. Costs incurred by CMSA are allocated to the districts that participate in the programs. The Agency invoices participating Districts quarterly for Safety Director and Countywide Education expenditures in accordance with agreements with program participants.
- **RESTRICTED CASH:** Cash and investments that can only be used for legally specific purposes.
- **REVENUE BOND:** Debt obligation for which interest and principal payments are secured by the debt service portion of service charge revenues generated for the treatment plant project being financed.
- **RIGHT-OF-USE (ROU):** An asset that represents a lessee's privilege to use a leased item over the duration of an agreed-upon lease term. The lessee is granted the authority to obtain the economic benefit from the usage of an asset owned by another entity (reference GASB Statement No. 87).
- **SERVICE CHARGE (SC):** A fee for wastewater operating services and payment of revenue bond debt service.
- **SEWER SERVICE CHARGE (SSC):** A fee for wastewater services and payment of the revenue bond debt service. The SSC is typically the fee collected by JPA members and the term is used inter-changeably with the service charge.
- **SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA):** A contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction (reference GASB Statement No. 96).
- **TOTAL NET POSITION:** Equity associated with general government assets and liabilities. The difference between total assets and total liabilities.
- **UNRESTRICTED CASH:** Cash and investments available to use for operations and not tied to a specific obligation.
- **UNRESTRICTED (NET POSITION):** The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

ACRONYM LISTING

ACFR	Annual Comprehensive Financial Report
ADC	Alternate Daily Cover
ADWF	Average Dry Weather Flow
AM	Asset Management
ASPC	Agency Strategic Planning Committee
ATC	Authority to Construct
BACC	Bay Area Chemical Consortium
BACWA	Bay Area Clean Water Agencies
BAPPG	Bay Area Pollution Prevention Group
BAAQMD	Bay Area Air Quality Management District
BOD	Biochemical Oxygen Demand
CalOES	California Office of Energy Services
CalPERS	California Public Employees Retirement System
CAMP	California Asset Management Program (see Interest Income)
CASA	California Association of Sanitation Agencies

CCT	Chlorine Contact Tank
CDCR	California Department of Corrections
CEC	California Energy Commission and also Constituents of Emerging Concern
CERBT	California Employers' Retirement Benefit Trust
CIP	Capital Improvement Program
CMMS	Computerized Maintenance Management System
CMSA	Central Marin Sanitation Agency
COLA	Cost of Living Adjustment
CPI	Consumer Price Index
CWEA	California Water Environment Association
DPR	Direct Potable Reuse
E.D.I.S.	Employer Driven Insurance Services (third party-administrator for self-insured dental benefits)
EDU	Equivalent Dwelling Unit
ELAP	Environmental Laboratory Accreditation Program
EMMC	Employer Paid Member Contribution
F2E	Food-to-Energy
FOG	Fats, Oils and Grease program (see Contract Service Revenues)
FSE	Food Service Establishment(s)
F/M	Food to Microorganism
FTE	Full Time Equivalent (a position converted to decimal equivalent of a full time position)
FY	Fiscal Year
G&A	General & Administrative
GAAP	Generally Accepted Accounting Principles
GASB	Government Accounting Standards Board
GHG	Greenhouse Gas
IA	Interconnection Agreement
IC	Ion Chromatography
IPR	Indirect Potable Reuse
JPA	Joint Powers of Agreement
LARK	City of Larkspur, JPA Member
LBNL	Lawrence Berkeley National Laboratories
LED	Light-emitting Diodes
LEL	Lower Explosive Limits
LGVSD	Las Gallinas Sanitary District (see Contract Service Revenues)
MCE	Marin Clean Energy
MDV	Motor Diaphragm Valves
MSS	Marin Sanitary Service
NACWA	National Association of Clean Water Agencies
NBWA	North Bay Watershed Association
NPDES	National Pollutant Discharge Elimination System
NSD	Novato Sanitary District (see Contract Service Revenues)
OES	Office of Emergency Services (California)
OPEB	Other Post-Employment Benefits
PAFR	Popular Annual Financial Report
PD/EE	Power Delivery/Energy Efficiency Committee
PCA	Pretreatment Compliance Audit
PCB	Polychlorinated Biphenyls
PEPRA	Public Employees' Pension Reform Act
POB	Pension Obligation Bond
PPA	Power Purchase Agreement
RAS	Return Activated Sludge

RFP	Request for Proposal
ROU	Right-of-Use
RMP	Regional Monitoring Program (for toxic pollutants and trace substances)
RWB	Regional Water Board
RVSD	Ross Valley Sanitary District, JPA Member
SBITA	Subscription-Based Information Technology Arrangements
SP	Strategic Plan
SC	Service Charge
SCADA	Supervisory Control and Data Acquisition (a monitoring and control software system)
SD2	Sanitary District No. 2, JPA Member
SDI	State Disability Insurance
SDS	Safety Data Sheets
SQSP	San Quentin State Prison (see Contract Service Revenues)
SRSD	San Rafael Sanitation District, JPA Member
SSC	Sewer Service Charge
SUO	Sewer Use Ordinance
SWRCB	State Water Resources Control Board
SP	Strategic Plan
TCSD	Tamalpais Community Services District (see Contract Service Revenues)
ToC	Table of Contents
TSS	Total Suspended Solids
UAAL	Unfunded Actuarial Accrued Liability
USA	Underground Service Alert
VFA	Volatile Fatty Acid
WAS	Waste Activated Sludge