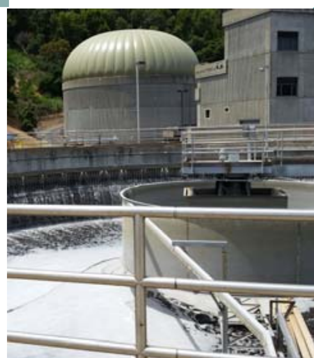
CENTRAL MARIN SANITATION AGENCY

Recycled Water

Biosolids Management



# COMPREHENSIVE ANNUAL FINANCIAL REPORT
FY 15-16

Wastewater Treatment

Resource Recovery

Public Education

Environmental Services

Food-to-Energy

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# Central Marin Sanitation Agency

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

# July 1, 2015 – June 30, 2016

1301 Andersen Drive, San Rafael CA 94901
Carlos Oblites, Treasurer/Controller/Administrative Services Manager
Prepared by the Finance Department and Administration Department staff

**www.cmsa.us/finance**

**CENTRAL MARIN SANITATION AGENCY**
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**
**FOR FISCAL YEAR JULY 1, 2015 THROUGH JUNE 30, 2016**

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December 8, 2016

Board of Commissioners
Central Marin Sanitation Agency

It is our priviledge to present to you the Comprehensive Annual Financial Report of the Central Marin Sanitation Agency (CMSA) for the fiscal year ended June 30, 2016. This document 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 members of the Board of Commissioners and other stakeholders who may have an interest in the financial position 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 reports, 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, Chavan & Associates LLP, concluded that the Agency's financial statements fairly present the financial position of CMSA in accordance with accounting principals generally accepted in the United States. The independent auditor's report is located at the front of the financial section of this report.

Per *Governmental Accounting Standards Board's (GASB) Statement No. 61, The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34 (Issued 11/10)*, CMSA is financially accountable as a stand-alone governmental entity. Accordingly, Agency financial activity is accounted for and reported on as though it were a primary government. As a separate legal entity, CMSA is not financially accountable for any component unit or any other organization.

This report conforms to the standards set forth in GASB Statements No. 61, 34 and 14, and is presented in the following three sections: Introductory, Financial, and Statistical:

- Introductory Section: Includes discussions on Board-approved major initiatives related to Agency capital projects, programs, policies and financial operations. The Introductory Section also includes an organizational chart, as well as a listing of Agency officials.
- Financial Section: Comprises the Independent Auditor's Report, which includes a Management Discussion and Analysis (MD&A), financial statements, and accompanying notes. The MD&A contains several condensed financial statements and statement analyses, including an explanation of variations between fiscal years.
- Statistical Section: Provides historical data on Agency finances, staffing and operations, and service area demographics.

In submitting this Comprehensive Annual Financial Report, we express sincere appreciation to the Board of Commissioners for their ongoing oversight of the financial activities of the Agency, as well as their continued support of Agency staff. We also thank Agency staff for their ideas and written contributions. Special acknowledgement is given to the administrative staff for their efforts in editing and assembling this report.

Sincerely,

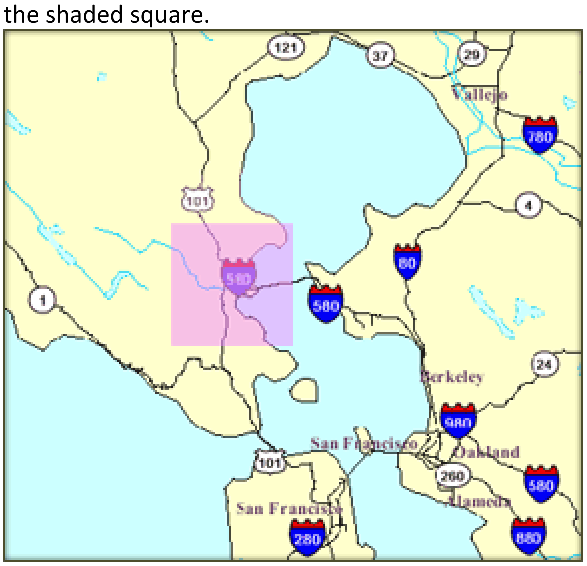
| | |
|---|---|
| Jason R. Dow, PE | Carlos Oblites |
| General Manager | Administrative Services Manager |

# INTRODUCTORY SECTION

## 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 located in San Rafael, California, adjacent to the Richmond-San Rafael Bridge (Map 1). The CMSA service area is approximately 43.5 square miles, and includes the City of Larkspur, the Towns of Corte Madera, San Anselmo, Fairfax, Ross, portions of the City of San Rafael, San Quentin State Prison (SQSP) and the unincorporated areas within San Rafael, Tiburon peninsula, Ross Valley, and San Quentin Village (SQV) (Map 2). Marin County has a total population of 258,324. For the Fiscal Year 2015-2016 (FY 16), the Agency provided services to an approximate population of 105,000 or 52,355 equivalent dwelling units (EDUs).

Map 1 – San Francisco Bay Area. CMSA is located in the shaded square.



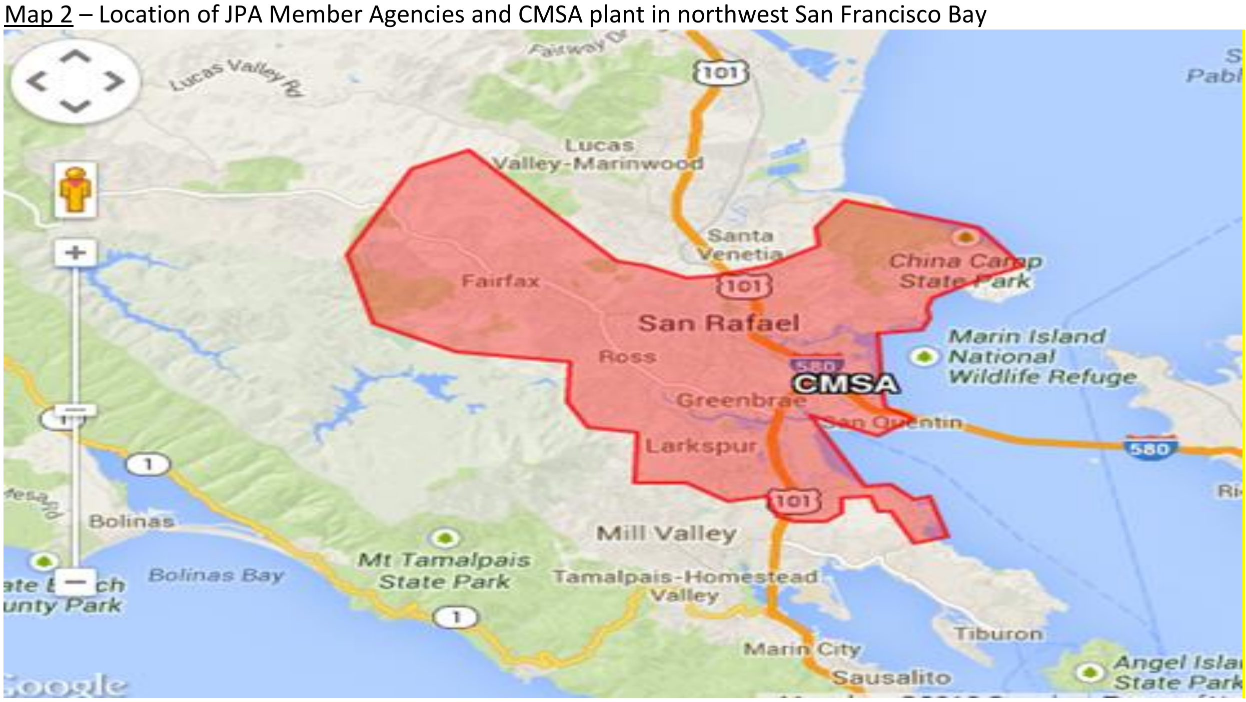

**Population of Cities, Towns and Correctional Facilities in the CMSA Service Area**

| | |
|---|---|
| City of San Rafael | 39,239* |
| City of Larkspur | 11,926 |
| Town of Corte Madera | 9,253 |
| Town of San Anselmo | 12,336 |
| Town of Fairfax | 7,441 |
| Town of Ross | 2,415 |
| San Quentin State Prison | 5,247 |
| Unincorporated County in CMSA Service Area: San Quentin Village, Greenbrae, Kentfield, Sleepy Hollow, Tiburon peninsula | 16,500 |

* Represents two-thirds of total city population.

(Sources: Bureau of Economic Analysis; California Department of Finance Demographic Research Census 2010 and Population Factors; United States Census Bureau State and County QuickFacts, Bureau of Labor Statistics)

Map 2 – Location of JPA Member Agencies and CMSA plant in northwest San Francisco Bay



**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), Sanitary District No. 1 (SD #) of Marin County, Sanitary District No. 2 of Marin County (SD #2), 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 (CMSA), 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 directly with CMSA 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.

The Agency's governing body, a Board of Commissioners (Board), consists of individuals appointed by the JPA member agencies. SRSD and SD #1 each have two members on the Commission while Larkspur and SD #2 each have one member. The six-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 became operational in January 1985. The treated wastewater discharged into the central San Francisco Bay as clean effluent consistently meets and 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 and disposal throughout central Marin County. CMSA also provides other services to benefit its customers and the environment, including (1) participating in federal pretreatment and state and regional pollution prevention programs, (2) providing wastewater collection system maintenance, source control, and other services under contract to local agencies, (3) managing a comprehensive countywide public educational program, and (4) serving as the lead agency for administering a comprehensive safety program with another wastewater agency in the county.

CMSA treats and disposes of wastewater and biosolids collected from households and businesses in central Marin County. The 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 decholorinated before (4) being discharged into San Francisco Bay. In FY 10, the CMSA treatment facility 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 the majority of its own electrical and heating needs by using a cogeneration system. The cogeneration system produces electricity and heats water by using  methane gas that is produced by the treatment plants' anaerobic digesters.

## ECONOMIC CONDITION AND OUTLOOK

Marin County has a total population of 258,324 (source: 2014 California Employment Development Labor Market Information) with a growth rate of less than one percent annually. The county's residents continue to have California's highest average per capita income of $97,124 per household. The population growth rate and per capital household income in the CMSA service area mirrors that of the County.

Marin's 3.6% average unemployment rate is the lowest rate in California and remains below national levels (4.9%) at the end of FY 16. Seven of the top ten employers as measured by the number of employees in the CMSA service area are governmental entities.

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

Source: www.marincounty.org/depts/ar/divisions/assessor/sales

| | | | | | |
|---|---|---|---|---|---|
| 1. | San Quentin State Prison | 1,832 | 7. | San Rafael Schools | 355 |
| 2. | Marin General Hospital | 1,650 | 8. | Kentfield Rehabilitation Hospital | 344 |
| 3. | Dominican University | 1000 | 9. | College of Marin | 332 |
| 4. | Golden Gate Transit | 775 | 10. | Marin Municipal Water District | 246 |
| 5. | Tamalpais Union High School District | 500 | | | |
| 6. | City of San Rafael | 390 | | | |

The local housing market continued to improve during FY 16. 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, 2015 was $1,272,067/$935,000, compared to $1,137,381/$868,005 reported in December 2014. The upward trend continued January through June 2016 where the county reported average mean/median $1,377,369/$1,030,000 sales data statistics.

The Agency's revenue structure is based on fee for service. The Agency invoices service charges quarterly and member agencies in turn remit the revenue to CMSA. Sewer connection fees/capacity charges are remitted upon connection 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, 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 FY 16

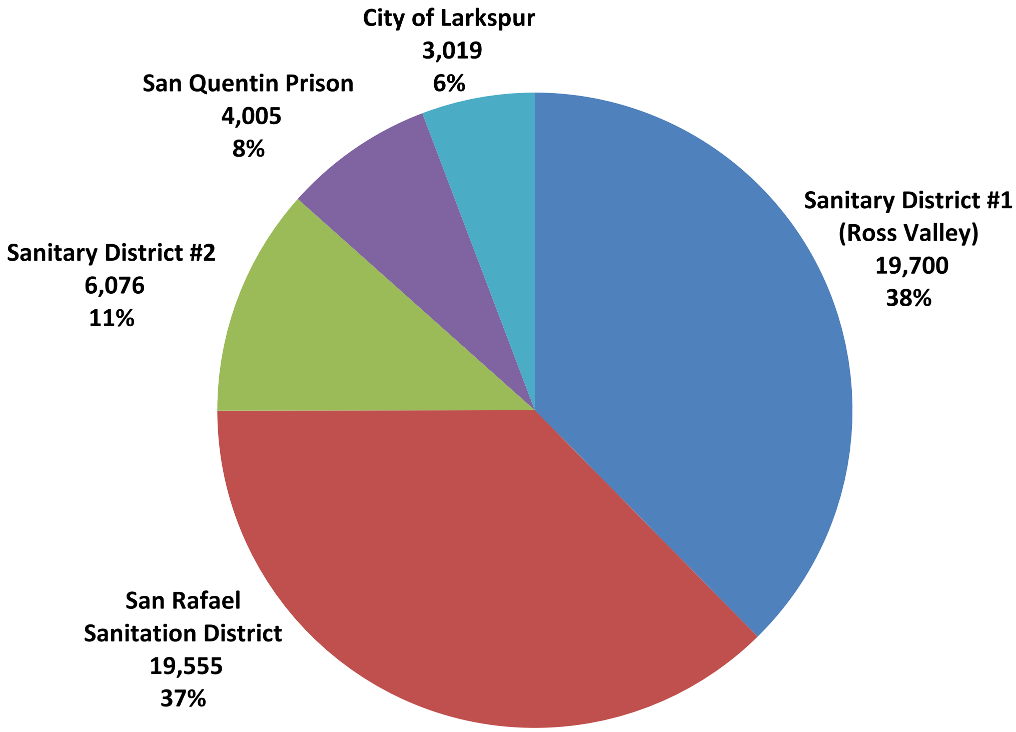
Source: Property Tax Reports, County of Marin

| | San Rafael Sanitation District | Ross Valley Sanitary District (SD#1) | City of Larkspur (SD#1) | San Quentin State Prison (SD#1) | Sanitary District #2 | TOTAL |
|---|---|---|---|---|---|---|
| Residential | 15,588 | 16,567 | 2,574 | N/A | 4,265 | 38,994 |
| Commercial | 3,780 | 2,550 | 388 | N/A | 1,575 | 8,293 |
| Institutional (1) | 187 | 583 | 57 | | 236 | 1,063 |
| SQSP | | | | 4005 | | 4,005 |
| **TOTALS** | **19,555** | **19,700** | **3,019** | **4,005** | **6,076** | **52,355** |

(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.

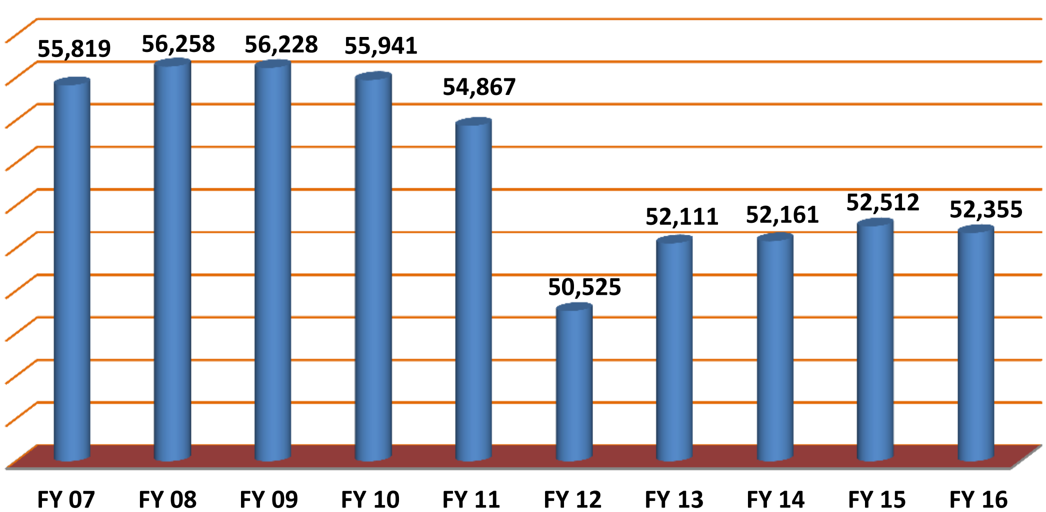
**ECONOMIC CONDITION AND OUTLOOK** (Continued)

**52,355 Total EDU by JPA Member and San Quentin as a Percentage of Total EDUs for FY 16**




Sewer service connections in the service area are primarily residential, and the reported EDU is a number that remains fairly stable, as new development in the service area is minimal. Fluctuations from year to year are generally due to variable water usage by commercial properties. The chart below illustrates how the EDU count fluctuated slightly during FY 07 through FY 11.The decrease in EDU from FY 11 to FY 12 occurred as a result of a change in calculation by SD#1 for SQSP and other institutional service charges during that fiscal year. Effective FY 13, CMSA entered into a wastewater services contract agreement with SQSP and CMSA is now responsible for determining the prison's EDU count. The increased EDU count in FY 13 is the result of increased residential and commercial connections in the service area. The EDU count has stabilized since then.

**Total Actual EDU for CMSA Services Area: FY 07 to FY 16**



## AWARDS AND RECOGNITIONS

***National Association of Clean Water Agencies (NACWA) "Platinum" Peak Performance Award:*** NACWA represents the interests of the country's wastewater organizations. Members of NACWA provide wastewater treatment services for the majority of the populace in the United States, and are true environmental practitioners that collectively treat and dispose 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.

During FY 2016, CMSA received the NACWA "Platinum 11" Peak Performance Award. The award recognizes the achievement of obtaining one hundred percent compliance with National Pollutant Discharge Elimination System (NPDES) permit requirements for eleven consecutive calendar years. Less than two percent of all wastewater treatment facilities nationally have achieved NACWA 5-Year Platinum Award status.

***Certificate of Achievement for Excellence in Financial Reporting:*** Recognition from the Government Finance Officers Association (GFOA) for the Agency's FY 2014-15 Comprehensive Annual Financial Report (CAFR). 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 fourteenth consecutive year that the Agency's CAFR 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. All its financial reports, including the Annual Budget, Annual Financial Statements, CAFR reports, and monthly Treasurer's and Quarterly Budget Status Reports are transparent representations of the Agency's financial operations. Each of aforementioned reports is presented to the Board for review and acceptance and is posted on the Agency's website (www.cmsa.us/finance).

***Outstanding Achievement in Popular Annual Financial Reporting:*** The Agency's Popular Annual Financial Report (PAFR) for FY 2015 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 for preparation of state and local government popular reports. The PAFR is specifically designed to be readily accessible and easily understandable to the general public and other interested parties who do not have a background in public finance. This marks the sixth 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 FY 2015 Adopted Budget 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 general 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 for the Agency's business. This marks the fourth consecutive year that the Agency's budget has met the high standards of the GFOA for budget reporting documents.

***California Water Environment Association (CWEA) Awards:*** The Agency was recognized by its industry peers in the CWEA Redwood Empire Section by receiving awards for the achievements shown below. The Agency will also be eligible for consideration for state level awards which will be presented at the CWEA Annual Conference in April 2017.

- Plant of the Year, Medium Size (Greater than 5 million gallons per day, or MGD, and less than 20 MGD)
- Engineering Achievement of the Year (Chemical Storage Room Rehabilitation Project)
- Safety Program of the Year, Medium Size
- Community Engagement and Outreach: Program of the Year
- Community Engagement and Outreach, Project of the Year, Large Budget: Wastewater Treatment Agencies of Marin County
- Community Engagement and Outreach: Newsletter

***CWEA Staff Awards:*** Several CMSA staff members were recognized by their industry peers from the CWEA Redwood Empire Section by receiving awards in their respective disciplines. They were also eligible for consideration for state level awards which will be presented at the CWEA Annual Conference in April 2017.

- Electrical/Instrumentation Person of the Year: Jon Farr
- Research Achievement of the Year: Rob Cole
- Mechanical Technician of the Year: Anthony Smith
- Pretreatment Pollution Prevention and Stormwater Person of the Year: Jose Gutierrez
- Community Engagement and Outreach Person of the Year: Gretchen Mueller
- Murray McKinnie Award (Operator-in-Training): Abraham Clark

## STRATEGIC BUSINESS PLAN

The Agency's Strategic Business Plan (SBP) provides a guide to direct the Agency in charting a strategic path to effectively maintain and improve its operations and services. CMSA's SBP has been constructed to set priorities, focus energy and resources, and guide fundamental decisions and actions that will shape the Agency into the future.

### New Format

During the last year of the Agency's prior 5-Year SBP (2011-2016), staff proposed the development of the Agency's next SBP with a new format and schedule. The SBP now establishes the operational framework for the Agency, as well as sets the Agency's Mission and Vision, and preparation of new Values statements for the next five years. Each year, the Board of Commissioners will reaffirm existing Objectives, or create new Objectives, and Agency staff will prepare associated Strategic Actions that staff will undertake in support of the Agency's Mission, Vision, Values, and Goals.

**Plan Development**

The Agency utilized a strategic planning consultant to assist with developing the Agency's new SBP. The consultant worked with the Board of Commissioners to explore and develop the high-level strategic elements of the plan. Collaboration between Commissioners, staff, and the consultant during various interviews and two Board workshops culminated in updated Mission, Vision, and Values statements, as well as Goals that describe Board policy. These high-level strategic elements of the plan were approved by the Board at its June 2016 meeting.

The Agency maintains a standing committee, known as the Agency Strategic Planning Committee (ASPC), to oversee the implementation of annual SBP activities. Committee members collaborated to update the Committee's charter and develop Strategic Actions for the FY 17 plan to achieve the Board adopted Goals and align with the Agency's new Mission, Vision, and Values statements. The FY 17 plan was approved at the beginning of the fiscal year.

The Agency's budget is closely aligned with the SBP, as the majority of the SBP strategic actions were included in the budget development process. The SBP focus during FY 17 will be on the activities listed below:

- Maintaining the high performance of the treatment facility operations.
- Investigating and implementing steps to deliver the Agency's extra power to the local utility grid.
- Producing recycled water for use by central Marin customers.
- Preparing an Agency-wide facilities master plan.
- Renewing the Agency's NPDES permit with the San Francisco Bay Regional Water Board.
- Developing the Agency's next multi-year revenue plan.
- Completing an information technology master plan.

The SBP may be found at www.cmsa.us. The next SBP Annual Report for FY 18 will be presented to the CMSA Board in July 2018 and will be available on the CMSA website at that time.

## MAJOR CAPITAL PROJECTS

Below is a discussion of the major capital projects that were underway during FY 16:

***<u>Maintenance Facility Modifications</u>:*** The Agency's facility includes maintenance buildings with storage space, offices, and work areas. These buildings also house tools used by Agency staff to repair various Agency assets such as pumps, motors, and electrical equipment. Since the Maintenance Building and Maintenance Annex were constructed (1985 and 1995, respectively), the Agency's inventory and work space needs have changed. In FY 14, Agency staff conducted an internal needs assessment to identify the scope of modifications to the Maintenance Building and Annex. In FY 15, the Agency selected FME Architecture to prepare a formal needs assessment and to initiate the design phase of the project. In FY 16, FME prepared design documents that included modifications to the Maintenance Building to create office spaces, enclose the open side of the building for storage, and construction of a new storage building adjacent to the Maintenance Annex. Grading improvements between the Administration Building and the Maintenance Building for better access were also included in the project. The design documents were approved by the San Rafael Planning, Building, and Fire Departments in August 2016. The project will be publically bid and constructed in FY 17 and 18.

Maintenance Building and Annex

***<u>Hypochlorite Chemical Storage Room Rehabilitation Project</u>:*** CMSA utilizes hypochlorite solution to disinfect treated wastewater prior to discharge into the San Francisco Bay. The Agency's stock of hypochlorite solution is stored inside a specialized storage room that houses storage tanks, conveyance pipes, and pumps. The room's existing epoxy coating and concrete floor incurred significant chloride damage from minor leaks in the piping due to years of use, which degraded the structural integrity of the concrete and rebar. This project included the removal and replacement of the contaminated concrete, construction of a concrete containment berm around the hypochlorite pumps where the majority of the chemical leaks occurred, improvements to the chemical piping systems, and application of a new, non-skid epoxy coating. Construction activities required the removal and reinstallation of the chemical storage tanks, pumps, piping, and walkway grating. In order to maintain use of the chemical delivery system for treatment processes during construction, the contractor constructed a temporary system outside of the building. The project was released for public bidding in December 2014. Three bids were submitted, and the project was awarded to Pacific Infrastructure Corporation. A Notice to Proceed was issued to the contractor in March 2015, and construction activities were completed in November 2015.

Hypochlorite tanks in storage room

***Sludge Thickening System Replacement Project:*** The Agency removes solids from wastewater through several treatment processes and treats them for beneficial reuse. These solids comprise mostly water and, without thickening, would use a great deal of capacity in the anaerobic digesters utilized to process them. The Agency uses thickeners to remove much of this unneeded water. This project's scope of work involved the replacement of two existing dissolved air floatation (DAF) thickeners that had reached the end of their service life, with two rotary drum thickeners (RDTs). RDTs were selected because they have a significantly smaller footprint than the DAFs, allowing them to be installed in the same location as the DAFs, require less energy to operate, and are fully enclosed for more effective odor control. Agency staff worked closely with the design consultant to prepare construction contract documents that were approved for public bidding in September 2014. A construction contract was awarded to Mountain Cascade Inc. (MCI) in November 2014 for a bid amount that was significantly lower than the amount allocated in the 10-year Capital Improvement Program, and the Notice to Proceed with construction was issued to MCI in December 2014. Onsite construction activities began in May 2015 with the delivery of the first RDT, followed by the demolition of the first DAF to ensure the thickening operations were not disrupted. The first RDT was constructed and fully operational by late September. The second RDT went into service in January 2016, after the demolition of the second DAF. The project was accepted as complete in April 2016. CMSA received an energy efficiency rebate incentive from PG&E after electrical testing verified that the RDTs use less energy than the DAFs.

RDT Example

***Odor Control System Improvements:*** CMSA maintains a multi-story building where biosolids are processed, and then stored in hoppers. Each day, biosolids are loaded from the hoppers into a truck for delivery to a beneficial reuse site. The working environment in the solids handling building truck loading area is odorous and subject to truck exhaust during loading. To improve ventilation and working conditions while operators load trucks, the Agency hired Brown and Caldwell, an engineering consulting firm, to prepare contract documents for ventilation improvements to the loading area. The designed improvements include supplemental ventilation of the sludge loading room by mounting a new supply air system on the roof with ducting, and a new exhaust air system on the opposite side of the building, which also includes ducting and a new exhaust fan. The project scope of work was also amended in June 2016 to incorporate fire safety protection improvements that minimize the potential of an explosive atmosphere being present in the building. This will be accomplished by increasing the air flow through the building, modifying ducting to eliminate “dead spaces,” and installing monitoring equipment and alarms to notify staff if there is an equipment failure. The design will be completed in the fall of 2016 and the project will be bid and constructed immediately after the design is complete.

Headworks Odor Scrubber

***Continued Drought in California - Exploring the Use of Recycled Water :*** California has been in a drought situation for the past several years. The winter of 2014/2015 saw decent, average rainfall in many areas in northern California that resulted in reservoirs being at or above average in capacity at the beginning of the summer. In April 2015, Governor Jerry Brown issued a fourth Executive Order requiring the State Water Board (SWB) to implement mandatory water reductions in urban areas to reduce potable urban water usage by 25 percent statewide. Locally, the Marin Municipal Water District (MMWD) was required to reduce its water use by 20% to meet the state's goals, and the MMWD Board of Directors passed a resolution calling for mandatory reductions in potable water use that included limiting irrigation to three days per week, prohibiting washing down sidewalks and driveways, and not irrigating 48 hours after a rain event, among many other prohibitions. MMWD's customers responded well by reducing potable water use to slightly exceed the mandatory reductions.

The El Nino winter of 2015/2016 resulted in above average rainfall in northern California, restoring some of the Sierra Nevada's snowpack to adequate levels and filling many of the reservoirs in northern California to average or above-average levels. In response, the SWB authorized local water agencies to determine the level of water use reductions needed to maintain adequate water resources. At the end of the 2015/2016 wet weather season MMWD's seven reservoirs were at capacity.

During the middle of the drought, in 2013, CMSA and MMWD representatives began conceptual level discussions about using CMSA's current quality of recycled water in the MMWD service area to reduce potable water demand. Historically, CMSA treats approximately 10 million gallons of wastewater per day, and reuses approximately 15% of the treated wastewater internally, such as for landscape irrigation, cooling of a power generation system, washing equipment and tanks, and transporting chemicals to treatment processes. Since CMSA began operation, the wastewater entering the CMSA treatment plant has had too high a salt content for most off-site uses. However, CMSA does provide recycled water to a local pond during the summer months to maintain a minimum water level to protect an endangered turtle species.

Recycled water use is regulated by the SWB's Division of Drinking Water, and potential allowable uses for CMSA's recycled water, with its high salt content, includes sewer line flushing, street and sidewalk cleaning, construction site dust control, and limited landscape irrigation. In April 2014, CMSA and MMWD executed a Memorandum of Understanding to prepare a Recycled Water Feasibility Study and Recycled Water Truck Fill Program Engineering Report, and both were successfully completed during the past fiscal year. The current status of each is described below.

> **Truck Filling Program:** The Title 22 Engineering Report demonstrated to the SWB that CMSA's recycled water meets treatment level requirements for the above mentioned selected uses. That report was approved by the SWB and the San Francisco Regional

Water Board, giving CMSA the needed authorization to construct the truck filling station. By the end of calendar year 2015, the fill station was built and CMSA developed standard operating procedures for its use. Recently, local sanitary districts were trained by MMWD on the allowable uses of the recycled water, and should receive the use permits in the near future. CMSA will then begin to fill their sewer line flushing trucks. Later this year, MMWD and CMSA will identify other potential users in their common service area, and inform them of the availability of the recycled water.

***Recycled Water Feasibility Study*:** MMWD and CMSA selected a recycled water engineering consulting firm to conducting a Recycled Water Feasibility Study in late 2014. The study's scope of work was to identify potential recycled water users near the CMSA treatment plant, the water quality needed for each of the uses, treatment technology options for each use, how to transport the recycled water to each user, and the conceptual level costs for each distribution and treatment system. Funding for the study was by CMSA and MMWD with a matching grant from the SWB.

The study was completed in late 2015, presented to both agencies' Boards, accepted by the SWB, and the grant funds were delivered to MMWD. Many project alternatives were developed and evaluated in the study, and the consultant's recommended project was to provide recycled water to San Quentin State Prison for inmate cell toilet flushing, landscape irrigation, boiler make-up water, and use at a car wash. Projected potable water savings was 152 acre-feet per year and the conceptual project cost is $8.5 million, or approximately $3,000/acre-foot for delivered water. All other identified projects had costs greater than the recommended project, up to $7,000/ acre-foot.

MMWD's current cost to produce water is about $600/acre-foot and it buys supplemental water from the Sonoma County Water Agency for $1,000 acre-foot. Due to several factors, including the high cost of the recycled water and the MMWD and SCWA reservoirs levels being above average for the year, MMWD decided that the recommended project will be considered in the future when its staff and Board evaluate alternate water supply options.

***Central Marin Organic Waste Program:*** In early 2008, the Agency and the local solid waste hauler, Marin Sanitary Service (MSS), began working on the Central Marin County Food-to-Energy (F2E) program. F2E is a renewable resource recovery program where food waste is collected then converted into a fuel for use in an energy generation system to produce electricity to power the Agency's facilities.

F2E was launched in January 2014, with MSS beginning to collect 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 containers, bones, melon rinds, metal objects, and similar items, followed by grinding the food waste into small particles about the size of a thumbnail. A special delivery truck then transports the cleaned ground food waste to CMSA, where it is dumped into an underground tank, mixed and processed with the liquid organic waste, 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 an engine generation system. CMSA historically operated the generator on biogas fuel approximately seven hours a day, producing all the Agency's energy needs for that time period. The additional biogas generated from the organic waste material enables the Agency to run the generator longer; a future goal is to achieve full energy self-sufficiency. Attaining self-sufficiency in energy generation would eliminate the need for the Agency to purchase natural gas and electricity from outside sources.

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 (GHG) emissions, reduced truck traffic on the freeway and local roads, and additional energy production at CMSA. Additionally, CMSA receives a tipping fee for each ton of food waste delivered that assists in stabilizing wastewater service rates.

By mid-2016, CMSA was receiving up to 25,000 gallons of FOG each day during the workweek, and occasionally a load on the weekend. Starting in March of 2016, the Agency began accepting up to 5,000 gallons of additional organic liquid waste including soy whey from food processing and brewery wastewater from a local beer manufacturer. As described below, the organic waste is a renewable resource and is processed in the Agency's digesters to produce additional biogas that is used for energy production.

Below is a summary of several noteworthy F2E activities and developments over the past couple years:

- The F2E program is fully supported by elected representatives and staff from the cities and towns in the MSS and CMSA service areas, as well as by the Marin County Board of Supervisors, regulatory agencies, and environmental groups.
- A F2E dedication event was held during the spring of 2014 with attendees from central Marin's city and town councils, regulatory agencies, local businesses participating in the program, and many others from the central Marin community. The event was covered regionally by the local media.
- Since January 2014, MSS has enrolled 162 businesses in the F2E program, and over the next couple years plans to have over 250 participants.
- Mill Valley Refuse, a solid waste hauler operating in southern Marin County, has initiated its own F2E program where it collects food waste from grocery stores, and transports the material to MSS for processing and then delivery to CMSA.
- Acceptance of additional liquid organic waste from food processors and breweries began early in 2016.

- CMSA is currently receiving approximately 8.0 tons of food waste per day. The food waste and FOG mixture produce enough additional biogas to run the energy generation system up to an average 23 hours per day.
- CMSA intends to continue discussions with the local electric utility to modify the Agency's utility interconnection agreement, for future energy exportation to the local grid or direct sale to a private business or local agency through a power purchase agreement.
- MSS and CMSA representatives were invited to present the F2E program at regional, state, and national conferences, webinars, and other similar events, to highlight the partnership, benefits of recovering renewable resources, and details of both organizations' operations.

***Bay Area Biosolids-to-Energy (B2E) Initiative***

The solid material removed in the wastewater treatment process is treated, processed, and conditioned to meet local, state, and federal environmental quality requirements. The treated material, called biosolids, is then dewatered and beneficially reused. CMSA produced about 6,200 wet tons of biosolids in FY 16. The Agency's current biosolids management practices utilize biosolids for a soil amendment and fertilizer during the dry weather season at sites in southern Sonoma County or Solano County, and for alternate daily cover (ADC) material at the Redwood Landfill during wet weather (November to May). Both management practices are state-certified beneficial-reuse alternatives. Many wastewater agencies in the region and state are evaluating biosolids management alternatives given land application restrictions across the state over the past decade, California EPA's landfill organic material diversion regulations that will likely result in a practical ban on biosolids use as ADC and direct landfill disposal, and the state's focus on reducing greenhouse gas emissions to reduce the effects of global warming.

In 2008, CMSA joined the Bay Area Biosolids to Energy Coalition (Coalition) to explore practical and feasible options to convert biosolids to a renewable resource, such as energy, hydrogen gas, or bio-diesel fuel. Nineteen agencies in the San Francisco Bay Area, serving over three million customers, are part of this collaborative group and are signatories to a joint exercise of powers agreement (JEPA) for the technical, environmental, advocacy, and outreach components of the initiative.

Objectives of the Coalition have changed over the years as it has learned about different technologies and project delivery alternatives. Highlights of the Coalition's activities over the past few years include:

- Strategic Planning: In the fall of 2015, a strategic planning session was held to outline the Coalition's achievements to date and reevaluate the direction of the Coalition's activities. The group discussion led to the development of current and anticipated biosolids reuse drivers, establishment of new goals to address the drivers, crafting of a mission statement, and identification of resources to achieve the new goals. Three major activities from the session included: converting the executive director position to a program manager position to align with resource needs, identifying three all-weather biosolids reuse options for the San Francisco Bay Area, and preparing a 24-month Coalition workplan to implement the new goals.

- Program Manager Selected: Delta Diablo Sanitation District served as the Coalition's lead agency since its formation in 2008. Lead agency responsibilities and its staff time commitments increased significantly as the Coalition began working with project developers to deliver a B2E project. In 2013, an executive director was hired to assume most of the lead agency's management and administrative responsibilities. After the 2015 strategic planning session, the Coalition decided to abandon one of its original foundational functions of serving as a biosolids project developer, and modify the job responsibilities of its administrator. This led to the creation of the program manager position. During the spring of 2016, the Coalition recruited for the new position and hired a highly-qualified individual.

- Local Project Development: Coalition research, technology assessments, and project development activities have resulted in B2E projects being planned or developed by four Coalition agencies. Two B2E facilities will be sub-regional and will have the capacity to receive biosolids from multiple agencies, while the other two B2E facilities will be sized to process all, or a majority, of its agency's produced biosolids.

  During the development of CMSA's FY 17 budget, its Board approved diversifying the Agency's biosolids management portfolio, given the landfill organics diversion regulations mentioned above. CMSA's FY 17 biosolids management budget was increased to provide funding for biosolids transport and tipping at a new local B2E reuse facility that was starting operation in the fall 2016. In early October, CMSA began transporting two loads of biosolids per week to the new facility.

- Advocacy: Since the initiation of the B2E initiative, the Coalition has worked with state and federal lobbyists to educate key elected representatives and their staff on biosolids management practices in California, the need to diversify management options, the renewable resource value of biosolids, the on-going status of the B2E initiative, and how implementing a B2E project aligns with state and federal goals associated with increasing renewable energy generation, reducing GHG emissions, and diverting organics from landfills, as well as other relevant and related topics. This advocacy effort has been successful with many state and federal officials supporting the B2E initiative. Support has come in many forms, including letters to state and federal agencies encouraging them to consider B2E projects for grants and loans.

- Department of Energy Funding Opportunity Announcement: For two consecutive years, the federal advocacy resulted in language being included in House and Senate budget appropriation bills directing the Department of Energy to specifically include B2E projects in grant solicitations. During the summer of 2016, the Department of Energy issued a Funding Opportunity Announcement for bioenergy project grants that specifically listed wastewater biosolids-to-energy projects. Three local agencies have applied for the bioenergy grants to date.

Key activities for the new program manager and Coalition during the fiscal year are to develop the 24-month Coalition work plan, prepare a sustainable funding program and member dues structure, determine which current members will remain in the Coalition given its new direction, and recruit several large agencies in the San Francisco Bay Area to join the Coalition.

## WASTEWATER SERVICE AGREEMENTS FOR CMSA-PROVIDED SERVICES

CMSA has long provided wastewater-related contractual services to several local agencies in Marin County for a variety of wastewater services for the agencies to comply with regulatory requirements. These contractual arrangements benefit the contracting local agencies as it is a cost-effective approach for them to utilize CMSA staff expertise and resources in lieu of hiring contractors or consultants. CMSA also benefits from these contractual arrangements because the revenue that the Agency receives for providing these services incrementally reduces the amount of wastewater service charges required from our customers. Services that CMSA provides under contract include operating, maintaining, and monitoring pump stations, maintaining sewer collection systems, and regulating commercial and industrial businesses that discharge to the sewer system, protecting both the businesses and the environment.

The Agency's five-year Strategic Business Plan supports providing Agency services under contract to local agencies as appropriate; when CMSA has the available resources, and the service will result in financial and organizational benefits to both parties. Noteworthy activities and projects this past fiscal year are noted below:

***San Quentin Pump Station/Forcemain Condition Assessment****:* CMSA and the California Department of Corrections and Rehabilitation (CDCR) executed a five-year Wastewater Service Agreement that became effective on July 1, 2014. A provision in the contract requires CMSA to select an engineering consultant to perform a comprehensive condition assessment of the San Quentin main pump station and its 16-inch forcemain. CMSA issued a Request for Proposal (RFP) to several engineering firms in 2015, and selected the most qualified engineering firm after completing the CMSA's consultant selection process. The consultant began work in August 2015 and completed the assessment in December 2015. The assessment findings were used by CMSA to prepare a prioritized capital improvement plan (CIP) for the San Quentin pump station that was approved by CDCR. CMSA has initiated many of the scheduled FY17 CIP projects.

***San Quentin Village Sewer Maintenance District:***
The sewer system within this district was installed as lots were developed over a number of years, with some of the first sewers installed in the early 1900's. With approval from the County of Marin, CMSA engaged a qualified sewer inspection contractor to inspect, smoke test, and report the condition of sewer pipelines and associated private property laterals within the district. This work was performed in three phases. Phase one included cleaning and performing closed-circuit television (CCTV) inspection work, while Phase two work involved using surface locatable equipment to clean, CCTV inspect, and determine the alignment and

location of three pipelines that were not included in any system or district maps. In phase three, the contractor smoke-tested the entire collection system to identify connections into the sanitary sewer and document probable sources of storm water inflow and infiltration. This project was completed in June 2016, and the final inspection report was delivered to the County of Marin in mid-July 2016. Findings from this report will be addressed in the County's capital improvements plan.

## ASSET MANAGEMENT PROGRAM AND RELATED PROJECTS

Major asset maintenance and replacement projects completed in FY 16 are detailed below:

Secondary Flow Meter #2 – Flow meters are devices used to measure, monitor, and/or control the quantity of a liquid or gas moving through a pipe. In June of 2014, the electronic signal from secondary flow meter #2 became erratic and the data became unreliable. Technicians attempted to repair the meter by installing a new control board, but this repair was unsuccessful and the meter was deemed unrepairable. A replacement meter was sourced and ordered from the original manufacturer, and was received into inventory in January 2015. As this was the beginning of the wet weather season, the decision was made to delay the installation until the summer. Agency technicians removed the existing meter and installed its replacement in August 2015. The new flowmeter is working as designed, ensuring that flows through the secondary system are accurate and automatically controlling the return activated sludge (RAS) system.

System-Wide Shutdown – Agency technicians, with JPA collection systems staff members, collaborated to shut down and isolate their respective collection systems from the CMSA treatment plant in August 2015. The primary purpose of the shut-down was to allow a contractor access to the Headwork's influent channel to install a flow isolation gate. While the collection system were off-line, Agency technicians leveraged this opportunity to assess the facility's primary treatment process isolation gates which are not typically accessible during normal operations. Technicians were also able to repair a leaking gate on Secondary Clarifier #2.

Chlorine Contact Tanks (CCT) – The purpose of the *Chlorine Contact Tanks* is to. The Agency has five chlorine contact tanks (CCT) used to allow sufficient time for a *chlorine solution* to disinfect the treated wastewater. Wastewater flow into the tanks is controlled by sluice gates. Agency technicians procured and installed three new motor operated actuators (Automated gate controllers) onto the gates on three of the five CCT's, which were at the end of their lifecycles. These new actuators can open and isolate tanks faster than the original units, which is preferred from an operational perspective. The actuators are also capable of being controlled through the facility's process control system from remote locations, a function the original gates did not possess.

Chemical Storage Room Rehabilitation Project – The Agency stores wastewater treatment chemicals such as sodium hypochlorite (Pool strength "bleach") in bulk quantities along with pumps, piping, and controllers utilized to adequately meet both dry and wet weather treatment needs. An assessment of the bleach's storage room determined that after years of service and due to the corrosive nature of bleach, which had saturated the first four inches of concrete in the facility's floors, the room required rehabilitation. Staff employed a contractor to complete a project to remove all of the storage tanks, pumps, piping and controllers, to allow access to the floors. The work consisted of removing approximately four inches of concrete flooring, concrete isolation berms, and concrete storage tank and pump pedestals. After verifying that the flooring surface was free from bleach, the contractor poured a new concreate floor, isolation berms, tank storage pads and pump pedestals. Agency staff took this opportunity to perform major maintenance on area equipment. This work involved completely disassembling the pumps, replacing worn components as needed, recoating the pump bases and casings with a chemical resistant paint, replacing pump lubricants, and reassembly. The refurbished pumps were then turned over to the project contractor for re-installation.

<u>Sludge Conditioning System Upgrades</u> – Sludge conditioning is a process whereby sludge solids are treated with chemicals or various other means to prepare the sludge for dewatering processes. Agency technicians completed an in-house project to remove and replace three chemical feed pumps and their control cabinets and appurtenances, which were at the end of their lifecycles. Technicians assessed facility operational needs, constructed the design drawings and project specifications, sourced and procured system components, and completed the installation. The transition from the old to the new system required extensive operational coordination and temporary pumping schemes while various components were moved in and out of service. The new pumping system includes four new magnetically-coupled metering pumps: three pumps are designated for sludge conditioning (dewatering) and one pump is dedicated to delivering ferric chloride solution to the two anaerobic digesters for sulfide control. This system was also sized for an additional fifth pump for future use if needed. The system has been operational since early February 2016.

<u>Engine-Starting Air Compressor</u> – The Agency's cogeneration engine relies on a high compression ratio and the associated heat generated to ignite the fuel it uses to operate. Maintenance technicians completed a project to remove and replace the original facility installed back-up air compressor in the cogeneration operations area. This diesel-powered air compressor supplies starting air, (turns the starter on the cogenerator) in the event that the primary air compressor is out of service or unable to supply the required amount of air. This compressor can also be utilized for starting the facility's emergency power generator in the event of a power failure, and is capable of rapidly producing and delivering a large volume of air in a smaller footprint. Additionally, this unit is mobile and can be deployed to other parts of the facility if required. This equipment has been operational since mid-March and is operating as needed.

<u>Process and Reclaimed Water System Upgrades</u> – A 2014 energy conservation study performed by the Industrial Assessment Center found six "Energy Conserving Opportunities"

(ECOs) at CMSA. ECO number four suggested installing a variable frequency drive on each of the Agency's carrier water pumps, and operating only one pump at the speed needed for proper chemical dosing in relation to plant flows. The reclaimed water is used in sustainable landscaping irrigation, as well as to meet commercial or industrial water needs. This past year Electrical/Instrumentation staff installed variable frequency drives (VFD) on the facility's chemical carrier water and reclaimed water pumps. Based on the calculated energy savings from the ECO report, staff also added VFD controls to the three facility reclaimed water system pumps to realize additional energy savings. All six pumps are now controlled by flow set points – if a pump failure were to occur, it would be instantly recognized by the process control system and a stand-by pump would automatically be tasked into service.

Process Tank Area Deck Lighting – The Agency has been systematically replacing high pressure sodium (HPS) lighting and equipment with energy-efficient LED lighting over the past three fiscal years. Staff recently completed a project to replace the deck lighting on the original primary clarifiers, deck walkways between process tanks, secondary clarifiers, and the original chlorine contact tanks. Staff repurposed the original HPS housings and installed the energy-efficient LED lighting systems, saving $330 per fixture over procuring new housings.

## ENVIRONMENTAL COMPLIANCE PROGRAMS

The Agency's NPDES permit includes a federally mandated Pretreatment Compliance Program and a state Regional Water Board (RWB) mandated Pollution Prevention Program. The purpose of each program is to regulate businesses and industries that discharge waste into the wastewater collection system so the wastewater discharged will not detrimentally affect the treatment processes, the biosolids quality, or the cleaned water that is discharged into San Francisco Bay. There are three dischargers in the CMSA service area that are regulated under the Pretreatment Program. CMSA staff performs the required monitoring of these dischargers at least quarterly, and conducts an annual comprehensive inspection of each business to ensure their wastewater meets stringent discharge limits.

The Agency's Pollution Prevention Program regulates smaller dischargers that could cumulatively impact the overall biosolids and final treated water quality. All of these dischargers are inspected at least annually, and wastewater samples are collected and tested to ensure that they meet discharge limits. CMSA has one of the most comprehensive programs in the San Francisco Bay Area in terms of the inspections conducted and water sampling frequencies. The Pollution Prevention Program has been recognized locally, regionally, and at the state level as an important component of the Agency's award-winning public education and outreach program. During FY 2016, the Agency continued to perform annual inspections of all industrial dischargers, dental offices covered under the Mercury Source Control Program, as well as all restaurants covered under the FOG source control program.

***Mercury Reduction Program:*** The Regional Water Board (RWB) adopted a Mercury Watershed Permit in 2008 which requires a reduction of mercury discharges from all controllable sources to the San Francisco Bay. The permit's goal was to eventually, over decades, lower the mercury concentration and sediment in San Francisco Bay water, and mandates a 20% mercury reduction by 2018. It specifically states that wastewater agencies must regulate dental offices using source control techniques, and that source control programs be developed by March 2010. The reason to have a source control requirement is that 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. Numerous studies have documented dental offices contribute 40% to 60% of the total mercury discharged to the sanitary sewers on a daily basis. Amalgam use has steadily declined in recent years with dentists using porcelain and plastic alternatives, though evidence shows that even if a dentist does not use mercury amalgams, the compound is still discharged in very significant quantities during removal or repair of mercury amalgam fillings.

The CMSA Board passed the Mercury Reduction Ordinance in December of 2009. The Ordinance required the installation of dental amalgam separators by December 31, 2010 and the proper handling and disposal of dental amalgam. The Mercury Watershed Permit required dischargers to provide estimates of the amalgam collected by June 30, 2012, and all dentists to be in compliance with the dental amalgam source control requirements by March 1, 2013. All dentists within the CMSA service area have installed the required dental amalgam separators as required under the ordinance. During the annual compliance inspections, Agency staff determines the amount of amalgam that is removed from the waste stream in the dental offices, and that information is reported to the RWB. In FY 2016, 28.0 pounds of mercury were removed and properly disposed.

***<u>Novato Sanitary District Mercury Reduction Program:</u>*** Novato Sanitary District contracted with CMSA in 2012 to set up and maintain a dental amalgam program to control the release of dental amalgam to its sanitary sewer. The program is similar to the program implemented at CMSA that has been recognized by the EPA for our excellent outreach, annual compliance inspections, and comprehensive record keeping. Compliance inspections were performed in 2015 and early 2016 and all dentists were in compliance with program requirements. In total, the program was responsible for the removal of 8.25 pounds of mercury.

***<u>FOG Control Programs</u>*****:** CMSA has served in a consultative capacity to assist local wastewater agencies in the development and implementation of FOG control programs within their jurisdictions. The goal of the FOG program is to reduce sewer blockages and prevent sanitary sewer overflows caused when grease is discharged directly into the sanitary sewers. When FOG is improperly disposed it can build up, and if unchecked over time, can harden, combine with sand, roots and debris, and clog the sewer system. Many of the smaller wastewater agencies in Marin County do not have the staff resources and expertise to administer a comprehensive FOG control program for their jurisdiction.

Local agencies that retain CMSA to manage and administer their FOG control programs utilize CMSA staff to perform all required permitting, inspection, and enforcement activities of the food service establishments (FSEs) operating in their jurisdictions. CMSA has developed and implemented FOG control programs for the Las Gallinas Valley Sanitary District, San Rafael

Sanitation District, Ross Valley Sanitary District, Sanitary District #2 of Marin County (Town of Corte Madera), Tamalpais Community Services District, a wastewater collection agency in southern Marin County, and Almonte Sanitary District in Southern Marin. All of the programs listed above are in the maintenance phase, and 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.

## REGULATORY INSPECTIONS BY FEDERAL AND STATE REGULATORS

***NPDES Permit Inspection:*** The Regional Water Board conducted an annual inspection to monitor compliance with all of the requirements specified in the Agency's NPDES permit that allows CMSA to discharge into San Francisco Bay. The inspection did not result in any findings or recommendations, and the Agency was commended on its excellent reporting record for NPDES permit compliance.

***NPDES Pretreatment Compliance Inspection:*** The U.S. Environmental Protection Agency conducted an annual inspection to monitor compliance with all of the requirements specified in the Federal Pretreatment Regulations and requirements specified in our NPDES permit. The inspection resulted in no requirements or changes to our Pretreatment Program. The inspector praised the Agency for its excellent program knowledge, documentation, compliance history, dental amalgam program, support for the pharmaceutical collection program, and comprehensive FOG program.

## PUBLIC EDUCATION

As the lead agency in administering the county-wide public education program for the six Marin County wastewater agencies that have treatment plants, CMSA continues to be innovative in developing public outreach measures to inform the general public of ways to reduce pollutants into the sanitary sewer and storm drain systems. Both the Regional Water Board (RWB) and the CWEA have requested Agency staff to present its county-wide public education program at regional and state conferences, and to share insights on how to develop and manage a successful program. The county-wide public education program won the Redwood Empire Section CWEA Large Budget Community Engagement & Outreach Program of the Year award for FY 16. The public outreach activities for the past year are detailed below.

***Pharmaceutical Take-Back Program:*** For many years, the Agency has provided financial support to the Marin County Pharmaceutical Take-Back Program to reduce and prevent unused pharmaceutical products from being discharged directly into the sanitary sewers. 7,073 pounds of unused pharmaceutical products were collected and properly disposed in calendar year 2015.

***Outreach Events:*** CMSA participated in many Marin County public education and outreach events including the Marin County Fair, Fairfax Ecofest, Marin Home and Garden Expo (Spring and Fall shows), Annual Tiburon Salmon Release, Marin Italian Street Painting Festival, Novato Business Showcase, Wetlands Days in Mill Valley, and local farmers markets around the county for Earth Day and Pollution Prevention Week. Staff handed out over 3,000 environmental quizzes to educate both adults and children on pollutants, what is safe to flush down the drain, and the proper use of storm drains. Participants who took the quiz received a prize and gained knowledge on sustainable water use.

***School Presentations and Performances:*** CMSA staff coordinated school outreach programs that reached over 3,679 elementary school students in Marin County. The program consists of an interactive and entertaining performance that educates students about what happens to water after it goes down household drains. The show includes juggling, comedy, and magic acts to teach the students about wastewater and other sanitation issues, and promotes awareness of our most precious natural resource. Environmental Services staff also visited classrooms to educate students about wastewater treatment at Ross Elementary School, Marin Academy, and Terra Linda High School.

## WORKPLACE SAFETY INITIATIVES

CMSA's outstanding in-house safety programs were once again recognized in 2016 with the California Water Environment Association's (CWEA) Redwood Empire Plant Safety Award for medium sized plants (greater than 5 million gallons per day, but less than 20 million gallons per day).

***Safety Director Program***: CMSA participates jointly with the Novato Sanitary District in a Safety Director Program in order to capture economies of scale, as both agencies are not large enough to employ a full-time safety professional. The program focus is to promote and assist each agency in developing and maintaining workplace safety programs, while managing employee injury/return-to-work initiatives. The program includes providing employee safety training, developing and maintaining safety policies and procedures, participating in safety assessments of facilities and employee work practices, monitoring changes in Cal/OSHA safety regulations, and providing a variety of other safety services. Since inception, the program has been very successful, and has received favorable reviews by the California Sanitation Risk Management Authority (CSRMA) and CWEA.

***Safety Incentive Program at CMSA***:, The CMSA Safety Incentive Program was implemented to enhance overall employee safety through active employee participation. The incentive program involves acknowledging employee contributions in several of the key aspects of a sound safety culture. In its current form, the program was developed and approved in early 2014, with formal implementation initiated later in the summer of 2014. The program awards points for employee contributions in providing hazard alerts, safety suggestions, leading tailgate training sessions, and participating in outside (non-required) training activities such as webinars and conferences. Employees may be awarded monetary awards for achieving specific point levels.

CMSA developed a tracking system to collect participation metrics and to provide valuable documentation for demonstrating longer-term regulatory compliance. The FY 16 program participation data indicates a trend of increased participation over past years.

- Tailgates - In previous years, tailgates averaged one tailgate session every two months, and included nominal employee participation. With the initiation of the incentive program in FY 15, participation grew to an average of 10.8 tailgates per employee over the past year across all departments. In FY 16 program CMSA employees increased participation to an annual average of 11.9 tailgates per employee, with tailgates being led by 23 different employees.
- Communications - Hazard alerts and safety suggestions are submitted on a Health and Safety Communication Form for evaluation. These suggestions are then reviewed for implementation, and can include correction of a hazard or implementation of a new safety policy. In FY 16 the number of Health and Safety Communications submitted for review and action increased to 27 from 25.

Total Points Earned - The total incentive program points that are earned by each employee provides a fair indication of the level of participation in the program. The number of employees qualifying for awards is up 27% in FY 16, from 22% of the employees qualifying for awards in FY 15.

***Safety Training***: In addition to informal safety “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 Safety training is placed into a 48-month training plan to accommodate 12-, 24- and 36-month renewal cycles, with make-up training provided on an ad hoc basis. In FY 16, CMSA conducted 37 formal safety training sessions on 17 separate topics (including confined space entry, excavation and trenching safety, first aid and CPR, underground utility locator certification, Injury and Illness Prevention Program, industrial truck safety, and many others) for a total of 594 training-hours. This equates to an average of 14.5 hours of formal safety training per employee for the fiscal year.

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

The Agency undertook the following initiatives to address its business practices and long-term financial stability for FY 16 and beyond.

***Revisions to Personnel Policies:*** During FY 16, Agency staff completed a periodic review of the Agency’s Personnel Policies and Procedures Manual in accordance with established Agency practices. The proposed revisions to the policies included updates and augmentation to language addressing a number of topics, including unlawful harassment, work hours, overtime and compensatory time, sick leave, training and development, and many other personnel-related matters. Moreover, two new policies were added to address employee gratuities and social media use. The proposed revisions were reviewed and examined by the Agency's Executive Team, CMSA's employment law attorney, and representatives from the employee's union, SEIU Local 1021, and were approved by the Agency's Board.

At the end of FY 16, there were forty-three Personnel Policies covering legal aspects of employment, Agency employment practices, benefits, as well as rules and regulations addressing daily employee work life.

***Governmental Accounting Standards Board Standard 45 (GASB 45) and Other Post Employment Benefits (OPEB):*** GASB 45 was established in 2004 to require governmental entities to account and report post-employment health care and other forms of non-pension benefits (OPEB) on their financial statements. CMSA has continued to comply with the GASB 45 requirements to disclose the valuation of its post-employment health benefits obligation since its release of its FY 2010 financial statements. While GASB 45 does not require a public entity to fund its post-employment health benefits obligation, the Board approved funding the Agency's annual OPEB contribution through a multi-employer trust administered by California Public Employees Retirement System (CalPERS). The Agency has now prefunded its actuarially-determined OPEB annual contributions since FY 10 and will continue to do so as reflected in its FY 17 Adopted Budget.

To date, we continue to rely on our most recent biennial GASB 45 valuation report for the period ending January 1, 2015. There was an increase in the actuarial present value of OPEB benefits since the June 30, 2013 valuation, from $4.19 million to $4.51 million. The increase was a result of changes in the employee and retiree population during the two years between valuation reports, as well as a lower assumed rate of return on the trust investments from 7.61% to 7.28%. At the end of FY 16, the Agency had accumulated $1.9 million in the multi-employer trust account, achieving a funding level of 41%. This balance included $120K in FY 16 contributions and investment earnings of $23K during the same time period. This amount is not included on the Agency's financial statement as it is not considered an asset of the Agency.

***Future Revenue Planning:*** The Agency updates a 10-year financial forecast each fiscal year to accompany the annual budget. These forecasts are a long-term budgetary examination of Agency operations and program revenues, operating expenses, capital expenses, and reserve balances. The examination is the result of a collaborative process between Agency staff and the CMSA Board Finance Committee. It provides a strategic perspective to guide the Board in making decisions on the direction for future budgets, revenues, and the funding and uses of Agency reserves.

The 10-year model for FY 17 indicates that, consistent with the Board's five-year funding decision in February 2013, the Agency will have sufficient revenues to support operations over the remaining three fiscal years (FY 16, 17, and 18) of the Agency's five-year revenue plan. The

Agency will begin the collaborative process of developing its next five-year revenue plan this fall.

## SUCCESSION PLANNING

The Agency has conducted succession planning over the past several years to ensure CMSA is able to fulfill its mission with the required staff. Additionally, 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 Succession Plan is updated annually, by analyzing the age and length of service of each member of the workforce, and interviewing employees who meet the criteria for retirement about their retirement plans. The results of this annual update are also incorporated into the Agency's long-term financial forecast model. Characteristics of the CMSA workforce at the end of FY 16 are as follows:

- 43 full time employees and one vacancy
- Average age is 45.2 years
- Average length of service is 9.1 years
- 12 employees have over ten years of service
- Approximately two-fifths of current employees meet the minimum requirement for retirement from the California Public Employees Retirement System

The Agency recruited seven new employees during FY 16 in order to fill vacancies in operations, maintenance, engineering, and administration.

## FINANCIAL INFORMATION

***Accounting System and Budgeting Controls:*** The Agency's management team is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, management staff makes 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 (GAAP). CMSA believes that its internal accounting controls adequately address both goals.

The Agency is a California Joint Powers Agency (JPA) similar to a California Special District and maintains a single enterprise fund. As a JPA, customer service charges are made only to those customers who receive services. 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 all California Special Districts performing waste disposal enterprise activities.

The Agency's Board of Commissioners adopts an annual budget to serve as the approved financial plan for the fiscal year. Provisions within the JPA agreement authorize the Board to set the regional service charge assessed on the JPA member agencies. Total revenues received by CMSA from the JPA member agencies, as well as other revenue sources, funds the Agency's annual operations, capital programs, and debt service. The budget is used as a key control device to: (1) ensure Board oversight for operations and capital expenditures, and (2) monitor expenses and project their progress. All operating and capital activities of the Agency are included in the approved annual budget, along with a 10-year capital improvement program 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 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 Investment and Treasurer's Report to the Board and is available in the Agenda Packet posted on the website at http://www.cmsa.us/board/agendas-and-minutes.

***Cash Management:*** The Agency utilizes the services of the )1) Local Agency Investment Fund (LAIF), (2) Westamerica Bank, and (3) California Asset Management Program (CAMP) to manage its cash and cash equivalent assets. LAIF is a pooled investment 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. Westamerica Bank serves the Agency's general banking requirements in processing the Agency disbursements and receipts.

Additionally, the Agency also invests some or a portion of its budgeted reserves in CAMP. CAMP is a Joint Powers Authority 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.

**FINANCIAL INFORMATION** (Continued)

Total interest income earned and recognized during FY 16 was $376,752, an increase of $334,802 over FY 15. The increase is attributable to the annual amortization of the Refunding Revenue Bond Series 2015 premium and a nominal rise in historically low interest rates on cash balances held in LAIF and CAMP. Interest earned on LAIF and CAMP investments was $62,389 and interest recognized on the bond premium was $314,363.

***Agency Funding:*** The Agency began its FY 16 annual 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 member agencies and the contract services revenues received for providing wastewater services to SQSP account for the two major sources of Agency revenues. These are set annually by the Board or through contract agreement. Guided by Financial Policy #520-Revenue Management, the Agency allocates sewer service charges to each JPA member agency based on their respective volume and strength of delivered wastewater treated. This methodology represents a measurable and fair assignment of treatment costs, using the cost-of-service principal as applied, to measure influent flow received from each JPA member.

An EDU rate of $87.10 was used to allocate debt service to each JPA member agency. Historic EDU rates for the last ten years are displayed in Schedule 8 of the Statistical Section. During FY 16 the Agency received a total of $9,897,549 for sewer service charges and $4,574,029 for debt service from the JPA member agencies.

***Operating & Non-Operating Revenues:*** The following table shows a summary of revenues by source for the fiscal year ended June 30, 2016 and compares dollar and percentage changes over FY 15. The amounts shown in the table below differ from the audited Statement of Revenues and Expenses as it provides additional detail for revenues by source.

**FINANCIAL INFORMATION** (Continued)

| Operating & Non-Operating Revenues | Fiscal Year End June 30, 2016 | FY 16 Percent of Total | Increase (Decrease) from FY 15 | Percent Increase (Decrease) |
|---|---|---|---|---|
| Regional Service Charge | $ 9,897,549 | 58.4% | $ 497,809 | 5.3% |
| Debt Service Charge | 4,574,029 | 27.0% | (1,241,598) | -21.3% |
| Contract Service & Program Revenue | 1,766,541 | 10.4% | 210,918 | 13.6% |
| Permit and Inspection Fees | 19,572 | 0.1% | 2,946 | 17.7% |
| Revenue from Haulers & RV | 237,367 | 1.4% | 24,043 | 11.3% |
| **Total Operating Revenues** | **16,495,058** | **97.3%** | **(505,882)** | **-3.0%** |
| Interest and Investment Income | 376,752 | 2.2% | 334,802 | 798.1% |
| Miscellaneous Revenues and Refunds | 80,717 | 0.5% | (749,506) | -90.3% |
| **Total Non-Operating Revenues** | **457,469** | **2.7%** | **(414,704)** | **-47.5%** |
| **Total Revenues** | **$ 16,952,527** | **100.0%** | **$ (920,586)** | **-5.2%** |

Total operating and non-operating revenues, excluding contributed capital (capacity charges), decreased by $920,586. Increases and decreases in revenue categories are summarized as follows:

- Service charges increased by $497,809 per scheduled increases for wastewater treatment services. The increase included $430,000 to fund future capital improvement projects.
- Debt service charges decreased $1,241,598 as a result of interest savings resulting from the prior year's Refunding Revenue Bonds Series 2015 refinance.
- Contract service and program revenues net increase was $210,918 due to the contractual rate increases with SQSP, SQV, and increased through the budget development process for SD #2. However, SQV revenue actually decreased by $38K due to a reduced need for repair services, parts, and equipment. Program sources included fats, oils and grease (FOG) and dental amalgam program revenue which increased $13K. Combined revenues from the safety director program and county-wide education program decreased $226.
- Permit and Inspection Fees increased by $2,946 due to an increase in the number of permits issued and number of inspections.
- Revenue from septic, food waste, and liquid waste disposal haulers increased $24,043, and was largely attributable to increased loads of organic wastes delivered to the Agency's facilities.
- Interest and investment income increased by $334,802 due to the interest income recognized on the annual amortization of the Refunding Revenue Bonds Series 2015 premium.
- Miscellaneous revenues decreased by $749,506 from the prior year due to the one-time refunding of the Revenue Bonds Series 2006 in FY 15.

**FINANCIAL INFORMATION** (Continued)

***Contributed Capital (Capacity Charge):*** The following schedule presents a summary of contributed capital (capacity charges) for the fiscal year ended June 30, 2016 with a dollar and percentage comparison for changes over FY 15. Capacity charges received during FY 16 totaled $162,705 for 24 new residential, 2 commercial, and 630 additional fixture unit fee connections in the service area.

| Capital Contributions | Fiscal Year Ended June 30, 2016 | Increase (Decrease) from FY 15 | Percent Increase (Decrease) |
|---|---|---|---|
| Capacity charges | $162,705 | $(253,141) | -60.9% |

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. The Agency's current practice is to utilize capacity charges received on a first-in-first-out basis to finance capital projects during that fiscal year. Accordingly, no interest was posted to capacity charges and there was no outstanding balance of capacity charges at fiscal year-end. Other required disclosures for the fiscal year ended June 30, 2016 are as follows:

- Total amount of capacity charges collected: $162,704.70

- Listing of FY 16 Maintenance and Capital Projects for which capacity charges were applied:

  - ✓ Sludge Thickening System Replacment Project $ 162,704.70

**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 the fiscal year ended June 30, 2016. It also includes a comparison of dollar and percentage changes over FY 15.

| **Operating Expenses** | **Fiscal Year Ended June 30, 2016** | **FY 16 Percent of Total** | **Increase (Decrease) from FY 15** | **Percent Increase (Decrease)** |
|---|---|---|---|---|
| Salaries and Benefits | $ 7,411,654 | 65.2% | $ 1,068,124 | 16.8% |
| Agency Operations | 1,408,893 | 12.4% | 67,095 | 5.0% |
| Repairs and Maintenance | 1,373,609 | 12.1% | 338,556 | 32.7% |
| Permit Testing and Monitoring | 121,094 | 1.1% | (9,593) | -7.3% |
| Insurance | 101,447 | 0.9% | 3,825 | 3.9% |
| Utilities and Telephone | 346,701 | 3.1% | (82,623) | -19.2% |
| General and Administrative | 595,639 | 5.2% | 45,500 | 8.3% |
| **Total Expenses** | **$ 11,359,037** | **100.0%** | **$ 1,430,884** | **14.4%** |

Total operating expenses increased by $1,430,884 and are summarized as follows:

- Salaries and Benefits increased by $1,068,124 due to pension adjustments related to the FY 15 implementation of GASB 68, as well as 4%-4.5% planned salary increases for represented and unrepresented employees.
- Agency Operations increased by $67,095 due to higher costs for chemical deliveries, as well as for increased biosolids hauling fees.
- Repairs and Maintenance expenses increased $338,556, primarily attributable to budgeted capital improvement program expenditures that did not meet the Agency's capitalization criteria. As a result, these were expensed. There were also increased maintenance costs for the organic waste receiving facility and the cogeneration system.
- Permit Testing and Monitoring decreased by $9,593 because the underground secondary containment tank was not tested in FY 16. The last test was in FY 15 and the next test is scheduled for FY 18.
- Insurance increased $3,835 and was attributable to general liability coverage.
- The $82,623 decrease in utility expenses was attributable to a reduced need to purchase natural gas city from outside suppliers. The anaerobic digesters and the organic waste receiving facility produce biogas, a renewable resource, which is used as fuel in the cogeneration system to generate electricity to power Agency facilities.
- General and administrative expenses increased $45,500. The increase was attributable to unanticipated expenditures for (1) a Board approved contract for engineering support services for a new flow monitoring study, (2) one unexpected staffing recruitment, (3) hiring of a strategic business plan consultant, and (4) unanticipated implementation costs associated with the accounting system upgrade.

**FINANCIAL INFORMATION** (Continued)

***Revenue Bonds Assets and Liabilities:*** On April 22, 2015, the Agency issued the $49,310,000 Refunding Revenue Bond Series 2015 at a premium of $5,344,174, with an interest rate ranging from 2.5 to 5.0 percent. The Bonds are fully registered, with principal due annually on September 1, and interest payable semi-annually on March 1 and September 1.

The bond proceeds were used to advance refund the $68,730,000 Central Marin Sanitation Agency Revenue Bonds Series 2006 (the "Refunded Bonds"), of which $55,510,000 in the aggregate principal amount was outstanding at the time of refunding. The Refunded Bonds financed improvements to the Agency's wastewater treatment and disposal systems, and included increased treatment plant capacity to manage wet weather flows. At the end of FY 16, the Agency had $47,215,000 in outstanding debt, not including a premium of $4,720,424, net of discounts, that is amortized over the life of the bonds.

Each JPA member agency is obligated to pay its share of the semi-annual debt service and 25 percent 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. Future Debt Service Charges per EDU will vary depending on the total number of EDUs in the combined service area.

The following schedule is a summary of debt service activities related to Refunding Revenue Bond Series 2015 for the fiscal year ended June 30, 2016.

| **Revenue Related to Debt Service** | **Fiscal Year Ended June 30, 2016** |
|---|---|
| Service Charge Revenue: Debt Service | $4,574,029 |
| Interest Income from 2015 Revenue Bond Premium | 314,363 |
| | |
| **Outstanding Debt** | |
| Current Maturity (due in one year) | 2,195,000 |
| Long-term debt (greater than one year) | 45,020,000 |
| **Total Outstanding Debt** | **$47,215,000** |

Service Charge Revenue reflects the actual semi-annual debt service payments received from the JPA member agencies and is based solely on 125% of the scheduled semi-annual debt payments to the bond holders. Interest income is derived from the annual amortization of the refunding debt premium.

**FINANCIAL INFORMATION** (Continued)

***Capital Assets:*** The following schedule presents a summary of capital assets for the fiscal year ended June 30, 2016 with a dollar and percentage comparison for changes over FY 15.

| **Capital Assets** | **Fiscal Year Ended June 30, 2016** | **Increase (Decrease) from FY 15** | **Percent Increase (Decrease)** |
|---|---|---|---|
| Plant and facilities at cost | $158,746,808 | $2,404,956 | 1.5% |
| Accumulated depreciation and disposition | (71,878,108) | 3,898,944 | 5.7% |
| **Net Plant and Facility** | **$86,868,700** | **$6,303,900** | **7.2%** |

The Agency's investment in capital assets as of June 30, 2016 totaled $86,868,700, net of accumulated depreciation. The investment in capital assets includes land and land improvements, wastewater treatment facilities, wastewater disposal facilities, general plant and administrative facilities, and construction-in-progress. During FY 16, the Agency acquired $2.4 million capital assets, transferred $1.97M from construction-in-progress into service, and recorded and additional $3.89 million for the depreciation of capital assets. Depreciation expense increased $407,705, as assets placed in service in FY 15 started depreciating. Major capital asset transactions (and amounts spent) during the fiscal year include the following:

- Continued work on the Maintenance Building Modifications Project ($110,240)
- Continued work on the Odor Control System Improvement Project ($75,119)
- Continued work on the Organic Waste Receiving Facility Project ($17,776)
- Completed work on the Sludge Thickening System Replacement Project ($943,215)
- Completed work on the Chemical Storage Room Rehabilitation Project ($874,621)
- Installation of new primary clarifier influent inlet gates ($104,972)
- Completed Spiral Heat Exchanger Replacement Project ($91,770)
- Completed the Recycled Water Truck Fill Station Project ($87,261)
- Vehicle replacements included permanent flat-bed truck fuel tank and crane upgrades, and an electric cart ($50,856)

***Other Post-Employment Benefits (OPEB):*** Governmental Accounting Standards Board Standard 45 (GASB 45) was established in 2004 to require governmental entities to account and report post-employment health care and other forms of non-pension benefits (OPEB) in their financial reports. CMSA has complied with the GASB 45 requirements to disclose the valuation of its OPEB obligation, starting with its FY 10 financial statements which were accepted by the Board on November 10, 2016. While GASB 45 does not require public entities to fund its OPEB obligation, the Board has decided to set aside funding in a multi-employer trust fund administered by the California Public Employees Retirement System (CalPERS) to pay for future post-employee health benefits obligations for current Agency retirees and employees. The Agency has now prefunded its actuarially determined annual OPEB contributions since FY 10.

Below is a table of the Agency's actual annual retiree health expenditures and contributions to the California Employers' Retirement Benefit Trust (CERBT). The accumulated balance in the CERBT is not included on the Agency's financial statement as it is not an asset of the Agency. OPEB funding progress ratio is 41%, and the unfunded accrued liability is $2.5M for FY 16, and is shown in the table in Note 10 and in the *Required Supplementary Information* for prior fiscal years in the Agency audited FY 16 Financial Statements.

**FINANCIAL INFORMATION** (Continued)

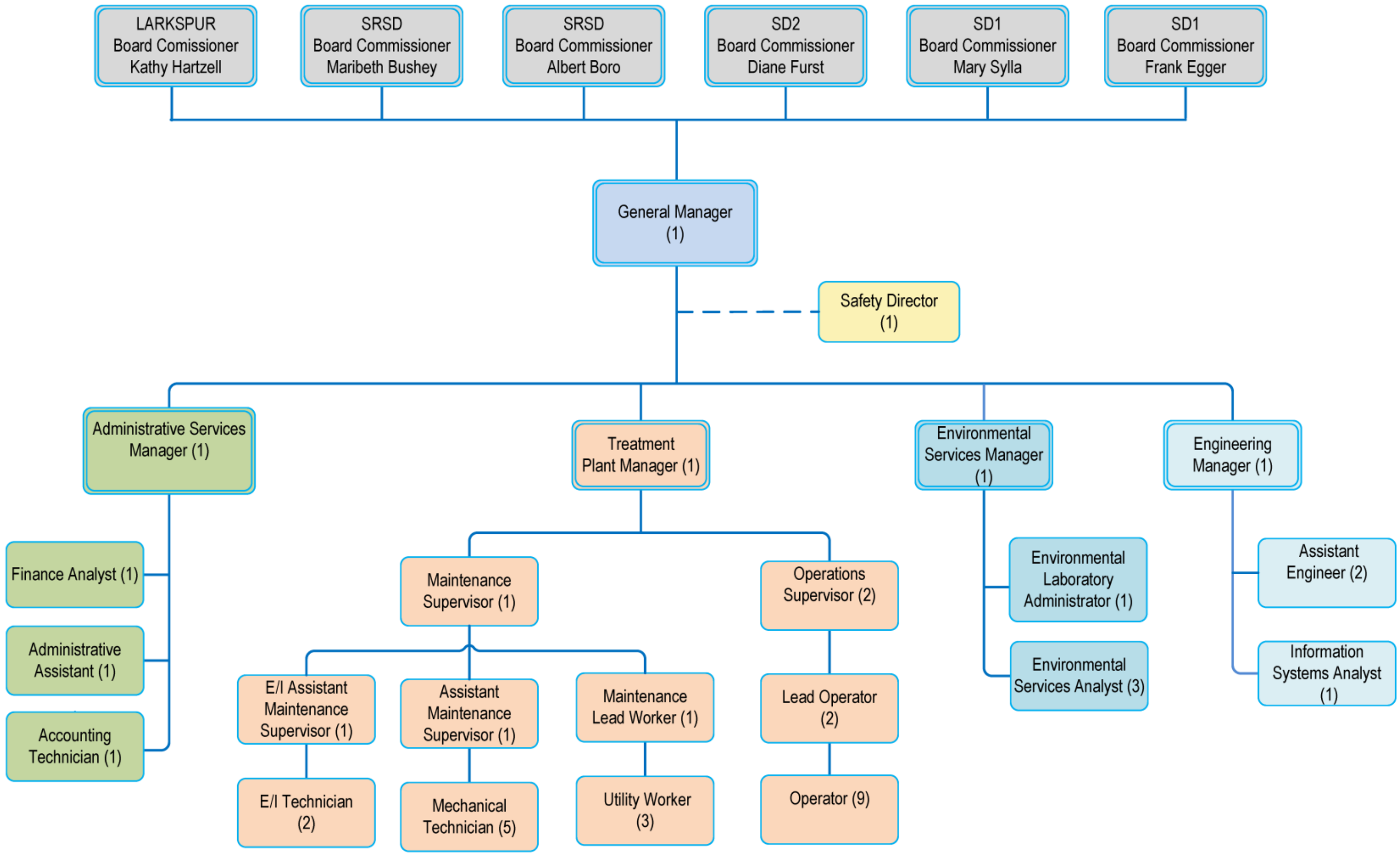
| | # of Retirees as of June 30 | Retiree Health Expenditures | Contributions To CERBT | Ending CERBT Balance* |
|---|---|---|---|---|
| FY 09-10 | 24 | $121,003 | $300,086 | $ 298,158 |
| FY 10-11 | 24 | 135,040 | 276,332 | 676,399 |
| FY 11-12 | 28 | 147,745 | 240,259 | 925,988 |
| FY 12-13 | 29 | 147,782 | 217,142 | 1,255,329 |
| FY 13-14 | 31 | 159,603 | 150,200 | 1,649,590 |
| FY 14-15 | 30 | 176,905 | 119,600 | 1,765,644 |
| FY 15-16 | 30 | 171,822 | 120,880 | 1,903,765 |

* Includes CERBT administration expenses and gains or losses on investments.

***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 through the use of insurance policies, while retaining a manageable portion of risk through deductibles. The Agency is a member of the California Sanitation Risk Management Authority (CSRMA), a joint powers authority 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 through the use of hold harmless (indemnification) clauses in all Agency-related contracts and agreements.

In the area of risk reduction or avoidance, the Agency utilizes an in-house safety committee, the cooperative safety director 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 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 director for their ongoing efforts to ensure workplace safety.

***Independent Audit:*** State statutes require an annual audit by independent Certified Public Accountants. The accounting firm Chavan & Associates LLP, Certified Public Accountants, performed the audit of the Agency’s FY 16 financial statements. Chavan & Associates LLP 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.




**Agency Officials as of June 30, 2016**

Commissioners:

Kathy Hartzell, Commission Chair, City of Larkspur
Maribeth Bushey, Commission Vice-Chair, San Rafael Sanitation District
Albert Boro, Secretary, San Rafael Sanitation District
Frank Egger, Sanitary District No. 1 of Marin County
Mary Sylla, Sanitary District No. 1 of Marin County
Diane Furst, Sanitary District No. 2 of Marin County

Managers:

Jason R. Dow, PE, General Manager
Chris Finton, Treatment Plant Manager
Robert Cole, Environmental Services Manager
Carlos Oblites, Administrative Services Manager
Brian Thomas, PE, Engineering Manager

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

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Financial Report
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

**FINANCIAL SECTION**

**Audited Financial Statements**

# CENTRAL MARIN SANITATION AGENCY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2016

* * *

**CHAVAN & ASSOCIATES LLP**
CERTIFIED PUBLIC ACCOUNTANTS
1475 SARATOGA AVE, SUITE 180
SAN JOSE, CA 95129

# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Financial Statements

We have audited the accompanying financial statements of the Central Marin Sanitation Agency (the "Agency"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Agency's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

The Agency's 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Central Marin Sanitation Agency, as of June 30, 2016, and the

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respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of pension contributions - CalPERS, schedule of proportionate share of net pension liability, and schedule of funding progress for the retiree health benefit plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

*New Accounting Principles*

As discussed in Note 1 to the financial statements, the Agency adopted the provisions GASB Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* effective June 30, 2016**.**

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016 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 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 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.

C & A LLP

October 18, 2016
San Jose, California

# MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the Agency's Independent Audit Report presents management's discussion and analysis of the Agency's financial performance during the fiscal year ended June 30, 2016. It is intended to serve as an overview to the Agency's required financial statements. Please read it in conjunction with Agency's financial statements and accompanying notes, which follow this section.

## ORGANIZATION AND BUSINESS

Central Marin Sanitation Agency (CMSA) is a regional wastewater treatment agency that serves central Marin County residents, businesses, and governmental institutions including San Quentin State Prison (SQSP). The area served by CMSA includes portions of the City of San Rafael, the City of Larkspur, the Towns of Corte Madera, Fairfax, Ross, San Anselmo and the unincorporated areas of Ross Valley. For the Fiscal Year 2015-16 reporting period, the Agency provided services to 48,350 equivalent dwelling units (EDUs) with an approximate population of 105,000 in the service area. An additional 4005 EDUs have been assigned to SQSP.

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. Accordingly, the four local agencies that provided wastewater services, San Rafael Sanitation District (SRSD), Sanitary District No. 1 of Marin County (SD1), Sanitary District No. 2 of Marin County (SD2), 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. The SQSP chose not to join the JPA. The Agency's facilities were constructed at a cost of $84 million and funded by federal (75%) and state (12.5%) clean water grants, as well as local shares (12.5%) from the four local agencies and SQSP.

The CMSA wastewater treatment facility became operational in January 1985. The treated wastewater discharged into central San Francisco Bay as clean effluent consistently meets and exceeds all federal, state, and regional regulatory requirements. Since that time, CMSA has successfully carried out its mission of protecting public health and the environment through the planning, administration, and coordination of wastewater services throughout central Marin County. CMSA also provides other services that benefit its customers and the environment through 1) participating in federal pretreatment and regional pollution prevention programs, 2) serving as the lead agency for administering a comprehensive safety program with another wastewater agency in the county, 3) managing a countywide public educational program, and 4) providing collection system maintenance, source control, and other services under contract to several local agencies in the county.

The Agency's governing body, a Board of Commissioners (Board), comprises individuals appointed by the JPA agencies. San Rafael Sanitation District and Sanitary District No. 1 of Marin County each have two members on the Commission while the City of Larkspur and Sanitary District No. 2 of Marin County each have one member. The six-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 Agency 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.

## FINANCIAL HIGHLIGHTS

The Agency's FY 2015-16 financial highlights are listed below and the changes indicated are in relation to the FY 2014-15 audited financial statements[1]. These results are also discussed in more detail later in the report.

- The total ending Net Position increased by $280,303 from FY 2014-15 to FY 2015-16 to $45,625,458. The 2015-16 net position was greater than the 2014-15 net position because total income exceeded expenses by $280,303. However, the 2014-15 net position included a one-time reduction of $7.3 million from the implementation of GASB 68 that will be carried forward until the Agency's actuarially determined pension liability is fully funded. The Agency is not required to fully-fund the pension liability.

- Total revenues (operating and non-operating) decreased by $920,586 from FY 2014-15 to $16.95 million in FY 2015-16. The decrease in revenues was from the savings in interest due for debt service from the prior year's Refunding Revenue Bonds Series 2015 refinance.

- Total expenses (operating and non-operating) increased by $614,682 from FY 2014-15 to FY 2015-16. The increases in expenses resulted from pension adjustments to employee benefits related to GASB 68, salary and benefits, and depreciation expense.

- Capital contributions-capacity charges decreased by $253,140 to $162,705 from FY 2014-15 to FY 2015-16 due to a decrease in the number of new connections in the service area.

[1] The Agency's FY 2014-15 and FY 2015-16 audited financial statements are available at www.cmsa.us/finance

## OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report includes the Management's Discussion and Analysis report, the Independent Auditor's report and the Basic Financial Statements of the Agency. The financial statements also include notes that explain the information in the financial statements in more detail.

## BASIC FINANCIAL STATEMENTS

The Financial Statements of the Agency report information about the Agency's accounting methods similar to those used by private sector companies. These statements have been prepared and audited using generally acceptable accounting standards. These required statements offer short-term and long-term financial information about the Agency's activities and are often used to assess the financial position and health of the organization.

<u>The Statement of Net Position</u> (formerly Statement of Net Assets) includes all of the Agency's assets, deferred outflow of resources, liabilities, and deferred inflow of resources, and provides information about the nature and amounts of investments in resources and obligations to creditors. It also provides the basis for evaluating the capital structure of the Agency.

<u>The Statement of Revenues, Expenses and Changes in Net Position</u> accounts for all revenues and expenses during the reporting period. This statement reflects the result of Agency operations over the past year as well as non-operating revenues, expenses, and contributed capital.

<u>The Statement of Cash Flows</u> provides information on the Agency's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operational, capital, and investing activities. It also identifies the sources and uses for the cash and changes in the cash balances.

## FINANCIAL ANALYSIS OF THE AGENCY

One of the most important questions asked about the Agency's finances is whether or not the Agency's overall financial position has improved or deteriorated. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Agency's activities in a way that will help answer this question. These two statements report the net position of the Agency as well as related changes. The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources (net position) is one way to measure financial health or financial position. Over time, increases or decreases in the Agency's net position is one of many indicators to ascertain if its financial health is improving or deteriorating. Other factors to consider include changes in economic conditions, population growth, and new or changed legislation.

## NET POSITION STATEMENT ANALYSIS

### Table 1 – Summary of Net Position

| | Fiscal Year 2015-16 | Fiscal Year 2014-15 | Dollar Change | Percent Change |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets | $ 15,474,943 | $ 16,638,187 | $ (1,163,244) | -6.99% |
| Noncurrent Assets | 4,047,656 | 4,049,998 | (2,342) | -0.06% |
| Capital Assets | 86,868,700 | 88,362,689 | (1,493,989) | -1.69% |
| Total Assets | $ 106,391,299 | $ 109,050,874 | $ (2,659,575) | -2.44% |
| Deferred Outflows of Resources | $ 2,092,186 | $ 936,613 | $ 1,155,573 | 123.38% |
| **Liabilities** | | | | |
| Current Liabilities | $ 3,717,433 | $ 4,016,974 | $ (299,541) | -7.46% |
| Noncurrent Liabilities | 56,653,090 | 58,370,954 | (1,717,864) | -2.94% |
| Total Liabilities | $ 60,370,523 | $ 62,387,928 | $ (2,017,405) | -3.23% |
| Deferred Inflows of Resources | $ 2,487,504 | $ 2,254,404 | $ 233,100 | 10.34% |
| **Net Position** | | | | |
| Net Investment in Capital Assets | $ 38,980,932 | $ 38,085,361 | $ 895,571 | 2.35% |
| Unrestricted | 6,644,526 | 7,259,794 | (615,268) | -8.48% |
| Total Net Position | $ 45,625,458 | $ 45,345,155 | $ 280,303 | 0.62% |

Net position increased by $280,303 to $45,625,458 from FY 2014-15 to FY 2015-16 as described below:

- Total assets decreased by $2,659,575. Current assets decreased by $1,163,244 due to a reduction in accounts receivables and cash accounts. Noncurrent and capital assets decreased by $1,496,331 because of decreases in noncurrent, non-depreciable, construction-in-progress assets placed into service in FY 2015-16 as well as decreased accumulated depreciation on capital assets.

- Current liabilities (obligations due within 12 months) decreased by $299,541. The net decrease was due primarily to decreased construction related payables. Additional information can be found in Note #4 to the Financial Statements-Plant and Facilities.

- Non-current (long-term) liabilities decreased by $1,717,864 as a result of the FY 2014-15 implementation of GASB 68 when a $6 million net pension liability was recorded. Long-term liabilities are reduced each year as each series on the outstanding Refunding Revenue Bonds Series 2015 reach maturity and the principal amount is paid back to the bondholders. Additional information on the Agency's non-current liabilities can be found in Note #5-Long-Term Obligations.

By far the largest portion of the Agency's net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide treatment services for the residents and businesses in its service area. Consequently, these assets are not available for future spending. Although the Agency's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used or sold to liquidate Agency liabilities. The remaining balance of the unrestricted net position may be used to meet the Agency's ongoing obligations to its customers and creditors.

## REVENUES, EXPENSES, AND CHANGE IN NET POSITION STATEMENT ANALYSIS

### Table 2 – Change in Net Position

| | Fiscal Year 2015-16 | Fiscal Year 2014-15 | Dollar Change | Percent Change |
|---|---|---|---|---|
| **Operating Revenues:** | | | | |
| Service Charges | $ 14,471,578 | $ 15,215,367 | $ (743,789) | -4.89% |
| Contract maintenance revenues | 1,546,239 | 1,352,202 | 194,037 | 14.35% |
| Other operating revenue | 477,241 | 433,371 | 43,870 | 10.12% |
| Total operating revenue | 16,495,058 | 17,000,940 | (505,882) | -2.98% |
| **Non-operating Revenues:** | | | | |
| Interest and investment income | 376,752 | 41,950 | 334,802 | 798.10% |
| Other non-operating revenues | 80,717 | 830,223 | (749,506) | -90.28% |
| Total non-operating revenues | 457,469 | 872,173 | (414,704) | -47.55% |
| **Total Revenues** | **16,952,527** | **17,873,113** | **(920,586)** | **-5.15%** |
| **Expenses:** | | | | |
| Operating Expenses | 15,257,981 | 13,419,393 | 1,838,588 | 13.70% |
| Non-operating expenses | 1,576,948 | 2,800,854 | (1,223,906) | -43.70% |
| **Total Expenses** | **16,834,929** | **16,220,247** | **614,682** | **3.79%** |
| Income before Capital Contributions | 117,598 | 1,652,866 | (1,535,268) | -92.89% |
| Capital contributions - connection fee capacity charges | 162,705 | 415,845 | (253,140) | -60.87% |
| Change in net position | 280,303 | 2,068,711 | (1,788,408) | -86.45% |
| Net position - beginning | 45,345,155 | 50,554,474 | (5,209,319) | -10.30% |
| Prior period adjustment - GASB 68 | - | (7,278,030) | 7,278,030 | 100.00% |
| **Net position - ending** | **$ 45,625,458** | **$ 45,345,155** | **$ 280,303** | **0.62%** |

The statement of revenues, expenses, and changes in net position reflects the Agency's operating and non-operating revenues by major sources, operating and non-operating expenses by categories and capital contributions. The Agency's change in net position was $280,303 during FY 2015-16 as follows:

- Total operating revenues decreased by $505,882. Total service charges decreased by $743,789 as a result of lower debt service charges. Contract maintenance revenues increased by $194,037 due to a contractual rate increase for waste services between

CMSA and SQSP. Other operating revenues increased by $43,870 due to increased FOG (Fats, Oils & Grease) program revenues and increased organic waste disposal fees.

- Total non-operating revenues decreased by $414,704 due to the one-time refunding of the 2006 revenue bonds. Interest income increased by $334,802.

- Operating expenses increased by $1,838,588. The most significant changes in operating expenses from FY 2014-15 to 2015-16 were from salaries and benefits, and repairs and maintenance. Salaries and benefits increased by $1,068,124 due to the implementation of GASB 68, as well as 4%-4.5% planned salary increases for represented and unrepresented employees. Repairs and maintenance increased by $338,556 largely due to routine maintenance performed on capital related machinery and equipment that was planned for in the FY 2015-16 Capital Improvement Program budget, but did not meet the Agency's capitalization criteria and/or threshold requirement, and was therefore expensed.

- Non-operating expenses decreased $1,223,906 due primarily to the refunding of the 2006 revenue bonds in FY 2014-15. Interest expense will decrease as the amount of outstanding debt is paid off each year.

- Capital contributions-connection fee capacity charges decreased by $253,140. The connection fee is adjusted annually based on the ENR San Francisco City Cost Index. The 2.51% FY 2015-16 adjustment was lower than the 5.04% increase in FY 2014-15. There were 24 residential and 2 commercial new connections and 43.5 additional fixture connections in FY 2015-16 compared to 34 new connections and 630 additional fixture connections in FY 2014-15.

## CAPITAL ASSETS

The Agency's investment in capital assets as of June 30, 2016 totaled $86,868,700 net of accumulated depreciation. This investment in capital assets includes land and land improvements, wastewater treatment facilities, wastewater disposal facilities, general plant and administrative facilities, and construction-in-progress. During FY 2015-16, the Agency acquired/constructed $2.48 million and depreciated $3.9 million in capital assets. The total net decrease in the Agency's investment in capital assets was $1.49 million or 1.69%.

**Table 3 – Summary of Net Investment in Capital Assets**

| Description | Fiscal Year 2015-16 | Fiscal Year 2014-15 | Dollar Change | Percent Change |
|---|---|---|---|---|
| Land | $ 4,857,321 | $ 4,857,321 | $ - | 0.00% |
| Construction in progress | 313,483 | 2,077,798 | (1,764,315) | -84.91% |
| Wastewater treatment facilities | 75,059,419 | 74,332,479 | 726,940 | 0.98% |
| Wastewater disposal facilities | 4,032,909 | 4,356,428 | (323,519) | -7.43% |
| General plant and administrative facilities | 2,605,568 | 2,738,663 | (133,095) | -4.86% |
| **Total plant and facilities - net** | **$86,868,700** | **$88,362,689** | **$(1,493,989)** | **-1.69%** |

Construction-in-progress decreased by $1.76 million and there were $1.97 million in transfers during the year.

Major capital asset transactions and amounts during FY 2015-16 include the following:

- Completed work on the Sludge Thickening System Improvements ($934,215)
- Completed work on the Chemical Storage Room Rehabilitation project ($874,621)
- Completed Gates Rehabilitation installations ($104,972)
- Completed Spiral Heat Exchanger replacement ($91,770)
- Began Odor Control System Improvements ($75,119)
- Completed Recycled Water Truck Fill Station ($87,261)
- New electric cart and addition of fuel tank on existing truck ($50,856)

Additional information about the Agency's capital assets can be found in Note 4-Plant and Facilities.

## DEBT ADMINISTRATION

As of June 30, 2016, the Agency had $47,215,000 in outstanding debt from the Refunding Revenue Bonds Series 2015, not including a premium of $4,720,424, net of discounts, that is amortized over the life of the bonds.

The Agency continues to expand, upgrade, and improve the quality of its treatment systems to meet current environmental regulations, manage wet weather flows, and to serve the needs of its customers. The Refunding Revenue Bonds Series 2015 were issued at a premium during FY 2014-15 to refund the 2006 Revenue Bonds originally used to expand the hydraulic and/or process capacity of the Agency's treatment, storage, and disposal facilities, and to implement other Board of Commissioners' approved capital improvement projects.

Additional information on the Agency's outstanding debt can be found in Note 5-Long-Term Obligations.

## ECONOMIC FACTORS

The Agency is governed in part by provisions of the State Water Resources Control Board which specifies that rate-based revenues must at a minimum cover the costs of operation, maintenance and recurring capital replacement (OM&R). The Agency is not directly subject to general economic conditions as the main source of its sewer service revenues is received directly from three JPA member agencies (SRSD, SD1 and SD2) and not from the rate payers in the service area. The Agency does not receive property tax revenue. Accordingly, the Agency sets its charges to JPA member agencies and the State of California for SQSP to cover the costs of OM&R and debt financed capital improvements plus any increments for known or anticipated changes in program costs.

The Agency's Board of Commissioners adopts an annual budget which serves as the Agency's approved financial plan. The Board sets all fees and charges required to fund the Agency's operations and capital programs. The approved budget is used as a key control device that 1) establishes amounts by line-items accounts, identifies projects for operations and capital activities and 2) monitors expenses to ensure that approved spending levels have not been exceeded.

## CONTACTING THE AGENCY

This financial report is designed to provide our joint-power members and creditors with a general overview of the Agency's finances and demonstrate the Agency's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Administrative Services Manager
Central Marin Sanitation Agency
1301 Andersen Drive
San Rafael, CA 94901
(415) 459-1455

# BASIC FINANCIAL STATEMENTS

**Central Marin Sanitation Agency**

Statement of Net Position

June 30, 2016

| | | 2016 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ | 14,974,538 |
| Accounts receivable | | 374,481 |
| Interest receivable | | 19,204 |
| Prepaid expenses | | 75,562 |
| Other current assets | | 31,158 |
| Total Current Assets | | 15,474,943 |
| Noncurrent Assets: | | |
| Restricted cash and investments | | 4,047,656 |
| Capital Assets - Plant and facilities: | | |
| Non-depreciable | | 5,170,804 |
| Depreciable, net of accumulated depreciation | | 81,697,896 |
| Total Capital Assets - Net | | 86,868,700 |
| Total Noncurrent Assets - Net | | 90,916,356 |
| Total Assets | $ | 106,391,299 |
| | | |
| **Deferred Outflows of Resources** | | |
| Pension Contributions into CalPERS Miscellaneous Plans | $ | 2,092,186 |
| | | |
| **Liabilities** | | |
| Current Liabilities: | | |
| Accounts payable | $ | 550,440 |
| Accrued salaries and benefits | | 192,419 |
| Interest payable | | 440,233 |
| Unearned revenue | | 3,846 |
| OPEB liability | | 6,772 |
| Current portion of long-term obligations | | 2,523,723 |
| Total Current Liabilities | | 3,717,433 |
| Noncurrent Liabilities: | | |
| Long-term obligations, net of current portion | | 56,653,090 |
| Total Noncurrent Liabilities | | 56,653,090 |
| Total Liabilities | $ | 60,370,523 |
| | | |
| **Deferred Inflows of Resources** | | |
| Gain on Early Retirement of Long-term Debt | $ | 749,355 |
| Pension Adjustments- Differences in Projected and Actual Earnings | | 1,738,149 |
| Total Deferred Inflows of Resources | $ | 2,487,504 |
| | | |
| **Net Position** | | |
| Net Investment in Capital Assets | $ | 38,980,932 |
| Unrestricted | | 6,644,526 |
| Total Net Position | $ | 45,625,458 |

The notes to the financial statements are an integral part of this statement.

**Central Marin Sanitation Agency**
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

| | 2016 |
|---|---|
| **Operating Revenues:** | |
| Service charges | $ 14,471,578 |
| Contract maintenance revenues | 1,546,239 |
| Other operating revenues | 477,241 |
| Total operating revenues | 16,495,058 |
| **Operating Expenses:** | |
| Salaries and benefits | 7,411,654 |
| Facility operations | 1,408,893 |
| Repairs and maintenance | 1,373,609 |
| Permit testing and monitoring | 121,094 |
| Depreciation and amortization | 3,898,944 |
| Insurance | 101,447 |
| Utilities and telephone | 346,701 |
| General and administrative | 595,639 |
| Total operating expenses | 15,257,981 |
| Operating Income (Loss) | 1,237,077 |
| **Nonoperating Revenues (Expenses):** | |
| Interest and investment income | 376,752 |
| Interest expense | (1,577,466) |
| Other nonoperating revenue | 80,717 |
| Other nonoperating expense | 518 |
| Total nonoperating revenues (expenses) | (1,119,479) |
| Income (loss) before contributions | 117,598 |
| Capital contributions - capacity fees | 162,705 |
| Change in net position | 280,303 |
| Beginning net position | 45,345,155 |
| Ending net position | $ 45,625,458 |

The notes to the financial statements are an integral part of this statement.

**Central Marin Sanitation Agency**
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

| | 2016 |
|---|---|
| **Cash Flows from Operating Activities:** | |
| Cash received from customers and users | $ 16,646,745 |
| Cash payments to suppliers for goods and services | (3,721,491) |
| Cash payments to employees for services | (4,960,772) |
| Cash payments of benefits on behalf of employees | (2,644,768) |
| Net Cash Provided (Used) by Operating Activities | 5,319,714 |
| **Cash Flows from Capital and Related Financing Activities:** | |
| Cash received from capacity charges | 162,705 |
| Acquisition and construction of capital assets | (2,935,667) |
| Principal paid on capital debt | (2,095,000) |
| Interest paid on capital debt | (1,564,223) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (6,432,185) |
| **Cash Flows from Investing Activities:** | |
| Investment income | 54,016 |
| Other income (expense) | 34,400 |
| Net Cash Provided (Used) by Investing Activities | 88,416 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,024,055) |
| Cash and Cash Equivalents Beginning | 20,046,249 |
| Cash and Cash Equivalents Ending | $ 19,022,194 |
| **Reconciliation of Operating Income to Cash Flows Provided by Operating Activities:** | |
| Operating Income (Loss) | $ 1,237,077 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation and amortization | 3,898,944 |
| GASB 68 pension adjustments | (256,511) |
| (Increase) decrease in: | |
| Accounts receivable | 154,526 |
| Prepaid expenses | (3,017) |
| Other current assets | 271 |
| Increase (decrease) in: | |
| Accounts payable | 228,638 |
| Accrued salaries and benefits | 16,054 |
| OPEB liability | 8,647 |
| Unearned revenue | (2,839) |
| Compensated absences | 37,924 |
| Net Cash Provided (Used) by Operating Activities | $ 5,319,714 |
| **Summary of cash and cash equivalents:** | |
| Cash and cash equivalents | $ 14,974,538 |
| Restricted cash and cash equivalents | 4,047,656 |
| Total cash and cash equivalents | $ 19,022,194 |

The notes to the financial statements are an integral part of this statement.

## 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.

## 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.

*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.

Deferred outflow of resources is a consumption of net assets by the Agency that is applicable to a future reporting period. For example, prepaid items and deferred charges. Deferred inflow of resources is an acquisition of net assets by the Agency that is applicable to a future reporting period. For example, unearned revenue and advance collections.

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 assets 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.

- 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 four member agencies, which provide wastewater collection and transmission to the treatment plant. Joint venture details are discussed in Note 6.

*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. 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.

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.

Investments 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. This statement changed the definition of fair value and is effective for periods beginning after June 15, 2015.

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.

*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.

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:

| | |
|---|---|
| Waterwaste Treatment Facilities: | |
| Buildings | 40 years |
| Other | 5-25 years |
| Waterwaste Disposal Facilities | 40-50 years |
| General Plant & Administrative Facilities: | |
| Buildings | 40 years |
| Other | 5-30 years |

*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 assets along with any insurance payments made during issuance of the bond. Bond issuance costs, other than prepaid insurance, are expensed in the period incurred.

*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*

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Agency's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*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.

*Subsequent Events*

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.

*Implemented New Accounting Pronouncements*

**GASB Statement No. 72, *Fair Value Measurement and Application***

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The provisions of GASB Statement No. 72 (GASB 72) are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged.

GASB 72 provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The statement generally requires state and local governments to measure investments at fair value. The statement defines an *investment* as a security or other asset that (*a*) a government holds primarily for the purpose of income or profit and (*b*) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. *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 between participants at the measurement date.

The statement requires that acquisition value (an entry price) be used to measure the following assets:

a. donated capital assets;
b. donated works of art, historical treasures, and other similar assets; and
c. capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

GASB 72 requires that sound and consistent valuation techniques be used to determine fair value. The valuation techniques should maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The valuation technique used should be consistent with one or more of three approaches that are appropriate in the circumstances: the market approach, cost approach, and income approach. Valuation techniques should be applied consistently from period to period. A change in valuation technique or its application is appropriate if it achieves a measurement that is equally or more representative of an asset's fair value under the circumstances.

Inputs to valuation techniques used to measure fair value are categorized into three levels as noted in the investments disclosure section.

The implementation of GASB 72 did not have a significant impact on the Agency's financial statements and did not result in any prior period restatements or adjustments.

**GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments***

The purpose of GASB Statement No. 76 (GASB 76) is to identify the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB Statement No. 76 supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

GASB 76 reduces the authoritative sources of GAAP from four categories to two. According to the statement, "The sources of authoritative GAAP are categorized in descending order of authority as follows:

a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A).
b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B)."

Sources of nonauthoritative accounting literature are identified in paragraph 7 of GASB 76, and includes GASB Concepts Statements.

The implementation of GASB 76 did not have a significant impact on the Agency's financial statements and did not result in any prior period restatements or adjustments.

**GASB Statement No. 79, *Certain External Investment Pools and Pool Participants***

GASB 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in GASB 79. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in GASB 79 and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in GASB 79, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

GASB 79 establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The requirements of GASB 79 are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

The implementation of GASB 79 did not have a significant impact on the Agency's financial statements and did not result in any prior period restatements or adjustments.

*Upcoming New Accounting Pronouncements*

**GASB Statement No. 74**, ***Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.***

Effective date: the provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

Management anticipates that this statement will not have a direct impact on the Agency's financial statements.

**GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.***

**The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The Agency is in the process of determining the impact this statement will have on the financial statements.

**GASB Statement No. 77, *Tax Abatement Disclosures*.**

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Management anticipates that this statement will not have a material impact on the Agency's financial statements.

**GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans***

The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this GASB 78, the requirements of GASB 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that statement.

GASB 78 amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

Management does not anticipate a material impact on its financial statements from the implementation of this standard.

## NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The Agency's cash, cash equivalents and investments consisted of the following as of June 30, 2016:

| Cash and Investments | Available for Operations | Restricted | Fair Value | Investment Rating | Maturities |
|---|---|---|---|---|---|
| **Business-type Activities:** | | | | | |
| Cash Deposits: | | | | | |
| Cash on hand | $ 305,310 | $ - | $ 305,310 | N/A | N/A |
| Petty Cash | 462 | - | 462 | N/A | N/A |
| Total Cash Deposits | 305,772 | - | 305,772 | | |
| Investments: | | | | | |
| California Local Agency Investment Fund | 14,311,404 | - | 14,320,295 | Unrated | <1yr |
| California Assets Management Program | 357,362 | 4,047,656 | 4,407,754 | AAAm | <1yr |
| Total Investments | 14,668,766 | 4,047,656 | 18,728,049 | | |
| Total Cash and Investments | $ 14,974,538 | $4,047,656 | $ 19,033,821 | | |

Restricted cash and cash equivalents include proceeds from the sale of Central Marin Sanitation Agency Revenue Bonds. The restricted cash and cash equivalents can be used solely for the purpose described in Note 5 - Long-Term Obligations.

### *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 $248,552 as of June 30, 2016. 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.

### *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 Authority has the following recurring fair value measurements as of June 30, 2016:

- California Local Agency Investment Fund (LAIF) of $14,311,404; valued using Level 2 inputs.
- California Assets Management Program of $4,405,018; valued using Level 2 inputs.

*California Local Agency Investment Fund*

The Authority 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 agencies such as the Authority 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, 2016, was approximately $75.4 billion. Of that amount, 99.25% is invested in non-derivative financial products and .75% in structured notes and asset-backed securities. The balance in LAIF is available for withdrawal on demand.

*California Assets Management Program*

The CAMP pool has a diverse credit risk allocation averaging a rating of AAAm*, per S&P ratings, and the pool's policy limits the concentration of credit risks such that not anyone issuer within the portfolio exceeded 17% of the total pool as of December 31, 2014 (most recent information available). The total amount invested by all public agencies in CAMP, as of December 31, 2014, was approximately $1.8 billion. Of that amount, 85% was invested in non-derivative financial products and 15% 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 fair value of the pool is not the same as the value of the pool shares.

*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 above provisions as of and for the year ended June 30, 2016. The Agency's investment policy follows the California Government Code which authorizes the Agency to invest in the following:

| Authorized Investment Type | Maximum Remaining Maturity | Maximum Percentage of Portfolio | Maximum Investment In One Issuer |
|---|---|---|---|
| Local Agency Bonds, Notes, Warrants | 5 years | None | None |
| Registered State Bonds, Notes, Warrants | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| Federal Agency Securities | 5 years | None | None |
| Banker's Acceptance | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Repurchase Agreements | 1 year | None | None |
| Reverse Repurchase Agreements | 92 days | 20% of base | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| Passbook Savings Account Demand Deposits | N/A | None | None |
| California Asset Management Program (CAMP) | N/A | None | None |

*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 on page 26.

- *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 on page 28 for the Agency's limitations on the amount that can be invested in any one issuer. As of June 30, 2016, the Agency invested 23% of its cash in CAMP and 75% in LAIF. There were no other investments in any one issuer that represent five percent or more of the total investments.

## NOTE 4 - PLANT AND FACILITIES (CAPITAL ASSETS)

The Agency's plant and facilities capital assets consisted of the following as of June 30, 2016:

| Capital Assets | Balance July 01, 2015 | Additions | Deletions/ Adjustments | Balance June 30, 2016 |
|---|---|---|---|---|
| **Non-depreciable Plant and Facilities:** | | | | |
| Land and land improvements | $ 4,857,321 | $ - | $ - | $ 4,857,321 |
| Construction in progress | 2,077,798 | 203,135 | (1,967,450) | 313,483 |
| Total non-depreciable plant and facilities | 6,935,119 | 203,135 | (1,967,450) | 5,170,804 |
| **Depreciable Plant and Facilities:** | | | | |
| Wastewater treatment facilities | 127,496,592 | 4,087,873 | - | 131,584,465 |
| Wastewater disposal facilities | 13,644,906 | - | - | 13,644,906 |
| General plant and administrative facilities | 8,265,236 | 81,397 | - | 8,346,633 |
| Total depreciable plant and facilities | 149,406,734 | 4,169,270 | - | 153,576,004 |
| **Less accumulated depreciation for:** | | | | |
| Wastewater treatment facilities | (53,164,113) | (3,360,933) | - | (56,525,046) |
| Wastewater disposal facilities | (9,288,478) | (323,519) | - | (9,611,997) |
| General plant and administrative facilities | (5,526,573) | (214,492) | - | (5,741,065) |
| Total accumulated depreciation | (67,979,164) | (3,898,944) | - | (71,878,108) |
| Total depreciable plant and facilities - net | 81,427,570 | 270,326 | - | 81,697,896 |
| Total plant and facilities - net | $ 88,362,689 | $ 473,461 | $ (1,967,450) | $ 86,868,700 |

Depreciation expense for the year ended June 30, 2016 was $3,898,944.

## NOTE 5 - LONG-TERM OBLIGATIONS

The Agency's long-term obligations consisted of the following as of June 30, 2016:

| | Balance July 01, 2015 | Additions | Deductions | Balance June 30, 2016 | Due Within One Year |
|---|---|---|---|---|---|
| 2015 Refunding Revenue Bonds | $49,310,000 | $ - | $ 2,095,000 | $ 47,215,000 | $ 2,195,000 |
| 2015 Refunding Revenue Bonds Discounts and Premiums - Net | 5,015,451 | - | 295,027 | 4,720,424 | 328,723 |
| Net Pension Liability | 6,024,473 | 875,638 | 256,509 | 6,643,602 | - |
| Compensated Absences | 559,863 | 134,045 | 96,121 | 597,787 | - |
| Total Long-term Obligations | $ 60,909,787 | $ 1,009,683 | $ 2,742,657 | $ 59,176,813 | $ 2,523,723 |

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, 2016:

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 2,195,000 | $ 1,773,094 | $ 3,968,094 |
| 2018 | 2,250,000 | 1,711,906 | 3,961,906 |
| 2019 | 2,330,000 | 1,643,206 | 3,973,206 |
| 2020 | 2,395,000 | 1,572,331 | 3,967,331 |
| 2021 | 2,470,000 | 1,487,006 | 3,957,006 |
| 2022 - 2026 | 14,055,000 | 5,702,981 | 19,757,981 |
| 2027 - 2031 | 17,595,000 | 2,252,406 | 19,847,406 |
| 2032 | 3,925,000 | 61,328 | 3,986,328 |
| Total Debt Service | $ 47,215,000 | $ 16,204,258 | $ 63,419,258 |

## NOTE 6 - JOINT VENTURES

The Agency serves as a regional wastewater treatment plant for its four member agencies and San Quentin State Prison (SQ) and is governed by a six-member Board of Commissioners, two appointed by the governing board of Sanitary District No. 1 (SD 1), two appointed by the governing board of San Rafael Sanitation District (SRSD), one appointed by the governing board of Sanitary District No.2 (SD 2), and one appointed by the City Council of the City of Larkspur (Larkspur). 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 SRSD, $1.6 million for SD 2, $1 million for Larkspur 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 7 - COMMITMENTS AND CONTINGENCIES

Construction commitments for capital project were satisfied in the normal course of business activities and were financed either from current operations or available cash in net position. Management was not aware of any new construction commitments at June 30, 2016.

## NOTE 8 - 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). Risk sharing pools provide general and automobile liability and workers' compensation coverage. The pools operate to share risk among the members of the pool up to a limit of $15,500,000 and $750,000 for general liability and workers' compensation, respectively.

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 premium 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. Members share losses, which exceed the maximum premium assessment. Insurance purchasing pools provided property insurance and excess coverage to $15,000,000 on general liability and workers' compensation. Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2015 (most recent information available):

| | June 30, 2015 |
|---|---|
| Total Assets | $ 27,418,098 |
| Total Liabilities | 16,714,638 |
| Total Equity | 10,703,460 |
| Total Revenues | 10,895,632 |
| Total Expenditures | 11,157,866 |

## NOTE 9 - 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, 2016, are summarized as follows:

| | **Tier 1** | **PEPRA** |
|---|---|---|
| Hire date | Prior to January 1, 2013 | On or after January 1, 2013 |
| Benefit formula | 2.7% @ 55 | 2.0% @ 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 | 2.7% | 2.0% |
| Required employee contribution rates | 8% | 6.25% |
| Required employer contribution rates | 24% | 6.25% |

**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, 2016, the contributions recognized as part of pension expense for the Plan were as follows:

| | Total |
|---|---|
| Contributions - employer | $ 936,613 |
| Contributions - employee | 369,496 |
| Total contributions | $ 1,306,109 |

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

As of June 30, 2016, 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 |
|---|---|
| Miscellaneous Plan | $ 6,643,602 |

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, 2015, 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, 2014 rolled forward to June 30, 2015 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, 2014 and 2015 was as follows:

| | Proportion of Net Pension Liability |
|---|---|
| Proportion - June 30, 2014 | 0.2438% |
| Proportion - June 30, 2015 | 0.2422% |
| Change | -0.0016% |

For the year ended June 30, 2016, the Agency recognized pension expense of $694,350. At June 30, 2016, 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 | $ 950,859 | $ - |
| Changes in assumptions | - | (427,641) |
| Differences between expected and actual experiences | 45,201 | - |
| Net differences between projected and actual earnings on plan investments | 1,096,126 | (1,310,508) |
| Total | $ 2,092,186 | $ (1,738,149) |

The Agency reported $950,859 as deferred outflows of resources 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, 2017.

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

| Measurement Periods Ended June 30: | Deferred Outflows/(inflows) of Resources |
|---|---|
| 2016 | $ 651,469 |
| 2017 | (299,390) |
| 2018 | (272,073) |
| 2019 | 274,031 |
| Total | $ 354,037 |

**Actuarial Assumptions** - The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2014 |
| Measurement Date | June 30, 2015 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.50% |
| Inflation | 2.75% |
| Payroll Growth | 3.00% |
| Projected Salary Increase | 3.3% - 14.2% (1) |
| Investment Rate of Return | 7.5% (2) |
| Mortality | (3) |

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

**Discount Rate -** The discount rate used to measure the total pension liability was 7.50 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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 | New Strategic Allocation | Real Return Years 1 - 10 (a) | Real Return Years 11+ (b) |
|---|---|---|---|
| Global Equity | 47.00% | 5.25% | 5.71% |
| Global Fixed Income | 19.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Private Equity | 12.00% | 6.83% | 6.95% |
| Real Estate | 11.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 3.00% | 4.50% | 5.09% |
| Liquidity | 2.00% | -0.55% | -1.05% |
| Total | 100.00% | | |

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% 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:

| | |
|---|---|
| 1% Decrease | 6.65% |
| Net Pension Liability | $ 11,141,784 |
| Current Discount Rate | 7.65% |
| Net Pension Liability | $ 6,643,602 |
| 1% Increase | 8.65% |
| Net Pension Liability | $ 2,929,830 |

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

## NOTE 10 - OTHER POST EMPLOYMENT BENEFITS

*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 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.

*Funding Policy*

The Agency's annual required contribution of the employer (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC is $301,327. The plan members receiving benefits currently don't make contributions.

*Annual OPEB Cost, Net OPEB Obligation and Funded Status and Progress.*

The following table, based on the Agency's actuarial valuation as of July 1, 2015, shows the components of the Agency's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Agency's Net OPEB obligation (asset):

| | |
|---|---|
| Annual required contribution | $ 301,327 |
| Interest on net OPEB obligation | (96) |
| Adjustment to annual required contribution | 118 |
| Annual OPEB cost (expense) | 301,349 |
| Contributions made | (292,702) |
| Increase in net OPEB obligation | 8,647 |
| Net OPEB obligation (asset) - beginning | (1,875) |
| Net OPEB obligation (asset) - ending | $ 6,772 |

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2016 are as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual Cost Contributed | Net OPEB Obligation/ (Asset) |
|---|---|---|---|
| June 30, 2014 | $ 310,421 | 99.80% | $ (19,376) |
| June 30, 2015 | $ 314,006 | 94.43% | $ (1,875) |
| June 30, 2016 | $ 301,349 | 97.13% | $ 6,772 |

The following summarizes the funded status and progress of the plan as of June 30, 2016:

| | |
|---|---|
| Actuarial accrued liability (AAL) | $ 4,262,068 |
| Actuarial value of plan assets | 1,765,644 |
| Unfunded actuarial accrued liability (UAAL) | $ 2,496,424 |
| Funded ratio (actuarial value of plan assets/AAL) | 41% |
| Projected covered payroll (active Plan members) | $ 4,611,619 |
| UAAL as a percentage of covered payroll | 54% |

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the entry age normal actuarial method was used. The actuarial assumptions included a 7.28 percent investment rate of return (net of administrative expenses), inflation rate of 3 percent and an annual medical cost trend rate of 6.4 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after four years. The plan's unfunded actuarial accrued liability in each year is amortized on a level dollar basis over the closed 30-year period beginning July 1, 2009. The actuarial value of assets is equal to the fair value of plan assets, including any receivable contributions.

# REQUIRED SUPPLEMENTARY INFORMATION

**Central Marin Sanitation Agency**
Schedule of Pension Contributions - CalPERS
June 30, 2016

| | Actuarially Deterimined | |
| --- | --- | --- |
| | 2016 | 2015 |
| Contractually Required Contributions (Actuarially Determined) | $ 936,613 | $ 2,319,236 |
| Contributions in Relation to Actuarially Determined Contributions | 936,613 | 2,319,236 |
| **Contribution Deficiency (Excess)** | - | - |
| **Covered Employee Payroll (Actuarially Determined)** | **$ 8,046,936** | **$ 7,836,368** |
| **Contributions as a Percentage of Covered Payroll** | **11.64%** | **29.60%** |

**Notes to Schedule:**

| | |
| --- | --- |
| Valuation Date: | June 30, 2014 |
| Assumptions Used: | Entry Age Method used for Actuarial Cost Method |
| | Level Percentage of Payroll (Closed) Used Amortization Method |
| | 3.8 Years Remaining Amortization Period |
| | Inflation Assumed at 2.75% |
| | Investment Rate of Returns set at 7.5% |
| | CalPERS mortality table using 20 years of membership data for all funds |

**Central Marin Sanitation Agency**

Schedule of Proportionate Share of Net Pension Liability

June 30, 2016

| | 2016 | 2015 |
|---|---|---|
| Authority's Proportion of Net Pension Liability | 0.24216% | 0.24376% |
| Authority's Proportionate Share of Net Pension Liability | $ 6,643,602 | $ 6,024,473 |
| Authority's Covered Employee Payroll | $ 8,046,936 | $ 7,836,368 |
| **Authority's Proportionate Share of NPL as a % of Covered Employee Payroll** | **82.56%** | **76.88%** |
| **Plan's Fiduciary Net Position as a % of the TPL** | **82.12%** | **83.21%** |

** Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

**Central Marin Sanitation Agency**

Schedule of Funding Progress for the Retiree Health Benefit Plan

June 30, 2016

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a/c)) |
|---|---|---|---|---|---|---|
| 7/1/2010 | $ 298,158 | $ 3,446,399 | $ 3,148,241 | 8.65% | $ 3,899,232 | 80.74% |
| 7/1/2011 | 676,399 | 3,548,448 | 2,872,049 | 19.06% | 3,899,232 | 73.66% |
| 7/1/2013 | 1,255,329 | 4,010,474 | 2,755,145 | 31.30% | 4,099,618 | 67.20% |
| 7/1/2015 | 1,765,644 | 4,262,068 | 2,496,424 | 41.43% | 4,611,619 | 54.13% |

# OTHER INDEPENDENT AUDITOR'S REPORTS

Chavan & Associates, LLP
Certified Public Accountants

**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

We have audited, 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, the financial statements of the Central Marin Sanitation Agency (the "Agency") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 18, 2016.

**Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining effective 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) to determine the audit 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 entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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*.

**1475 Saratoga Ave, Suite 180, San Jose, CA 95129**
**Tel: 408-217-8749 • E-Fax: 408-872-4159**
**info@cnallp.com • www.cnallp.com**

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

October 18, 2016
San Jose, California

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# STATISTICAL SECTION

# STATISTICAL SECTION
# Overview

This part of the Agency's comprehensive annual 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.

**Contents** **Page**

**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.



**Schedules 8-10: Revenue and Equivalent Dwelling Units**

These schedules contain information to help the reader assess the Agency's most significant local revenue sources.



**Schedules 11-12: Debt Capacity and Revenue Coverage**

These schedules contain information to help the reader assess the affordability of the Agency's current levels of outstanding debt and the Agency's ability to issue additional debt in the future.



**Schedule 13-14: Demographic and Economic Information**

These schedules provide demographic and economic indicators to help the reader understand the local environment within which the Agency's financial activities take place.



**Schedule 15-16: Operational Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the Agency's financial report relates to the services the Agency provides and the activities it performs.

**Central Marin Sanitation Agency**
**Statement of Net Position**
**(Formerly the Statement of Net Assets)**

**Schedule 1**

**Fiscal Year Ending June 30**

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net Investment in Capital Assets | $ 38,980,932 | $ 38,085,361 | $ 36,352,645 | $ 38,592,778 | $ 39,015,640 | $ 39,424,680 | $ 40,913,010 | $ 42,776,891 | $ 41,758,701 | $ 40,268,280 |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | 6,644,526 | 7,259,794 | 14,201,829 | 13,337,772 | 12,651,278 | 11,513,682 | 10,264,178 | 6,896,628 | 6,323,289 | 5,778,181 |
| Total Net Position | $ 45,625,458 | $ 45,345,155 | $ 50,554,474 | $ 51,930,550 | $ 51,666,918 | $ 50,938,362 | $ 51,177,188 | $ 49,673,519 | $ 48,081,990 | $ 46,046,461 |

Notes:

The Agency implemented GASB No. 68 Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 (Issued 06/12), in FY 2015 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
## Statement of Revenues, Expenses and Changes in Net Position
**(Formerly Changes in Net Assets)**

### Schedule 2

| Fiscal Year Ended June 30 | Operating Revenues | Operating Expenses | Operating Income (Loss) | Non-operating Revenues (Expenses) | Capital Contributions - Capacity Charges | Change in Net Assets | Beginning Net Assets | Prior Period Adjustment | | Ending Net Assets |
|---|---|---|---|---|---|---|---|---|---|---|
| 2016 | $ 16,495,058 | $ (15,257,981) | $ 1,237,077 | $ (1,119,479) | $ 162,705 | $ 280,303 | $ 45,345,155 | | | $ 45,625,458 |
| 2015 | 17,000,940 | (13,419,393) | 3,581,547 | (1,928,681) | 415,845 | 2,068,711 | 50,554,474 | (7,278,030) | * | 45,345,155 |
| 2014 | 16,333,444 | (15,847,769) | 485,675 | (2,450,002) | 588,251 | (1,376,076) | 51,930,550 | - | | 50,554,474 |
| 2013 | 15,610,414 | (13,582,756) | 2,027,658 | (2,560,242) | 970,596 | 438,012 | 51,666,918 | (174,380) | ** | 51,930,550 |
| 2012 | 15,081,377 | (13,059,540) | 2,021,837 | (2,541,893) | 93,919 | (426,137) | 50,938,362 | 1,154,693 | *** | 51,666,918 |
| 2011 | 15,416,348 | (13,064,390) | 2,351,958 | (2,664,933) | 74,149 | (238,826) | 51,177,188 | | | 50,938,362 |
| 2010 | 15,248,891 | (11,438,099) | 3,810,792 | (2,520,271) | 213,148 | 1,503,669 | 49,673,519 | | | 51,177,188 |
| 2009 | 14,893,481 | (11,371,776) | 3,521,705 | (1,994,842) | 64,666 | 1,591,529 | 48,081,990 | | | 49,673,519 |
| 2008 | 12,196,165 | (10,154,339) | 2,041,826 | (97,225) | 90,928 | 2,035,529 | 46,046,461 | | | 48,081,990 |
| 2007 | 10,257,732 | (9,936,796) | 320,936 | 761,501 | 176,005 | 1,258,442 | 44,788,019 | | | 46,046,461 |

* 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.

** The Agency had simultaneously implemented GASB 65 with GASB 63, two new Government Accounting Standards Board statements, as of July 1, 2012. This had resulted in a $(174,380) change in net position to expense Revenue Bond Series 2006 debt issuance costs. See Note #2 Summary of Significant Accounting Policies for additional information available on http://www.cmsa.us/finance/FY2012-13 CAFR.

*** Salary expense for time worked on the Agency's treatment plant expansion projects during fiscal years 2006-2011 were reclassified to capital assets.

Note:
The Agency implemented Governmental Accounting Standards Board GASB Statement No. 34 in fiscal year 2003-04 and restated fiscal year 2002-03 amounts for consistency. Amounts for prior years have accordingly been omitted.

Source: Central Marin Sanitation Agency Audited Financial Statements

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

**Schedule 3**

| Fiscal Year Ended June 30 | Service Charge* | Contract Maintenance Revenue | Other Operating Revenue | Total Operating Revenues |
|---|---|---|---|---|
| 2016 | $ 14,471,578 | $ 1,546,239 | $ 477,241 | $ 16,495,058 |
| 2015 | 15,215,367 | 1,352,202 | 433,371 | 17,000,940 |
| 2014 | 14,722,581 | 1,226,428 | 384,435 | 16,333,444 |
| 2013 | 14,095,054 | 1,112,190 | 403,170 | 15,610,414 |
| 2012 | 14,396,006 | 296,377 | 388,994 | 15,081,377 |
| 2011 | 14,851,193 | 314,917 | 250,238 | 15,416,348 |
| 2010 | 14,587,726 | 351,621 | 309,544 | 15,248,891 |
| 2009 | 14,216,948 | 401,257 | 275,276 | 14,893,481 |
| 2008 | 11,343,061 | 591,782 | 261,322 | 12,196,165 |
| 2007 | 9,375,490 | 677,238 | 205,004 | 10,257,732 |

Note:
The Agency had simultaneously implemented GASB No. 65 with GASB 63, two new Governmental Accounting Standards Board statements, in FY 2013 as of July 1, 2012.

* Includes regional sewer service and capital debt service charges.

Source: Central Marin Sanitation Agency Audited Financial Statements

## Central Marin Sanitation Agency
## Operating Expenses

### Schedule 4

| Fiscal Year Ended June 30 | Salaries & Benefits | Facility Operations | Repairs & Maintenance | Permit Testing & Monitoring | Depreciation | Insurance | Utilities & Telephone | General & Administrative | Total Operating Expenses |
|---|---|---|---|---|---|---|---|---|---|
| 2016 | $ 7,411,654 | $ 1,408,893 | $ 1,373,609 | $ 121,094 | $ 3,898,944 | $ 101,447 | $ 346,701 | $ 595,639 | $ 15,257,981 |
| 2015 | 6,343,530 | 1,341,798 | 1,035,053 | 130,687 | 3,491,240 | 97,622 | 429,324 | 550,139 | 13,419,393 |
| 2014 | 8,585,875 | 1,340,334 | 1,175,412 | 110,372 | 3,562,656 | 97,325 | 471,656 | 504,139 | 15,847,769 |
| 2013 | 6,722,315 | 1,300,266 | 917,318 | 107,459 | 3,506,137 | 98,494 | 431,932 | 498,835 | 13,582,756 |
| 2012 | 6,340,897 | 1,317,942 | 593,504 | 90,890 | 3,633,904 | 93,614 | 383,934 | 604,855 | 13,059,540 |
| 2011 | 6,520,619 | 1,195,913 | 581,293 | 87,863 | 3,605,777 | 84,014 | 364,646 | 624,265 | 13,064,390 |
| 2010 | 6,107,007 | 1,268,649 | 545,498 | 89,672 | 2,263,687 | 90,282 | 379,155 | 694,149 | 11,438,099 |
| 2009 | 5,939,269 | 1,174,508 | 633,339 | 95,717 | 2,235,936 | 74,536 | 521,803 | 696,668 | 11,371,776 |
| 2008 | 5,403,786 | 982,732 | 349,730 | 106,460 | 2,198,294 | 71,781 | 487,697 | 553,859 | 10,154,339 |
| 2007 | 5,103,889 | 983,622 | 351,536 | 92,048 | 2,101,879 | 80,864 | 447,634 | 775,324 | 9,936,796 |

Notes:
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.

The Agency had simultaneously implemented GASB No. 65 with GASB 63, two new Governmental Accounting Standards Board statements, in FY 2013 as of July 1, 2012.

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 & Investment Income | Other Non-operating Revenues | | Interest Expense | Other Non-operating Expenses | | Total Non-operating Revenues (Expenses) |
|---|---|---|---|---|---|---|---|
| 2016 | $ 376,752 | $ 80,717 | | $ (1,577,466) | $ 518 | | $ (1,119,479) |
| 2015 | 41,950 | 830,223 | | (2,108,649) | (692,205) | | (1,928,681) |
| 2014 | 40,744 | 47,496 | | (2,536,490) | (1,752) | | (2,450,002) |
| 2013 | 102,856 | 46,773 | | (2,702,688) | (7,183) | | (2,560,242) |
| 2012 | 65,417 | 113,436 | * | (2,703,231) | (17,515) | * | (2,541,893) |
| 2011 | 90,322 | 30,786 | | (2,781,096) | (4,945) | | (2,664,933) |
| 2010 | 133,558 | 195,638 | | (2,849,065) | (402) | | (2,520,271) |
| 2009 | 865,160 | 58,034 | | (2,918,036) | - | | (1,994,842) |
| 2008 | 2,879,424 | 48,006 | | (2,973,702) | (50,953) | | (97,225) |
| 2007 | 2,649,415 | 198,029 | | (2,079,289) | (6,654) | | 761,501 |

Note:
The Agency simultaneously had implemented GASB No. 65 with GASB 63, two new Governmental Accounting Standards Board statements, in FY 2013 as of July 1, 2012.

* Audited financial statements reported other non-operating revenue (expense) - net $95,921

Source: Central Marin Sanitation Agency Audited Financial Statements

## Central Marin Sanitation Agency
## Contributed Capital by Source

### Schedule 6

| Fiscal Year Ended June 30 | Connection Fee (Capacity Charges) |
|---|---|
| 2016 | $ 162,705 |
| 2015 | 415,845 |
| 2014 | 588,251 |
| 2013 | 970,596 |
| 2012 | 93,919 |
| 2011 | 74,149 |
| 2010 | 213,148 |
| 2009 | 64,666 |
| 2008 | 90,928 |
| 2007 | 176,005 |

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency**
**Contributed Capital by Capital Additions**

**Schedule 7**

| Fisal Year Ended June 30 | Capital Additions |
|---|---|
| 2016 | $ 4,372,405 |
| 2015 | 2,244,858 |
| 2014 | 2,180,163 |
| 2013 | 3,953,437 |
| 2012 | 5,736,508 |
| 2011 | 2,835,289 |
| 2010 | 14,947,046 |
| 2009 | 17,781,193 |
| 2008 | 16,548,014 |
| 2007 | 6,738,313 |

Contributed capital additions reflect the value for the acquisition and/or construction of fixed assets for the reporting period.

Source: Central Marin Sanitation Agency Audited Financial Statements

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

**Schedule 8**

| Fiscal Year Ended June 30 | Sewer Service Charge per EDU | Total Service Charge Revenue | Effective EDU Rate Strength & Volume | Debt Service Charge per EDU | Total Debt Service Charge | Connected Equivalent Dwelling Units (EDU's) (1) | EDUs Assigned SQSP |
|---|---|---|---|---|---|---|---|
| 2016 | N/A | $ 9,897,549.00 | $ 204.71 | $ 87.10 (4) | $ 87.10 | 52,355 | 4,005 |
| 2015 | N/A | 9,399,740.01 | 193.78 | 111.49 | 111.49 | 52,512 | 4,005 |
| 2014 | N/A | 8,901,932.00 | 184.86 | 111.69 | 111.69 | 52,161 | 4,005 |
| 2013 | N/A (2) | 8,274,123.00 | 172.00 (3) | 113.51 | 113.51 | 52,111 | 4,005 |
| 2012 | 169.74 | 8,576,113.51 | | 115.19 | 284.93 | 50,525 | |
| 2011 | 164.64 | 9,032,808.96 | | 103.95 | 268.59 | 54,867 | |
| 2010 | 156.80 | 8,771,161.62 | | 103.44 | 260.24 | 55,941 | |
| 2009 | 149.33 | 8,396,527.24 | | 104.19 | 253.52 | 56,228 | |
| 2008 | 142.22 | 8,024,554.71 | | 71.63 | 213.85 | 56,258 | |
| 2007 | 135.45 | 7,534,413.64 | | 33.15 | 168.60 | 55,819 | |

Note (1):
EDU counts are provided annually to CMSA by the member agencies. An EDU generally is one household. In the case of multiple dwellings, the number of EDU's varies by units. Commercial EDU is based on 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. Prior to FY 13, SQSP's EDU was included in the total EDU reported by JPA members.

Note (2):
The Agency no longer uses the EDU count to calculate the sewer service charge. Since FY 13, the allocation has been calculated using volume, strength, and flow. The EDU count is still used to allocate debt service to each member agency.

Note (3):
Beginning in FY 13, the Agency changed its service charge allocation methodology which is now based on volume, strength, and flow. For comparison purposes, the effective EDU rate shows what the service charge per EDU would have been for FY 13 - FY 16 if the methodology had not changed. SQSP's EDU count is excluded from the service charge per EDU calculation beginning FY 13 when SQSP contracted with CMSA to provide waste water services.

Note (4):
Historically, the Debt Service Charge per EDU rate is equal to the adopted budget rate. The FY 16 Adopted Budget EDU rate was $87.10 using the 2015 final EDU count for the FY 16 Budget. Upon receiving the final year end increased EDU count for 2016, the rate was adjusted accordingly to correctly allocate debt service revenue to each JPA member agency based on their final EDU count. Debt service revenue is the funding source for the debt service obligation.

Source: Annual Agency Budgets

**Central Marin Sanitation Agency**
**Annual Flows into CMSA in Million Gallons and Pounds**
**Volume and Strength of Wastewater Treated**
**April 1 to March 31**

## Schedule 9

The wastewater flow (volume) and strength (BOD & TSS) for each JPA member agency is used to determine its allocation of the CMSA regional service charge (SC). Additional information about the how the SC is calculated can be found in the Agency's FY 2016 Budget available on www.cmsa.us/finance.

### A. Total Volume of Wastewater Flow into CMSA in million gallons

| 12-Month Period | SRSD | SD #1 | SD #2 | SQSP | Influent Flow |
|---|---|---|---|---|---|
| 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 |
| April 1, 2013 to March 31, 2014 | 1,387.11 | 1,737.97 | 397.52 | 158.51 | 3,681.11 |
| April 1, 2012 to March 31, 2013 | 1,528.91 | 1,993.15 | 422.70 | 160.46 | 4,105.22 |
| April 1, 2011 to March 31, 2012 | 1,482.20 | 1,916.90 | 381.20 | 186.60 | 3,966.90 |
| April 1, 2010 to March 31, 2011 | 1,814.70 | 2,389.80 | 471.20 | 244.80 | 4,920.50 |

### B. Total Mass of Biological Oxygen Demand (BOD in pounds)

| 12-Month Period | SRSD | SD #1 | SD #2 | SQSP | Influent BOD |
|---|---|---|---|---|---|
| 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 |
| April 1, 2013 to March 31, 2014 | 4,716,353 | 3,522,352 | 694,504 | 1,121,446 | 10,054,655 |
| April 1, 2012 to March 31, 2013 | 4,242,574 | 3,532,865 | 748,430 | 457,428 | 8,981,297 |

### C. Total Mass of Total Suspended Solids (TSS) in pounds

| 12-Month Period | SRSD | SD #1 | SD #2 | SQSP | Influent TSS |
|---|---|---|---|---|---|
| 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 |
| April 1, 2013 to March 31, 2014 | 7,573,120 | 5,341,885 | 1,361,000 | 1,320,534 | 15,596,539 |
| April 1, 2012 to March 31, 2013 | 6,396,936 | 4,325,587 | 1,171,099 | 1,067,135 | 12,960,757 |

Notes:
Allocation of treatment costs by Flow and Strength is: Flow - 50.6%, BOD - 24.7%, TSS - 24.7%. The allocation for the Agency's annual net revenues was accepted by the Board in April 2013.

Allocation of FY 2016 SC is based on 36-month flow (April 1, 2013 to March 31, 2016) and 36 month strength (April 1, 2013 to March 31, 2016).

Allocation of FY 2015 SC is based on 36-month flow (April 1, 2012 to March 31, 2015) and 24 month strength (April 1, 2013 to March 31, 2015).

Allocation of FY 2014 SC is based on 36-month flow (April 1, 2011 to March 31, 2014) and 12 month strength (April 1, 2013 to March 31, 2014).

## Central Marin Sanitation Agency
## Member Agencies and San Quentin Equivalent Dwelling Units (EDU's)

### Schedule 10

| Fiscal Year Ended June 30 | Sanitary District #1 (Ross Valley) | City of Larkspur | San Quentin Prison | Sanitary District #2 | San Rafael Sanitation District | Total EDUs | EDU Change from Prior Year | % Change from Prior Year |
|---|---|---|---|---|---|---|---|---|
| 2016 | 19,700 | 3,019 | 4,005 | 6,076 | 19,555 | 52,355 | (157) | -0.3% |
| 2015 | 19,666 | 2,982 | 4,005 | 6,216 | 19,643 | 52,512 | 351 | 0.7% |
| 2014 | 19,498 | 2,949 | 4,005 | 6,006 | 19,703 | 52,161 | 50 | 0.1% |
| 2013 | 19,511 | 2,997 | 4,005 | 6,116 | 19,482 | 52,111 | 1,586 | 3.1% |
| 2012 | 18,835 | 3,079 | 3,247 | 5,955 | 19,409 | 50,525 | (4,342) | -7.9% |
| 2011 | 19,261 | 3,021 | 7,209 | 5,975 | 19,401 | 54,867 | (1,074) | -1.9% |
| 2010 | 19,709 | 3,050 | 7,529 | 6,078 | 19,575 | 55,941 | (287) | -0.5% |
| 2009 | 19,295 | 3,116 | 7,936 | 6,196 | 19,685 | 56,228 | (30) | -0.1% |
| 2008 | 19,112 | 3,107 | 8,227 | 6,195 | 19,617 | 56,258 | 439 | 0.8% |
| 2007 | 19,074 | 3,057 | 8,215 | 6,091 | 19,382 | 55,819 | 329 | 0.6% |

Note:
EDU counts are provided annually to CMSA by the member agencies. An EDU generally is one household. In the case of multiple dwellings, the number of EDU's varies by units. Commercial EDU is based on water use. Industrial EDU is based on volume and strength of the wastewater flow. The EDU becomes the basis of revenue allocation when determining debt service charge revenue which is the funding source to repay debt service.

Source: Annual Agency Budgets

**Central Marin Sanitation Agency**
**Revenue Bonds**
**Principal Debt Outstanding**

**Schedule 11**

| Fiscal Year Ended June 30 | Principal Payment Deductions | Refunding Revenue Bonds Series 2015 Principal Balance on June 30th **(1)** | Revenue Bonds Series 2006 Principal **(2)** | Total Equivalent Dwelling Units (EDU) **(3)** | Principal Balance Per EDU | As a Share of Personal Income **(4)** | As a Share of Population **(5)** | Amortization Discounts & Premiums - Net for Fiscal Year | Balance Discounts & Premiums (Net) June 30th | Balance Discounts & Premiums (Net) June 30th (per EDU) | Total Revenue Bonds Principal, Discounts & Premium - Net | Total Revenue Bonds Principal, Discounts & Premium - Net (per EDU) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2016 | $ 2,095,000 | $ 47,215,000 | - | 52,355 | $ 901.82 | N/A | N/A | $ (295,027) | $ 4,720,424 | 90.16 | $ 51,935,424 | $ 992 |
| 2015 | | 49,310,000 | - | 52,512 | 939.02 | N/A | N/A | - | 5,015,451 | 95.51 | 54,325,451 | 1,034.53 |
| 2014 | | | 57,645,000 | 52,161 | 1,105.14 | N/A | N/A | (46,049) | 790,509 | 15.16 | 58,435,509 | 1,120.29 |
| 2013 | | | 59,685,000 | 52,111 | 1,145.34 | N/A | N/A | (46,049) | 836,558 | 16.05 | 60,521,558 | 1,161.40 |
| 2012 | | | 61,640,000 | 50,525 | 1,219.99 | N/A | N/A | (46,049) | 882,607 | 17.47 | 62,522,607 | 1,237.46 |
| 2011 | | | 63,520,000 | 54,867 | 1,157.71 | N/A | N/A | (46,049) | 928,656 | 16.93 | 64,448,656 | 1,174.63 |
| 2010 | | | 65,325,000 | 55,941 | 1,167.75 | N/A | N/A | (46,049) | 974,705 | 17.42 | 66,299,705 | 1,185.17 |
| 2009 | | | 67,060,000 | 56,228 | 1,192.64 | N/A | N/A | (46,049) | 1,020,754 | 18.15 | 68,080,754 | 1,210.80 |
| 2008 | | | 68,730,000 | 56,258 | 1,221.69 | N/A | N/A | (46,049) | 1,066,803 | 18.96 | 69,796,803 | 1,240.66 |
| 2007 | | | 68,730,000 | 55,819 | 1,231.30 | N/A | N/A | (34,537) | 1,112,852 | 19.94 | 69,842,852 | 1,251.24 |

| Fiscal Year Ended June 30 | Principal Due Within One Year and Future Debt Service | Future Principal per FY 16 Reported EDU | Future Debt Service Interest | Future Interest per FY 16 Reported EDU | Total Principal and Interest | Total Future Principal and Interest per FY 16 EDU |
|---|---|---|---|---|---|---|
| 2016 | $ 2,195,000 | $ 42 | $ 440,233 | $ 8 | $ 2,635,233 | $ 50 |
| 2017 | 2,250,000 | 43 | 1,332,861 | 25.46 | 3,582,861 | 68 |
| 2018 | 2,330,000 | 45 | 1,711,906 | 32.70 | 4,041,906 | 77 |
| 2019 | 2,395,000 | 46 | 1,643,206 | 31 | 4,038,206 | 77 |
| 2020 | 2,470,000 | 47 | 1,572,331 | 30 | 4,042,331 | 77 |
| 2021-2026 | 14,055,000 | 268 | 6,325,606 | 121 | 20,380,606 | 389 |
| 2027-2031 | 17,595,000 | 336 | 2,937,056 | 56 | 20,532,056 | 392 |
| 2032 | 3,925,000 | 75 | 241,059 | 5 | 4,166,059 | 80 |
| TOTAL DEBT SERVICE | $ 47,215,000 | $ 902 | $ 16,204,260 | $ 310 | $ 63,419,260 | $ 1,211 |

**Central Marin Sanitation Agency**
**Revenue Bonds**
**Principal Debt Outstanding**

**Schedule 11**

Note **(1)**: The Refunding Revenue Bonds Series 2015 was issued to retire the Revenue Bonds Series 2006 during FY 15. The revenue bond was issued at lower borrowing rates which resulted in an average annual savings of approximately $866,000 over the 17 year repayment period. Details regarding the Agency's outstanding debt can be found in Note 5 in the financial statements. Principal payments are due September 1 each year.

Note **(2)**: The Agency refunded and retired the Revenue Bonds Series 2006 through the Refunding Revenue Bonds Series 2015 issuance during FY 15. A total of $57.6M principal was refunded and the Agency recognized $790.5K non-operating income for the retirement of the Revenue Bonds Series 2006 premium in FY 15.

Note **(3)**: The equivalent dwelling units (EDU) shown on Schedule 10 are reported to the Agency by its member agencies and becomes the basis of revenue allocation when determining debt service charge revenue which is collected to repay debt service. Therefore, the most relevant and measurable statistic to express total debt service outstanding is as a cost per EDU.

Note **(4)**: Personal income for all Marin County is shown on Schedule 13. It is not a relevant statistic to report principal balance as a percent of total income because that data is not available for the Agency's service area. Marin covers 520 square miles, of which 43.5 are within the Agency's service area.

Note **(5)**: Total population for all Marin County is shown on Schedule 13. It is not a relevant statistic to report principal balance as a percent of total population because that data is not available for the Agency's service area as explained in Note (4).

Source: Central Marin Sanitation Agency Audited Financial Statements

# Central Marin Sanitation Agency
# Pledged Revenue Coverage

## Schedule 12

| | | | | | | | Revenue Bonds Debt Service | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year Ended June 30 **(1)** | Operating Revenue | Total Operating Expenses Less Depreciation | Non-Operating Revenue (Expense) & Contributions | Less Operating Expenses Funded by Reserves **(2)** | Net Revenue **(3)** | Rate Stabilization Fund **(4)** | Principal | Interest | Total | Debt Service Coverage Ratio **(5)** |
| 2016 | $ 16,495,058 | $ 11,359,037 | $ 457,987 | | $ 5,594,008 | | $ 2,095,000 | $ 1,577,466 | $ 3,672,466 | 1.52 |
| 2015 | 17,000,940 | 9,928,153 | 595,813 | | 7,668,600 | | 2,135,000 | 2,108,649 | 4,243,649 | 1.81 |
| 2014 | 16,333,444 | 12,285,113 | 674,739 | 1,553,800 | 6,276,870 | | 2,040,000 | 2,536,490 | 4,576,490 | 1.37 |
| 2013 | 15,610,414 | 10,076,619 | 1,113,042 | | 6,646,837 | | 1,955,000 | 2,702,688 | 4,657,688 | 1.43 |
| 2012 | 15,081,377 | 9,425,636 | 255,257 | | 5,910,998 | 640,000 | 1,880,000 | 2,703,231 | 4,583,231 | 1.43 |
| 2012 | 15,081,377 | 9,425,636 | 255,257 | | 5,910,998 | | 1,880,000 | 2,703,231 | 4,583,231 | 1.29 |
| 2011 | 15,416,348 | 9,458,613 | 190,312 | | 6,148,047 | | 1,805,000 | 2,781,096 | 4,586,096 | 1.34 |
| 2010 | 15,248,891 | 9,174,412 | 541,942 | | 6,616,421 | | 1,735,000 | 2,849,065 | 4,584,065 | 1.44 |
| 2009 | 14,893,481 | 9,135,840 | 987,860 | | 6,745,501 | | 1,670,000 | 2,918,036 | 4,588,036 | 1.47 |
| 2008 | 12,196,165 | 7,956,045 | 3,018,358 | | 7,258,478 | | - | 2,973,702 | 2,973,702 | 2.44 |
| 2007 | 10,257,732 | 7,834,917 | 3,023,449 | | 5,446,264 | | - | 2,079,289 | 2,079,289 | 2.62 |

Note **(1)**: FY 2007 was the first year of the debt service activities, therefore no prior year data is available. Principal revenue bond debt service payments are due September 1 every fiscal year.

Note **(2)**: In FY 2014 the Board approved using unrestricted capital reserves to fund this CalPERS Side Fund payment thereby reducing future retirement expenses.

Note **(3)**: Net Revenue = Operating Revenue less Total Operating Expenses less Depreciation plus Non-Operating Revenue(Expense).

Note **(4)**: Pursuant to the October 6, 2006 Master Indenture Agreement the Agency is allowed to transfer net revenues in excess of 125% of debt service coverage within 365 days after the end of a fiscal year from the Revenue Fund Surplus into the Rate Stabilization Fund. The amounts transferred are treated as Net Revenues in future fiscal years for the sole purpose of computing the Debt Service Coverage Ratio (see Note 4). The Agency instructed the bond trustee, Deutsche Bank, to transfer FY 2011 operating revenue considered to be in excess of the required coverage ratio into a Rate Stabilization Fund for use in calculating the FY 2012 Debt Service Coverage Ratio. There was no restatement of operating revenues for the FY 2011 financial statements. There was no impact on the FY 2012 financial statements as the transfer had a net effect of zero on the Statement of Net Assets.

(FY 2012 Debt Service Coverage Ratio is shown with and without the Rate Stabilization Fund to demonstrate debt coverage was achieved with and without the Rate Stabilization Fund transfer)

Note **(5)**: Debt Service Coverage Ratio = Net Revenue divided by Total Revenue Bond Debt Service. This ratio must be above 1.25 to meet the Master Indenture agreement between CMSA and the Bond Trustee. Alternative calculation for Debt Coverage Ratio is Net Revenue plus Rate Stabilization Fund divided by Total Revenue Bond Debt Service

Source: Central Marin Sanitation Agency Audited Financial Statements

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

### Schedule 13

| Fiscal Year Ended June 30 | Marin County Population (1) | US Census Bureau Marin County Population (2) | Personal Income (in thousands) (3) | | Per Capita Personal Income (3) | | Marin County Unemployment Rate (1) | |
|---|---|---|---|---|---|---|---|---|
| 2016 | N/A | N/A | N/A | | N/A | | 3.3% | **(b)** |
| 2015 | N/A | N/A | $28,492,821 | **(a)** | $109,076 | **(a)** | 3.8% | |
| 2014 | 258,324 | N/A | 26,926,803 | | 103,346 | | 4.6% | |
| 2013 | 255,778 | N/A | 25,045,431 | | 96,868 | | 5.6% | |
| 2012 | 254,882 | N/A | 24,619,594 | | 96,162 | | 6.9% | |
| 2011 | 254,359 | N/A | 23,009,440 | | 90,091 | | 8.1% | |
| 2010 | 252,731 | 252,409 | 21,049,598 | | 83,232 | | 8.4% | |
| 2009 | 259,772 | N/A | 20,810,155 | | 82,955 | | 6.2% | |
| 2008 | 257,968 | N/A | 22,651,030 | | 91,188 | | 4.0% | |
| 2007 | 255,592 | N/A | 22,390,714 | | 90,927 | | 3.7% | |

Note **(a)**: Bureau of Economic Analysis Marin County CA1 Personal Income and CA1-3 Per Capita Personal Income last updated by November 17, 2016

Note **(b)**: Unemployment rate figure is the Marin County average monthly unemployment rate for the period July 2015 through June 2016

Source: **(1)** State of California Employment Development Department Labor Market Info website: **www.labormarketinfo.edd.ca.gov**

**(2)** California Department of Finance from data files released by the US Census Bureau website:
http://www.dof.ca.gov/research/demographic/
http://2010.census.gov/2010census/

**(3)** US Department of Commerce Bureau of Economic Analysis (BEA) website:
www.bea.gov/iTable

## Central Marin Sanitation Agency
## Ten Largest Employers Statistic

### Schedule 14

| Ten Largest Employers in the CMSA Service Area (1) | Type of Entity | Number of Employees FY 16 | Percentage of Total Marin County Employment (2) | Number of Employees FY 15 | Percentage of Total Marin County Employment (2) | Number of Employees FY 14 | Percentage of Total Marin County Employment (2) | Number of Employees FY 13 | Percentage of Total Marin County Employment (2) | Number of Employees FY 12 | Percentage of Total Marin County Employment (2) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| San Quentin State Prison | State | 1,832 | 1.35% | 1,832 | 1.35% | 1,832 | 1.37% | 1,832 | 1.39% | 2,058 | 1.60% |
| Marin General Hospital | Government Hospital | 1,650 | 1.21% | 1,650 | 1.21% | 1,650 | 1.23% | 1,650 | 1.25% | 1,505 | 1.17% |
| Dominican University | University | 1,000 | 0.73% | 1,000 | 0.73% | 745 | 0.56% | 745 | 0.57% | 745 | 0.58% |
| Golden Gate Transit | Transit District | 775 | 0.57% | 775 | 0.57% | 775 | 0.58% | 838 | 0.64% | 838 | 0.65% |
| Tamalpais Union High School District | School District | 417 | 0.31% | 310 | 0.23% | 353 | 0.26% | 353 | 0.27% | 353 | 0.27% |
| City of San Rafael | Government | 390 | 0.29% | 390 | 0.29% | 383 | 0.29% | 387 | 0.29% | 387 | 0.30% |
| San Rafael City Schools | School District | 355 | 0.26% | 355 | 0.26% | 355 | 0.27% | 355 | 0.27% | 355 | 0.28% |
| Kentfield Rehabilitation & Hospital | Hospital | 344 | 0.25% | 344 | 0.25% | 344 | 0.26% | 344 | 0.26% | 344 | 0.27% |
| College of Marin | College District | 332 | 0.24% | 328 | 0.24% | 354 | 0.26% | 474 | 0.36% | 650 | 0.51% |
| Marin Muncipal Water District | Water District | 246 | 0.18% | 246 | 0.18% | 244 | 0.18% | 239 | 0.18% | 238 | 0.19% |

| | | Number of Employees FY 12 | Percentage of Total Marin County Employment (2) | Number of Employees FY 11 | Percentage of Total Marin County Employment (2) | Number of Employees FY 10 | Percentage of Total Marin County Employment (2) | Number of Employees FY 09 | Percentage of Total Marin County Employment (2) |
|---|---|---|---|---|---|---|---|---|---|
| San Quentin State Prison | State | 2,058 | 1.60% | 2,058 | 1.65% | 2,058 | 1.68% | 2,058 | 1.69% |
| Marin General Hospital | Government Hospital | 1,505 | 1.17% | 1,505 | 1.21% | 1,505 | 1.23% | 1,506 | 1.23% |
| Dominican University | University | 745 | 0.58% | 838 | 0.67% | 838 | 0.68% | 838 | 0.69% |
| Golden Gate Transit | Transit District | 838 | 0.65% | 745 | 0.60% | 777 | 0.63% | 705 | 0.58% |
| Tamalpais Union High School District | School District | 353 | 0.27% | 400 | 0.32% | 416 | 0.34% | 437 | 0.36% |
| City of San Rafael | Government | 387 | 0.30% | 355 | 0.28% | 355 | 0.29% | 355 | 0.29% |
| San Rafael City Schools | School District | 355 | 0.28% | 650 | 0.52% | 650 | 0.53% | 696 | 0.57% |
| Kentfield Rehabilitation & Hospital | Hospital | 344 | 0.27% | 353 | 0.28% | 353 | 0.29% | 353 | 0.29% |
| College of Marin | College District | 650 | 0.51% | 344 | 0.28% | 307 | 0.25% | 307 | 0.25% |
| Marin Muncipal Water District | Water District | 238 | 0.19% | 236 | 0.19% | 265 | 0.22% | 262 | 0.21% |

Note **(1)**: CMSA service area largest employers: FY 09 was the first year the Ten Largest Employers was reported in the CAFR.

Note **(2):** Total county employment for FY 16 is not available. FY 16 used 136,100 total Marin County employment for 2015. The data source is from www.labormarketinfo.edd.ca.gov Historical Data Library. Employment statistics by cities within Marin County is not available.

## Central Marin Sanitation Agency
## Authorized Staffing by Department Function

### Schedule 15

| Authorized Staffing by Department | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 | FY 2011 | FY 2010 | FY 2009 | FY 2008 | FY 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Administration | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 7 | 5 | 5 |
| Environmental Services | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Maintenance **(1)** | 14 | 13 | 14 | 13 | 13 | 13 | 13 | 12 | 12 | 12 |
| Operations | 13 | 13 | 13 | 13 | 13 | 14 | 14 | 14 | 15 | 15 |
| Engineering **(2)** | 4 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 |
| Safety Director Program **(3)** | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Agency Total | 43 | 41 | 42 | 41 | 41 | 41 | 41 | 41 | 40 | 40 |

Note **(1)**: FY 2016 Addition of one Utility Worker.
Note **(2):** FY 2016 Addition of one new Associate Engineer position.
Note **(3)**: The Safety Director Program is a shared services position with CMSA Administration one one local wastewater agency.

Source: Central Marin Sanitation Agency records

# Central Marin Sanitation Agency
# Treatment Capacity and Wastewater Treatment

## Schedule 16

Millions of Gallons per Day

| Treatment Plant | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 | FY 2011 | FY 2010 | FY 2009 | FY 2008 | FY 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Treatment Plant Permitted Capacity | 10 | 10 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Average Dry Weather Flow **(1)** | 4.6 | 4.7 | 5.6 | 5.8 | 6.1 | 6.2 | 6.2 | 6.9 | 5.9 | 6.4 |
| Wastewater Treated per day | 7.8 | 7 | 7.9 | 8.9 | 8.0 | 10.6 | 10.3 | 8.7 | 8.7 | 8.0 |

Wet Tons per Year

| | FY 2016 | FY 2015 | FY 2014 | FY 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Biosolids Treated | 6,231 | 5,882 | 5,450 | 6,107 | 6,344 | 6,267 | 6,013 | 6,217 | 6,331 | 5,686 |

Note **(1)**: Average Dry Weather Flow is based on the average of the 3 lowest months of flow (generally July, August and September).

Source: Central Marin Sanitation Agency records

# CENTRAL MARIN SANITATION AGENCY
## Agency Information
## June 30, 2016

### I. General Information

| | | |
|---|---|---|
| Authority | Joint Powers Agreement | |
| Date of formation | October 1979 | |
| Governing body | Board of Commissioners appointed by member agencies: | |
| | Sanitary District No. 1 of Marin County | - 2 appointees |
| | Sanitary District No. 2 of Marin County | - 1 appointee |
| | San Rafael Sanitation District (SRSD) | - 2 appointees |
| | City of Larkspur | - 1 appointee |
| Chief Executive Officer | General Manager | |
| Chief Fiscal Officer | Administrative Services Manager | |
| Type of service | Wastewater collection, treatment and disposal | |
| Number of Authorized Positions | 41 | |

### II. Contact Information

<u>Member Agency Contact Information:</u>

Sanitary District No. 1 of Marin County
2960 Kerner Blvd
San Rafael, CA 94901
415) 259-2949

Sanitary District No. 2 of Marin County
300 Tamalpais Drive
P.O. Box 159
Corte Madera, CA 94976-0159
(415) 927-5057

San Rafael Sanitation District
111 Morphew Street
P.O. Box 151560
San Rafael, CA 94915-1560
(415) 454-4001

City of Larkspur
400 Magnolia Street
Larkspur, CA 94939
(415) 927-5032

<u>Retirement Plans Contact Information:</u>

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

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 will protect the environment and public health by providing wastewater, environmental, and resource recovery services of exceptional quality and value to its customers.

VISION

## VISION

### WHERE THE AGENCY WANTS TO BE IN THE FUTURE

Central Marin Sanitation Agency will be an industry leader by providing innovative, efficient, and sustainable wastewater services, capturing and utilizing renewable resources, and delivering renewable power.

VALUES

## VALUES

### KEY STATEMENTS THAT DESCRIBE THE IDEALS OF THE AGENCY

CMSA values...

- Consistent and continuous regulatory compliance to protect San Francisco Bay.
- Sound financial practices to safeguard the Agency's assets.
- Effective asset management through appropriate short- and long-term planning and sustainable practices.
- A safe and healthy workplace for its employees and stakeholders.
- Professional growth, teamwork, and job satisfaction within a diverse workforce.
- Quality public outreach and education to promote environmental stewardship.
- Partnerships which further common water quality and resource recovery interests.

# 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 that is 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 $2,500 or more that is used to newly purchase a capital asset with a useful life of one year 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 capital projects, delineated by type of capital project and funding source, over ten fiscal years. The CIP is a planning document that provides the Agency with an opportunity to evaluate and assess its capital 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 the FOG & Pollution Prevention 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 as a result 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 sewage flow(s) to CMSA from JPA member agencies, measured in millions of gallons and collected for the previous April 1 to March 31 will be used to calculate the sewer service charge and allocate to each JPA member agency for its respective portion of the sewer charge beginning FY 2013.
- **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 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, and other miscellaneous revenue sources.
- **PROGRAM REVENUES**: The Agency is the lead coordinator for the Safety Director, Countywide Education, and Outside Safety Training 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 not available for immediate use and set aside for specific, contractual 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.
- **SERVICE CHARGE (SC)**: A fee for wastewater treatment service and payment of the revenue bond debt service.
- **SEWER SERVICE CHARGE (SSC)**: A fee for wastewater treatment service 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.
- **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**

| | |
|---|---|
| AM | Asset Management |
| B2E | Biosolids-to-Energy |
| 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 |
| BWA | Bartle Wells Associates |
| CAMP | California Asset Management Program (see Interest Income) |
| CASA | California Association of Sanitation Agencies |
| CCT | Chlorine Contact Tank |
| CEC | California Energy Commission |
| 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 |
| CSRMA | California Sanitation Risk Management Authority |
| CUPA | Certified Unified Program Agencies |
| CWEA | California Water Environment Association |
| DBOO | Design, Build, Own, Operate |
| DDSD | Delta Diablo Sanitation District |
| EDU | Equivalent Dwelling Unit |
| ELAP | Environmental Laboratory Approval Program |
| EPMC | Employer Paid Member Contribution |
| F2E | Food-to-Energy |

| | |
|---|---|
| FOG | Fats, Oils and Grease program (see Contract Service Revenues) |
| FSE | Food Service Establishment(s) |
| FTE | Full Time Equivalent (a position converted to decimal equivalent of a full time position) |
| FY | Fiscal Year |
| G&A | General & Administrative |
| GASB | Government Accounting Standards Board |
| GHG | Greenhouse Gas |
| JEPA | Joint Exercise of Powers Agreement |
| JPA | Joint Powers of Authority |
| LARK | City of Larkspur |
| LBNL | Lawrence Berkeley National Laboratories |
| LED | Light-emitting Diodes |
| LGVSD | Las Gallinas Sanitary District (see Contract Service Revenues) |
| MOU | Memorandum of Understanding |
| 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) |
| OPEB | Other Post-Employment Benefits |
| PCA | Pretreatment Compliance Audit |
| PIER | Public Interest Energy Research |
| RAS | Return Activated Sludge |
| RFP | Request for Proposal |
| RFQ | Request for Qualifications |
| RWB | Regional Water Board |
| SAMP | Strategic Asset Management Program |
| SBP | Strategic Business Plan |
| SC | Service Charge |
| SCADA | Supervisory Control and Data Acquisition (a monitoring and control software system) |
| SD #1 | Sanitary District No. 1, JPA Member (aka RVSD, Ross Valley Sanitary District) |
| SD #2 | 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 |
| TCSD | Tamalpais Community Services District (see Contract Service Revenues) |
| TSS | Total Suspended Solids |
| USA | Underground Service Alert |