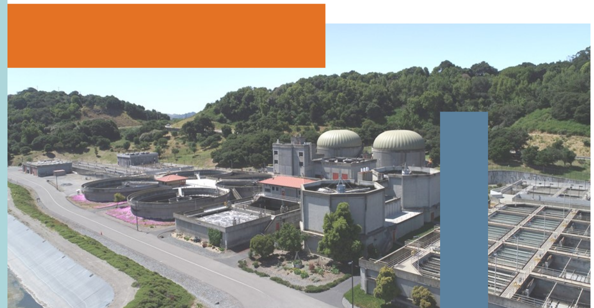
COMPREHENSIVE

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JULY 01, 2019 — JUNE 30, 2020



CENTRAL
MARIN
SANITATION
AGENCY

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Central Marin Sanitation Agency

COMPREHENSIVE ANNUAL FINANCIAL REPORT

July 1, 2019 – June 30, 2020

1301 Andersen Drive, San Rafael CA 94901
Kenneth Spray, 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, 2019 THROUGH JUNE 30, 2020

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INTRODUCTORY SECTION

Central Marin Sanitation Agency

December 10, 2020

Board of Commissioners
Central Marin Sanitation Agency

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Central Marin Sanitation Agency (CMSA) for the fiscal year ended June 30, 2020. This report provides an overview of the Agency's financial activities during the past fiscal year and has been prepared by CMSA staff for the benefit of the Board of Commissioners and other stakeholders who may have interest in the financial position 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 CAFR report, 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, Cropper Accountancy Corporation, concluded that the Agency's financial statements present fairly the financial position of CMSA in accordance with accounting principles generally accepted in the United States of America. The independent auditor's report is located at the front of the financial section of this report.

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

- *Introductory Section:* includes discussions of Board-approved major initiatives related to Agency capital projects, major maintenance activities, programs, policies, and financial operations. It also includes an organizational chart, as well as a listing of Agency officials.

- *Financial Section:* comprises the Independent Auditor's Report and the basic financial statements, which include a Management Discussion and Analysis (MD&A), financial statements, and accompanying notes to the financial statements. The MD&A contains 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 generally presented on a 10-year basis.

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

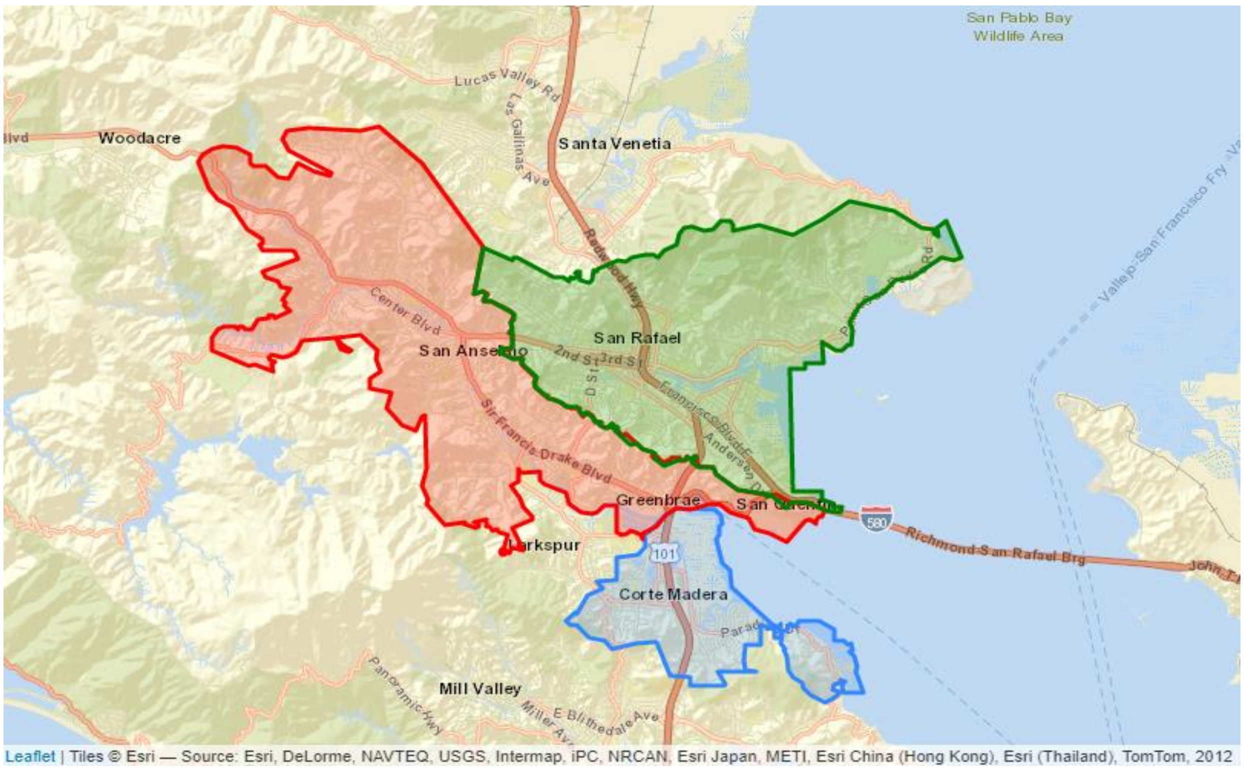
Sincerely,

Jason R. Dow, PE	Kenneth Spray, CPA
General Manager	Administrative Services Manager

LOCATION AND SERVICE AREA

Central Marin Sanitation Agency (CMSA) is a regional wastewater treatment agency that serves residents, businesses and institutions located in central Marin County. The Agency is located in San Rafael, California, adjacent to the Richmond-San Rafael Bridge. 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). Marin County has a total population of 262,092. For the Fiscal Year 2019-2020 (FY20), the Agency provided services to an approximate population of 104,500 or 52,108 equivalent dwelling units (EDUs).

The shaded area shows the location of CMSA service area.



<u>Population of Cities, Towns, and Correctional Facilities in the CMSA Service Area</u>

City of San Rafael (Approximately 2/3 of the city's population)	39,500
Unincorporated CMSA Service Area (San Quentin Village, Greenbrae, Kentfield, Sleepy Hollow, Tiburon Peninsula)	16,091
Town of San Anselmo	12,599
City of Larkspur	12,382
Town of Corte Madera	9,858
Town of Fairfax	7,598
San Quentin State Prison	4,005
Town of Ross	2,467

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

ORGANIZATION AND BUSINESS

In the 1970's, central Marin County had four small wastewater treatment plants whose operations were not able to meet the stringent requirements of the 1972 Clean Water Act. Four local agencies that provided wastewater services in the area, San Rafael Sanitation District (SRSD), Ross Valley Sanitary District (RVSD), Sanitary District No. 2 of Marin County (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, 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 City of Larkspur's wastewater service area was annexed by RVSD in 1993, and Larkspur later withdrew from the JPA in January 2020.

The Agency's governing body, a Board of Commissioners (Board), consists of individuals appointed by the JPA member agencies. SRSD and RVSD each have two members on the Commission while SD #2 has one member. The five-member Board sets policy for the Agency. The Board appoints the General Manager and Treasurer/Controller who serve at the pleasure of the Board. The General Manager is the chief administrative officer responsible for the Agency's day-to-day operations and long-term planning in accordance with the Board's policies and approved budget. The Treasurer/Controller is charged with overall financial responsibility in accordance with established Agency policies.

The CMSA wastewater treatment facility became operational in January 1985. The treated wastewater discharged into the central San Francisco Bay as clean effluent consistently exceeds all Federal, State, and regional regulatory requirements. Since its inception, CMSA has successfully carried out its mission of protecting public health and the environment through the planning, administration and coordination of wastewater and biosolids treatment 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 an award winning comprehensive countywide public education program, (4) serving as the lead agency for administering a comprehensive safety program with another wastewater agency in the county, and (5) providing recycled water and renewable energy.

CMSA's wastewater treatment process consists of (1) screening and grit removal, followed by (2) primary and secondary treatment processing, then (3) the clean wastewater is disinfected and 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 nearly all 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 262,326 (source: 2018 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 per capita income of $134,275 per household. The population growth rate and per capital household income in the CMSA service area mirrors that of the County.

Marin's 4.4% average unemployment rate is one of the lowest rates in California and remains below national levels (6.0%) at the end of FY20. 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

1.	BioMarin	1,700	6.	College of Marin	529
2.	MarinHealth Medical Center	1,650	7.	Restoration Hardware	500
3.	San Quentin State Prison	1,614	8.	Tamalpais Union High School District	409
4.	Dominican University	1,200	9.	City of San Rafael	405
5.	Golden Gate Transit	828	10.	San Rafael City Schools	362

The local housing market continued to improve during FY20. 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, 2019 was $1,439,539/$1,150,000, compared to $1,446,014/$1,150,000 reported in December 2018. The upward trend continued January through June 2020 where the county reported $1,791,108/$1,301,000 mean/median sales data statistics for a mean home living area of 2,139 square feet.

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

EDU Count by Connection Types for FY20 (Source: Property Tax Reports, County of Marin)

	San Rafael Sanitation District	Ross Valley Sanitary District	Sanitary District #2	San Quentin State Prison	TOTAL
Residential	15,734	18,497	4,679	N/A	38,910
Commercial	3,683	3,274	1,378	N/A	8,335
Institutional (1)	192	479	188		859
Correctional				4005	4,005
TOTALS	**19,609**	**22,249**	**6,245**	**4,005**	**52,108**

(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.

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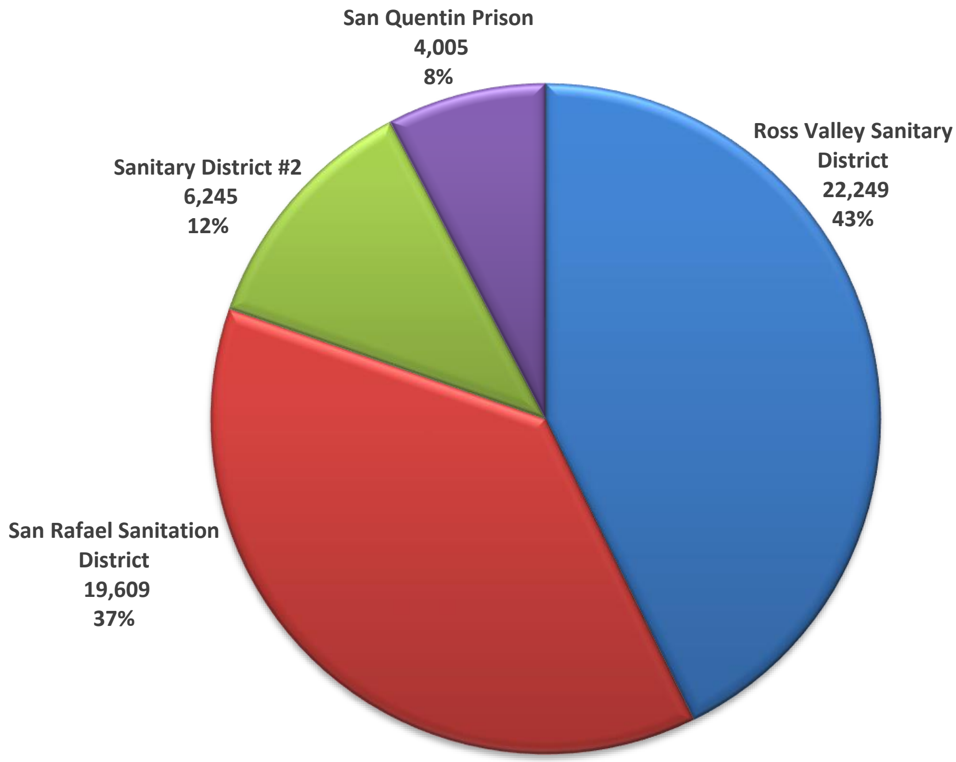
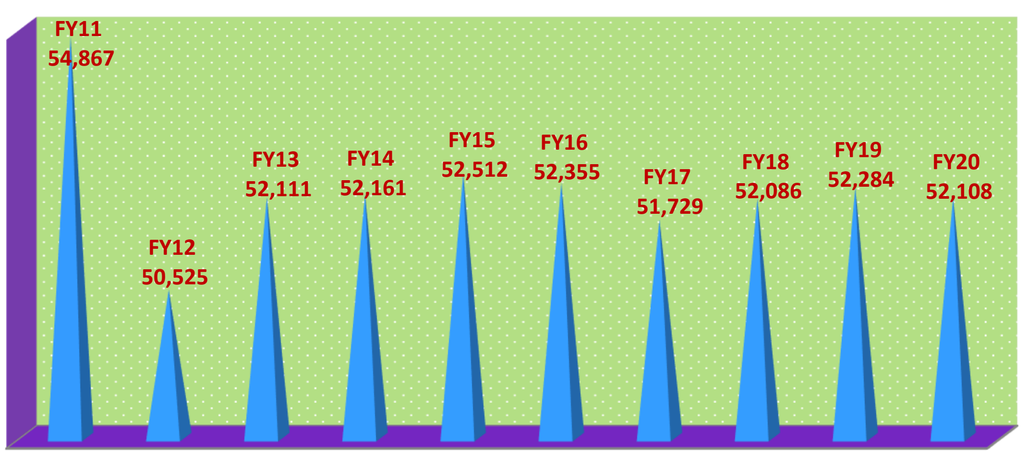
52,108 Total EDU by JPA Member and San Quentin as a Percentage of Total EDUs for FY20



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 decreased significantly from FY11 to FY12 as a result of a change in calculation by RVSD for SQSP and other institutional service charges during that fiscal year. In FY13, CMSA contracted directly for wastewater services with SQSP, and based on strength determined an EDU count of 4,005 used for reference and debt service purposes. EDU counts in FY13 increased due to new residential and commercial connections in the service area and have remained stable since.

EDU Totals for CMSA Service Area Fiscal Year End June 30th



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AWARDS AND RECOGNITIONS

Certificate of Achievement for Excellence in Financial Reporting: CMSA was recognized by the Government Finance Officers Association (GFOA) with the Certificate of Achievement for the Agency's FY19 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 eighteenth 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, and all of its financial documents, including the Budget, Annual Financial Statements, CAFR, monthly Treasurer's Report, and the Quarterly Budget Status Reports are transparent representations of the Agency's financial operations. Each of the 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 FY19 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 financial 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 tenth consecutive year that the Agency's PAFR has met the high standards of the GFOA for governmental accounting and financial reporting.

Distinguished Budget Presentation Award: The Agency's Adopted Biennial Budget for FY20 and FY21 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 ninth consecutive year that the Agency's budget has met the high standards of the GFOA for budget reporting documents.

National Association of Clean Water Agencies (NACWA) "Gold" Peak Performance Award: NACWA represents the interests of and advocates at the federal level for the country's wastewater organizations. Members of NACWA provide wastewater treatment services 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.

For the 2019 calendar year, CMSA received the NACWA "Gold" Peak Performance Award. This award recognizes the achievement of full compliance with NPDES permit discharge requirements for the calendar year and is the second consecutive year CMSA received this award. Over the past 15 years, CMSA has only had one permit discharge exceedance.

State California Water Environment Association (CWEA) Awards: The CWEA has 17 sections in California, and top award winners in each section complete for the state level award. For calendar year 2019, the Agency was recognized CWEA by receiving a state level award for its safety program: Safety Plant of the Year – Medium (First Place)

Regional CWEA Awards: The Agency was recognized in January 2020 by the CWEA Redwood Empire Section by receiving awards for the following achievements:

- Treatment Plant of the Year
- Safety Plant of the Year – Medium

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

- Operator-in-Training (OIT) of the Year – Thomas Hansen
- Mechanical Technician of the Year – Abel Villareal
- Pollution Prevention and Pretreatment Person of the Year – Eromosele Esoimeme

STRATEGIC BUSINESS PLAN

The Agency's Strategic Business Plan (SBP) for the fiscal years ending June 30, 2017 to 2021 was adopted by the Board in July 2016. The SBP is 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 for five years, in one-year increments. The fiscal year ending June 30, 2020 represents completion of the fourth year of the five-year plan.

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

***Plan Development*:** The Agency maintains a standing committee, known as the Agency Strategic Planning Committee (ASPC), to oversee the implementation of annual Business Plan activities, and to develop a new Business Plan each fiscal year. The FY20 Business Plan had 68 Strategic

Actions, of which 38 were completed, 22 were ongoing (having no definable end date or are recurring), and 8 were delayed for various reasons including COVID-19.

The FY21 Business Plan was approved by the Board at the beginning of the fiscal year, in July 2020. It includes 65 Actions to further the Objectives listed below as well as others identified in the SBP:

- Maintain the high performance of the treatment facility's operational processes.
- Manage the Agency's equipment and assets
- Deliver critical and high priority Agency projects
- Regularly evaluate existing fiscal practices and procedures and develop new procedures as necessary
- Implement the new financial software system
- Prepare transparent financial documents
- Issue debt to fund the capital improvement program
- Implement steps to enhance the Agency power delivery program
- Perform a digester volatile solids loading pilot study
- Increase the Agency's energy efficiency through implementation of the power monitoring program
- Collaborate with stakeholders on programs to comply with CalRecycle's regulation on diverting organics from landfills
- Promote interagency coordination of projects and initiatives
- Regional laboratory service assessment
- Promote a culture of leadership and professional growth to attract and develop qualified and skilled employees
- Enhance employee work culture
- Maintain a safe and secure work environment
- Educate employees on currently available Agency benefits
- Improve Agency documents and file management
- Improve communication security and reliability

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

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SUCCESSION PLANNING

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

The annual update occurs by analyzing the age and length of service of each member of the workforce, and interviewing employees who meet the California Public Employees Retirement System (CalPERS) criteria, at least age 50, about their retirement plans. The results of this annual update are also incorporated into the Agency's long-term financial forecast model and business plan. CMSA's workforce characteristics as of the end of the FY20 are as follows:

- 47 authorized positions
- Average age is 44.4 years
- Average length of service is 7.7 years
- 14 employees with over ten years of service
- 21.3% of the current employees meet the requirements for retirement from CalPERS

The Agency completed successful recruitments for seven new employees during FY20. These staff members were hired to fill vacancies in various classification, including an Associate Engineer, Mechanical Technician, Environmental Services Analyst, Operator-in-Training, and three Industrial Utility Laborers.

REVISED AND AMENEDED JOINT POWER AGREEMENT

CMSA was formed by a Joint Powers Agreement (JPA) in 1979, and since then the JPA has been amended eight times. Five of the amendments were made prior to 1990 to either clarify or update provisions after CMSA received the final construction cost reimbursements from the EPA and State Water Board. A later amendment, in 2006, extended the JPA term to 2031 to align with the term of a 2006 revenue bond issuance.

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

In late 2018, the Larkspur City Council approved withdrawing from the JPA since its wastewater operations were annexed into the RVSD in 1993, and to avoid unfunded pension liability for joint powers agency members under a new state law. The JPA managers subsequently prepared a withdrawal agreement and revised the JPA to reflect Larkspur's withdrawal and the reduced number of CMSA Commissioners. Both agreements were approved by the JPA member agencies in January 2020.

MAJOR CAPITAL PROJECTS

Below is a discussion of the major capital projects that were completed or underway during FY20:

Andersen Drive Landslide Repairs: During the major February 2017 storms, Marin County experienced historic rain and flooding. CMSA incurred multiple landslides on the eastern facing slope of the Andersen Drive hillside. The landslides filled concrete drainage ditches with soil, impeded access to a maintenance road on the hillside, and downed multiple trees.

CMSA selected a geotechnical engineer in August 2017 to evaluate repairs for the slides, with the designated work being subject to reimbursement by the Federal Emergency Management Agency (FEMA) and California Office of Energy Services (Cal OES). In October 2018, FEMA and Cal OES authorized proceeding with a retaining wall design to stabilize the upper portion of each slide area and to reduce the slopes to conform to adjacent grades. CMSA received the Notice of Obligation from FEMA and Cal OES in November 2018, providing funding assistance of $510,850 for the entire project.

In December 2018, the Board adopted the contract documents for construction of the permanent repairs and in February 2019, a general contractor was awarded the construction contract for $412,450. Construction was completed in early November 2019 and in early 2020 staff prepared reimbursement requests to FEMA and Cal OES for construction and design costs as well as some CMSA staff time spent on project management. By May 2020, a total of $464,314 in reimbursements were received by CMSA, and an additional amount of $127,833 of additional potential reimbursements was still outstanding pending FEMA/Cal OES review. The timeline and approval of these additional reimbursements is currently unknown due to significant ongoing delays for the FEMA/Cal OES review process due to the COVID-19 situation.

Retaining wall construction

Completed walls

Pavement Rehabilitation Project Completed: The treatment plant's roadway pavement experiences heavy use from frequent truck traffic and ongoing ground settlement, and has sustained significant deterioration over the years. Annually, staff hires paving contractors to repair selected payment areas on roads and parking areas. In June 2020, a contractor slurry sealed approximately 12,000 square feet and replaced approximately 1,100 square feet of pavement along the main plant road. Slurry sealing roadways is a maintenance procedure that involves spreading a mixture of emulsified asphalt and aggregate over the existing roadway surface. It fills in cracked areas, provides a new surface, improves skid-resistance, prevents water penetration, and extends the roadway's life.

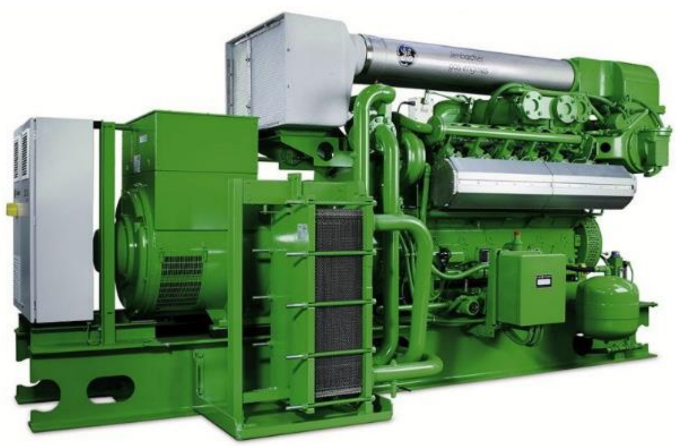
Newly placed pavement and slurry sealed areas around the treatment facilities

Cogeneration System Predesign, Final Design, and Equipment Prepurchase: Based on the recommendations of a recent Master Plan, CMSA hired an engineering consultant to initiate Cogeneration System predesign work in FY19. The predesign evaluated multiple cogeneration technology options including engines, fuel cells, and microturbines, and recommended the construction of a new 995 kilowatt cogeneration engine to be installed in the empty bay inside the existing cogeneration room in the solids handling bulding.

Shortly after completion of the predesign, the final design of a new cogeneration system was initiated. To expedite delivery of the cogeneration system and reduce the construction duration, the Agency decided to prepurchase the major equipment, whereby CMSA would select and purchase the cogeneration equipment in parallel to completing the final design. This approach has significant schedule savings over the traditional industry approach of having the installation contractor procure the cogeneration equipment during the construction period. Additionally, a prepurchase approach also allows for the final design to be custom tailored around the prepurchased engine requirements and reduces the overall complexity and risk of the installation contractor's work.

A Request for Proposals was developed in the spring of 2019 and sent to qualified system suppliers. The winning bidder (Western Energy Systems providing a Jenbacher cogeneration engine) was selected in the fall of 2019 and a purchase agreement was negotiated and executed.

While the cogeneration system was ordered and being delivered to CMSA by August 2020, the final design was completed in parallel and the Cogeneration System Installation project was advertised for public bidding in September 2020, with bids expected by the end of November 2020. Construction is scheduled to begin in December 2020 and is expected to be completed around December 2021.



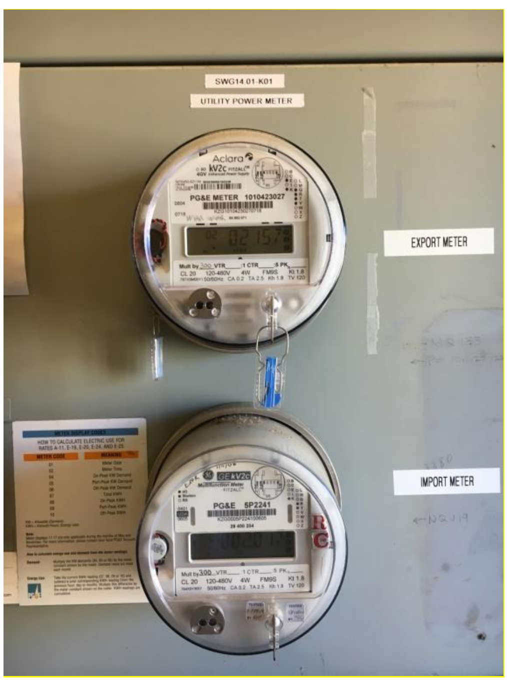
Prepurchased Jenbacher cogeneration engine in temporary storage at CMSA *(USE PHOTO OF NEW ENGINE)*

Power Delivery Program Update: *CMSA*'s power delivery program has been underway for many years and aims to utilize the Agency's excess digester capacity to accept additional organic feed stocks, such as grease and food waste, to significantly increase biogas generation in the Agency's anaerobic digesters. In the spring of 2019, CMSA received official permission to export excess power to the grid and throughout FY20 significant amounts of renewable power were exported to the grid and sold to MCE through the Agency's existing Power Purchase Agreement.

CMSA also made significant progress in FY20 to enable the future sale of power from the new Jenbacher cogeneration engine, which has both a larger capacity and higher efficiency than the existing cogeneration engine. CMSA applied for an Authority to Construct for the new cogeneration engine in FY20 and received it in October of 2020.

CMSA also worked extensively with PG&E throughout FY20 to apply for a new Interconnection Agreement to connect the new cogeneration engine to PG&E's grid. This included PG&E preparing initial and supplemental review reports in 2020 for its electrical transmission and distribution systems to determine the specific system upgrades necessary for CMSA to safety and reliably provide power the PG&E electrical grid. The new Interconnection Agreement was successfully executed in October 2020.

While the new cogeneration engine is being installed in FY21, CMSA will work with PG&E on the detailed design and construction of the specific Interconnection Agreement related electrical improvements. Additionally, CMSA has been working with MCE to amend its existing Power Purchase Agreement for the additional energy generated from the new cogeneration engine. The Amended Power Purchase Agreement is expected to be completed prior to the new cogeneration engine coming online in late 2021.



Power export meter to track the energy being sold to MCE

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San Quentin Pump Station (SQPS) Improvements: The new 5-year Agreement for San Quentin Wastewater Services that was approved in April 2020 includes $1.1 million in separate funding for approved asset management projects over the agreement's term.

In November 2019, CMSA awarded the San Quentin Pump Station Motor Control Center and Control Panel Upgrade Project to Fort Bragg Electric, in the amount of $297,997. The project involved replacing components that reached the end of their useful life, including both electrical system motor control centers, as well as replacing the older controls with a computer-driven system. This work was completed at the end of summer 2020.

Newly Installed Motor Control Center, Control Panel, and Variable Frequency Drives at the SQPS

Digester Volatile Solids Loading Study: Since October 2019, operations, maintenance, environmental services, laboratory, and engineering staff have collaborated to operate and monitor the performance of two pilot digesters. The goal of this pilot study is to determine the maximum digester loading rate of external organic feedstocks (i.e. food waste and fats, oils, and grease (FOG)) in relation to wastewater solids. The higher the threshold, the more biogas CMSA could ultimately make from these feedstocks using existing excess digester capacity.

In FY20, the project team progressively increased the external organic feedstock loading rate from an average of 30 to over 50 percent. Due to FOG organic content variability, likely caused by COVID-19 related restaurant shutdowns, there were three pilot digester upsets over the spring and early summer 2020. In response, staff made processing and feeding adjustments to better control the daily FOG variability in the late summer and resumed the pilot study.

Additionally, staff and expert digestion advisors are continuing to investigate the various metrics to understand whether there is micronutrient deficiency or potential metal toxicity that

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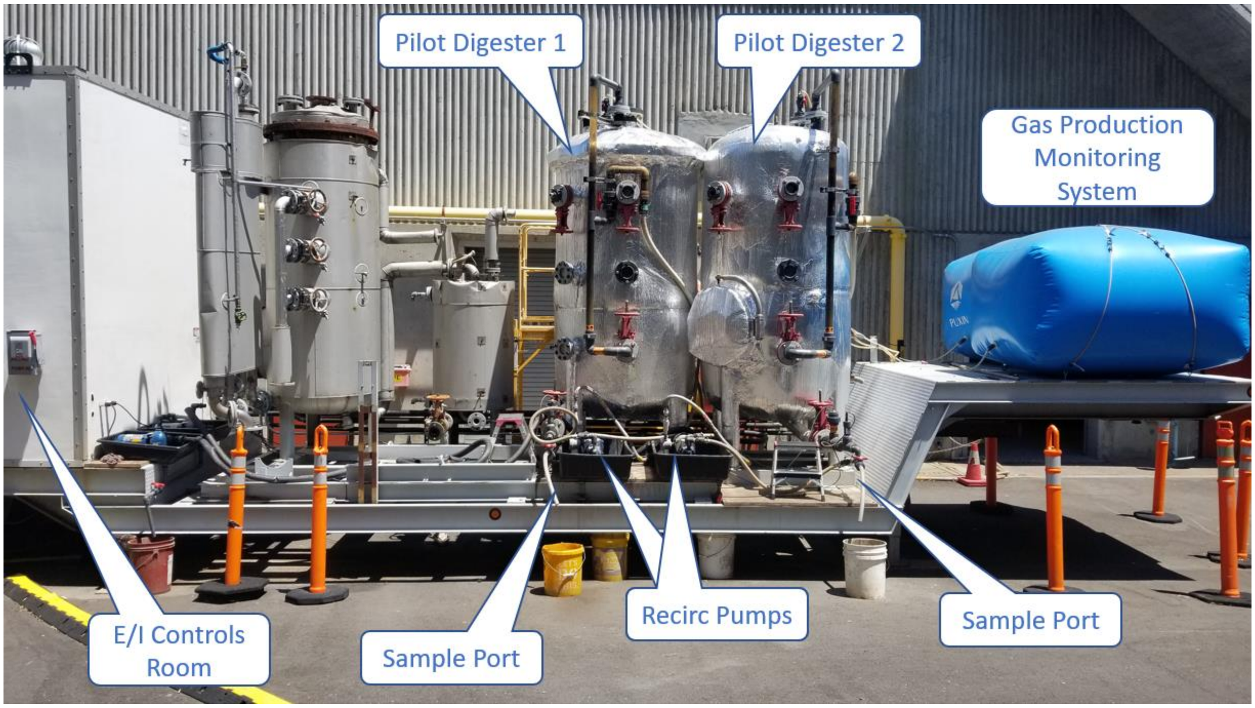
may be de-stabilizing the pilot digesters. Assuming the organic feed loading can be maintained relatively stable throughout the first half of FY21, CMSA would be able to draw firm conclusions on organic feedstock loading limits and develop a detailed plan for the next steps of the digester pilot study.



Pilot study equipment

<u>Process Pipeline Inspection:</u> In FY20, staff retained a specialized consultant to inspect several underground pipelines within the Agency's wastewater treatment facility to understand the current pipeline conditions and what repairs, if any, may be necessary. The process pipelines selected for this assessment included the Primary Effluent, Biotower Effluent, Secondary Influent, Pond Inlet, Return Activated Sludge, and Final Effluent lines, which range from 24" to 72" in diameters. Due to the complex shutdown requirements to facilitate an inspection, several of these pipelines have not been inspected since the original plant was constructed in the 1980s.

Ultrasonic testing and in-situ soil resistivity testing were performed in June of 2020 to determine the environmental exposure and degree of corrosion on the external surfaces of the pipes. To observe the interior conditions of the pipelines, the consultant cleaned the pipelines and used closed-circuit television (CCTV) to document the conditions on the 24" return-activated sludge and the 42" diameter pond inlet pipelines. In-person entries were performed for the 66" and 72" final effluent pipelines and the 48" primary effluent pipeline.

Internal inspections for the 30" secondary influent will be be performed in the summer of 2021 concurrent with a secondary clarifier rehabilitation project at that time. After all the pipeline inspections are completed, the consultant will summarize the existing conditions and provide a

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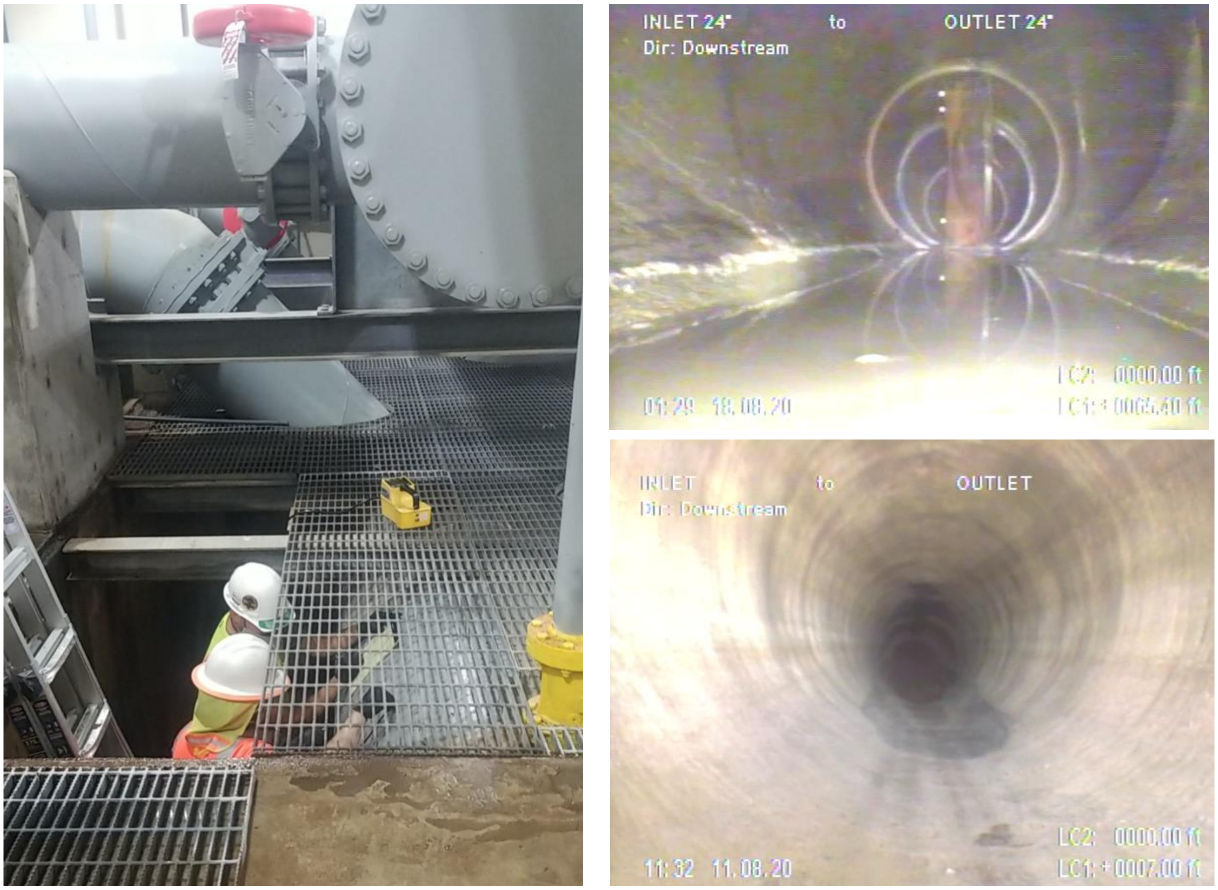
risk assessment summary for the Agency to understand which pipelines may require immediate attention and which pipelines may only require periodic monitoring.



Ultrasonic testing and CCTV pipeline inspection results

Main Electrical Switchgear Inspection, Assessment, and Rehabilitation: The main electrical switchgear distributes power throughout the facility and is mostly comprised of original equipment from 1985. Although the switchgear equipment is still operational, it is increasingly difficult to locate replacement parts and a switchgear failure could shut down the entire CMSA facility. A thorough assessment of the switchgear was performed in June and July of 2020 by an electrical engineering consulting firm and a specialized testing firm to understand the switchgear condition and evaluate future options for managing this critical component of the Agency's electrical distribution system. The inspection results indicated that the switchgear is in relatively good condition overall, requiring only minor immediate maintenance repairs.

Additionally, a schedule is being developed for more frequent switchgear reinspections to determine the speed of future deterioration as compared to the current baseline condition. Depending on the results of these future reinspections, an informed decision about the need and timing of a future full or partial switchgear replacement project can be made.

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Switchgear inspection being performed

Secondary Clarifier Design Completion and Bidding: Am engineering consultant was hired last year to provide construction sequencing and design assistance to sequentially rehabilitate the four (4) 100-feet diameter secondary clarifiers at the treatment plant, with Secondary Clarifier No. 3 being the first scheduled project. The project work includes recoating the metal structural components in each clarifier, repairing corroded steel, replacing the center column, internal return-activated-sludge pipes, and turntable drive units, resurfacing the effluent trough concrete, and replacing the aging walkway plates with new fiberglass reinforced plastic grating. To reduce the construction duration, staff pre-purchased the turntable drive units which have a long lead time.

The design was finalized in May 2020, and a formal bid process ensued to rehabilitate Secondary Clarifier No. 3 in the summer of 2020. Although two bids were received, both exceeded the engineer's cost estimate substantially. Based on the bid results as well as discussions with several contractors about the project details and current bidding climate due to Covid-19 restrictions, staff recommended, and the Board approved, rebidding the project in December 2020. The construction phase of Secondary Clarifier No. 3 is now anticipated to be completed during the summer of 2021, and the remaining three clarifiers will be scheduled for rehabilitation in the summers of 2022, 2023 and 2024 respectively.

Bioassay Room Relocation Project: CMSA plans to relocate the Laboratory's bioassay equipment from the Administration Building to the End Analyzer Room in the treatment plant

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in order to create a dedicated room for microbial analysis and space for additional laboratory equipment, as well as to locate the equipment closer to the final effluent. In FY20, staff began developing the plans for the project, which include demolition work, addition of a partition wall in the End Analyzer Room, and mechanical, electrical, lighting and plumbing details. Final design and construction are anticipated to be completed in FY21.

CENTRAL MARIN ORGANIC WASTE AND POWER DELIVERY PROGRAMS

CMSA's organic waste program is comprised of the innovative and successful Central Marin Food-to-Energy (F2E) program and a separate program where CMSA receives and processes FOG from private haulers.

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

Once in the digesters, the organic waste mixture is co-digested with wastewater solids to produce additional biogas, a form of methane gas that is used as fuel in the Agency's power generation system. CMSA historically operated the system on biogas fuel approximately seven hours a day, producing all the Agency's energy needs during that time period. The additional biogas generated from the organic waste program materials enables the Agency to run the generator longer; a future goal is to achieve full energy self-sufficiency. Attaining self-sufficiency would eliminate the need for the Agency to purchase natural gas, an alternate fuel source, 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 emissions, reduced truck traffic on the freeway and local roads, and additional energy production at CMSA. Since the inception of the program, MSS has enrolled over 250 businesses that generate food waste.

CMSA receives a tipping fee for each ton of food waste and gallon of liquid organic waste delivered, both of which assist in stabilizing wastewater service rates.

Below is a summary of several noteworthy organic waste program activities and developments in FY20:

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- CMSA received an average of approximately 6.2 tons of food waste per day, and up to approximately 27,000 gallons of FOG per day (except Sundays). After the COVID-19 shelter-in-place order was issued in mid-March, delivered food waste significantly decreased from approximately 8 tons per day to less than 5 tons per day, due to restaurants closing or only serving take-out meals.
- The mixture of food waste, FOG, and other organic materials produced enough additional biogas to run the energy generation system up to an average 19.3 hours per day, and 24 hours per day multiple days during the week.

Over the past couple years, CMSA has moved forward with developing a power delivery program. When fully implemented, CMSA will be energy self-sufficient and regularly delivery renewable power to the local electrical grid. Program highlights from FY20 include:

- In May 2019, CMSA began for the first time delivering renewable power to the local electrical grid for sale to Marin Clean Energy under a 10-year Power Purchase Agreement.
- The final design for a new higher capacity and more energy efficient cogeneration system was completed that will produce additional renewable power from the Agency's biogas resources (see Major Capital Projects – Cogeneration System for a more detailed description of this effort).
- A new Interconnection Agreement with the local power utility, Pacific Gas & Electric (PG&E), was developed and adopted that allows the new cogeneration system to delivery its maximum power output to the PG&E electrical grid.
- MCE approved a Feed-in-Tariff application for the new cogeneration system that will ultimately lead to a 20-year Power Purchase Agreement for the existing and new cogeneration systems

WASTEWATER SERVICE AGREEMENTS FOR CMSA-PROVIDED SERVICES

CMSA provides contractual services to several public agencies in Marin County for a variety of wastewater related services. These arrangements benefit both the public agencies and CMSA. For the public agency, it is more cost-effective to utilize CMSA staff expertise and resources than hiring contractors or consultants. For CMSA, the revenues incrementally reduce the amount of wastewater service fees charged to our customers. Services that CMSA provides include operating, maintaining, and monitoring wastewater pump stations and force mains, operating and 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 SBP supports provision of these services 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.

Sanitary District No. 2 of Marin: CMSA has had a service agreement, since April 1985, under which CMSA operates and maintains SD2's nineteen pump stations and provides limited maintenance to the District's force mains. Below is a summary of FY20 in-progress or completed asset management projects.

CMSA supported three scheduled capital improvements projects - complete replacement of Trinidad II pump station, major rehabilitation of Fifer pump station, and replacement of three 300 hp variable frequency drive units and programming changes at Paradise pump station. We also supported one unscheduled improvement project, emergency repairs to three air relief valves on the district's 22" sanitary sewer force main.

Our maintenace staff provided 24-hour support during the PG&E Pubic Safety Power Shutoffs (PSPS) in October through November 2019, which affected 99% of Marin County's metered locations. The pump stations operated without utility power between 44 and 69 straight hours. Evacuations related to the North Bay's Kinkade fire during this period sent approximately 30,000 evacuees south which placed an immediate strain on fuel supplies, specifically diesel fuel, which was further exascerbated by many residents and businesses running diesel-powered emergency generators. Lessons learned from last year's events include the runtime determination for each of the district's emergency generators operating at full output, and relocating radio repeaters away from pump stations without dedicated power sources, to ensure continuous communications between the stations and CMSA.

Additonal district-approved AM projects completed by CMSA included the replacement of five pumps, one 20 hp variable frequency drive unit, and two pump impellors at various stations, upgrading antiquated motor starters and circuit breakers at the Lakeside pump station, and rehabilitating the pump guiderail system at Village pump station.

San Quentin State Prison (SQSP)*:* CMSA has had a wastewater service agreement with the California Department of Corrections (CDCR) since 2012. Services include operating and maintaining SQSP's main pump station and force main to transport wastewater to CMSA's treatment plant and treating and disposing of the prison property's wastewater and biosolids. During FY19, CMSA and Corrections staff prepared a new multi-year wastewater service agreement that became effective on July 1, 2020. A brief summary of FY20 project work is listed below.

- SQSP representatives reached out to CMSA in FY19 with a request to assume a greater role in the operation of the influent side of the main pump station. This work was historically performed by low security inmates, but with the State of California releasing low-level offenders from prison, San Quentin didn’t have the resources to continue the work. In the new service agreement, CDCR authorized CMSA to hire and train three new Industrial Utility Laborers to perform the addition pump station influent work on a daily basis from 6:00 am until 10:00 pm. After 10:00 pm and until 6:00 am the following day, CDCR staff are responsible for the work with CMSA’s 24/7 standby staff available if the need arises.

- CMSA managed the Motor Control Center and Control Panel Upgrade construction project for the main pump station. The project included replacing the station’s antiquated motor controls and control panels, as well as its conduit, wiring, and instrumentation.

- All of the station’s interior and exterior lighting fixtures were converted to long lasting energy efficient LED units. Fourteen fluorescent light tubes in the station’s interior were replaced by LED retrofit tubes, three exterior wall pack fixtures were replaced with LED units, and the station’s wet well area required explosion proof specialty LED fixtures.

San Quentin Village Sewer Maintenance District: CMSA and the County of Marin entered into a service agreement in 2012 for the operation and maintenance of the District’s small gravity collection system and pump station. A summary of FY20 project work follows.

- CMSA hired a septage hauling company to vacuum clean the pump station wet well and clean and conduct a closed-circuit television inspection of the gravity sewer pipelines. The investigation’s primary purpose was to assess the condition of the system’s 6” and 8” sewer pipelines, to check for cracks in pipes, excessive root intrusion from laterals, and other system anomalies. Surveying utilized a remote camera, and several private laterals were documented as having noticeable water and root intrusion. A report of findings and video documentation was provided to the County of Marin for their review and use.

ASSET MANAGEMENT PROGRAM AND RELATED PROJECTS

Major asset maintenance and replacement projects completed or in progress during FY20 are detailed below.

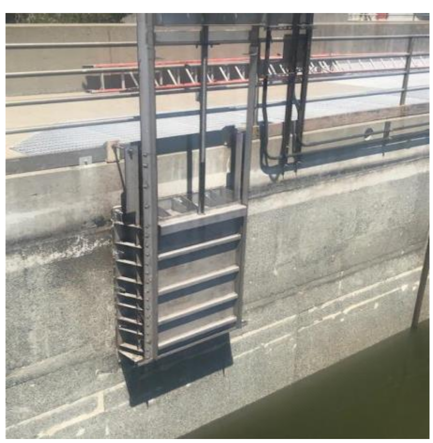
Primary Clarifier Sludge Collector Drive Unit Replacement*:* CMSA has seven primary clarifiers, five of which were constructed when the plant was built in the early 1980s. Focusing on these five original clarifiers, staff has replaced all of the tank internal sludge collecting components over the last several years, including flights, chains, wear shoes and guide strips, upgrading them to non-metal materials. The drive mechanisms, which include an electric motor and a multistage speed reducer, were the last items requiring an upgrade to complete the system-wide rehabilitation. Maintenance staff worked with vendors to select modern units that require less maintenance, provide an energy savings by reducing internal friction, and have motors that comply with the National Electrical Code for this classified area. Staff designed and fabricated new drive mounting plates and drive shafts and installed the drives onto offline tanks. Once tested, the drives and motors were painted to protect them from the elements.


Removal of Original Drive Assembly


New Drive and Assembly Guard

__Aeration Tank Influent Gate Replacement__: CMSA's four aeration tanks are equipped with sluice gates that allow operations staff to control the flow into the tanks based on process needs. During annual preventive maintenance and condition assessment activities in FY18, staff noted severe corrosion and failure of the gates' sealing surfaces in process tank No. 1. This past year, electrical and instrumentation staff decoupled the electrical connections to the gate actuators and assisted with their removal. Staff then used a forklift to separate the gate from the frames and remove the gates from the tanks. New lighter-weight fabricated stainless steel gates were installed and tested for watertightness, and the actuators were reinstalled.


Original Aeration Basin Cast Iron Gate


New Stainless-Steel Replacement Gate

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Biogas Hydrogen Sulfide (H2S) Sampling System: Hydrogen sulfide gas is commonly produced in CMSA's anaerobic digesters as a result of the microbial breakdown of organic materials in the absence of oxygen. H2S contains 21 times the global warming potential of CO2, and when its combined with water in internal combustion engines, acids are produced in the engine oil which attacks the metals in the engine causing corrosive wear. Sampling and monitoring for H2S is required by the Bay Area Air Quality Management District and necessary to preserve various Agency assets.

A new digester gas sampling system was designed and installed by the electrical and instrumentation staff. The original sampling system, installed during the digester upgrades project in 2013, was no longer supported by its manufacturer and neither was the systems consumable sensors. Our new equipment monitors and records H2S samples directly from both digesters, and at both the inlets and outlets of the biogas scrubbing vessels. This allows staff to understand the level of H2S generation in the digesters, the H2S removal rate in our gas scrubbing system, and ultimately the level of H2S entering and passing through our cogeneration engine. The recorded data is sent back to the Agency's process control system, where technicians can analyze the data, develop trends, and ultimately adjust process parameters to reduce H2S levels in the digesters.


H2S Sampling Manifold


H2S Sampler Control Panel

Primary Clarifier Scum Skimmer Drive Replacement Project: This project recently replaced five originally installed scum skimming drives from 1985, with drives that comply with a National Fire Protection Associations Standard, which is *the* fire protection standard for wastewater treatment plants. These drives operate a rotating arm that removes floating material from the primary treatment process. Our maintenance staff removed and replaced the gear boxes, electric drive motors, and unit baseplates. Once the new drives were installed, they were tested, painted for protection, and placed into service.


Original Scum Skimming Drive Unit


New Scum Skimming Drive Unit

<u>Dechlorination System Storm Pump Installation</u>: CMSA uses sodium bisulfite to remove residual chlorine from treated effluent prior to being discharged into San Francisco Bay. Since the late 1990s the Agency has relied upon one 100-gallon per-hour (dry weather) and two 280-gallon per-hour (wet weather) metering pumps for this dechlorination work. Stricter regulatory compliance requirements in the Agency's NPDES permit triggered the need for a larger, higher output metering pump. Engineering staff determined that a 400 gph pump capacity will dechlorinate extremely high effluent flows with high chlorine residuals. Additionally, the pump speed can be reduced for it to back-up any of the existing dechlorination metering pumps. Agency technicians built a stainless-steel stand for the pump skid, installed and mounted the supply and discharge piping, completed all of the conduit and wiring, and connected it to facility process control system. Our IT analyst programmed the pump's operating and control strategies, and our operations staff tested its functionality.

<u>Facility Building Improvements</u>: The Agency transitioned away from using gaseous chlorine for disinfection and sulfur dioxide for dechlorination in the late 1990's, replacing those systems with safer storage and containment facilities for liquid forms of these treatment chemicals. Also around that time, the Agency moved effluent compliance monitoring equipment out to and on-top-of the sampling location for efficiency purposes. Underground chemical spill vaults with pre-engineered metal buildings were constructed at these project sites to protect electric control panels, pumps, and sampling instruments. All three buildings, at 20 years in service, were experiencing corrosion issues due to being regularly exposed to the environment, one building to continuous running water, and the two containment vault buildings to treatment chemicals. Last year, the Agency hired a metal buiding contractor to rehabilitate these builidings with CMSA staff responsible for disconnecting the electrical and instrumentation wiring. The building erected over the dechlorination spill vault had significantly corroded and required new siding on three sides and a new roof, the building over the disinfection spill vault required new base suports for the walls, and the final effluent building needed interior and exterior siding on one side of the building.


SBS Spill Containment Vault Under Construction


SBS Spill Containment Vault after Refurbishment

__Administration Building Crabgrass Rehabilitation__: Invasive crabbgrass had taken root over a significant portion of the Administration Building lawn between the parking lot and main entryway. CMSA staff used a selective, post-emergent herbicide to eradicate the crabgrass and then removed the top three inches of the infested areas using a sod cutter. Instead of replacing all the grass and in continuing with the spirit of conserving water, a new decorative xeriscape lanscape was designed. It inlcuded a Manzanita tree, landscape boulders, annual and perinnial flowers, and anchored the area with a worn-out Organic Waste mixing pump. The remaining area was broadcast with the areas dominent grass seed.

__Paradise Odor Control Station Improvements__: CMSA owns and maintains four odor control stations which are strategically located within the CMSA service area at JPA member agency

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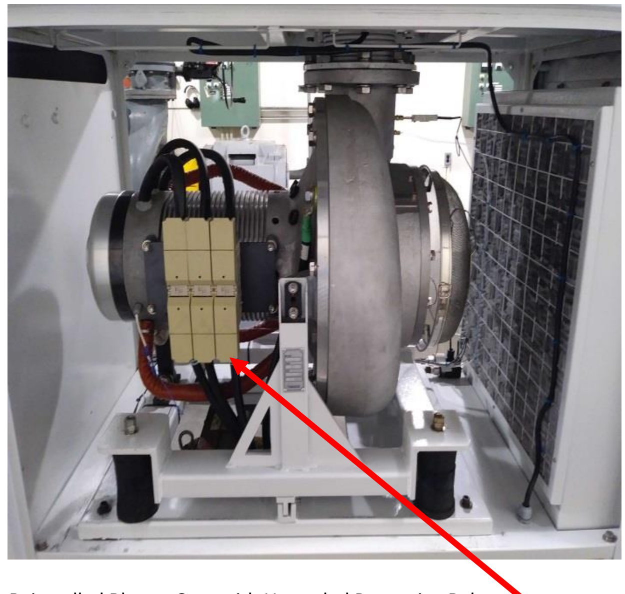
pump stations. These odor control stations introduce a nitrate chemical solution into the wastewater force main to control the formation of hydrogen sulfide, a very odorous compound. This past spring and while the station was not yet needed for odor control purposes, staff completed an improvements project at the SD2 Paradise odor control station, which included the removal and replacement of a nitrate solution bulk storage tank and all of its associated piping. They also completely disassembled the nitrate solution injection pumps to replace worn pump components and drive motors and installed new variable frequency drives.

Recently Installed Nitrate Solution Bulk Chemical Storage Tank


Refurbished Nitrate Solution Injection Pumps

__Aeration System Blower Core Overhaul:__ CMSA utilizes two high speed centrifugal blowers to provide air to microorganisms in the treatment plant's aeration system. During normal operations, these units regularly operate at 25,000 rpm, so it is imperative that they receive scheduled maintenance which is based on hours of operation. The Agency refurbished one blower core last fiscal year and the second core recently received the same factory level service work. The equipment manufacturer, APG-Neuros, performed the factory inspection and service, and staff was able to negotiate borrowing a loaner core for use during the interim. A unique twist for this core, the global pandemic initially prevented the factory technician from traveling to the Agency, so the technician, via web conference, talked our staff through the initial core removal and installation of the loner core. The refurbished core was reinstalled by a Neuros technician with staff assistance.

Blower Core Prior to Removal for Factory Maintenance



Reinstalled Blower Core with Upgraded Protective Relays

DISCHARGE PERMITS

CMSA received its current NPDES permit from the San Francisco Regional Water Board on January 10, 2018. This NPDES permit contains all the regulatory requirements, limitations, and authorization for CMSA to discharge treated water into the San Francisco Bay. CMSA was able to successfully negotiate this new permit with treated wastewater effluent limits remaining relatively unchanged, while permit monitoring requirements were reduced. The new permit became effective on March 1, 2018 and has a five-year term, expiring on February 28, 2023. CMSA has been in full compliance with the new NPDES permit since it was issued.

Additionally, on May 8, 2019 the Regional Water Board adopted its second Nutrient Watershed Permit, entitled the Waste Discharge Requirements for Nutrients from Municipal Wastewater Discharges to San Francisco Bay, effective July 1, 2019. This permit regulates nutrient discharge to the San Francisco Bay, and focuses on continuing nutrient monitoring at wastewater facilities and additional regional monitoring at numerous locations in the Bay. Successful negotiation by the Bay Area Clean Wastewater Agencies resulted in the reduction of nutrient monitoring from twice per month to once per month and the removal of influent nutrient monitoring requirements. CMSA has been in full compliance with this permit since it was issued.

ENVIRONMENTAL COMPLIANCE PROGRAMS

The Agency's NPDES permit includes source control programs requirements, a Federal Pretreatment Compliance Program, and a State Water Resources Control Board Pollution Prevention Program. The purpose of each program is for the Agency to regulate businesses and industries that discharge water into the wastewater collection system so that it will not detrimentally affect the CMSA treatment processes and 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 monitors these dischargers and conducts an annual comprehensive inspection of each to ensure their wastewater meets the CMSA's local discharge limits.

The Pollution Prevention Program regulates smaller dischargers that could cumulatively impact the overall final treated water and biosolids quality. These dischargers are inspected at least annually, and wastewater samples are collected and tested to ensure that they meet the local discharge limits. CMSA has one of the most comprehensive programs in the San Francisco Bay Area region in terms of the inspections conducted and 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 FY20, 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 Mercury Watershed Permit that became effective on January 1, 2018 requires a reduction of mercury discharges from all controllable sources to the San Francisco Bay. The permit's goal is to eventually, over decades, lower the mercury concentration in the San Francisco Bay sediment and water by 20%. It specifically states that wastewater agencies must regulate dental offices using source control techniques, because dental amalgam (~ 50% mercury) used to fill cavities in teeth is the largest controllable source of mercury discharged to the sanitary sewer in unindustrialized areas. Mercury 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 material is still discharged in very significant quantities during removal or repair of mercury amalgam fillings.

CMSA's Mercury Reduction Ordinance requires dental offices to install and maintain dental amalgam separators, and to properly handle and dispose of dental amalgam. All dentists within the CMSA service area have installed the separators. During the annual compliance inspections, Agency staff determines the amount of amalgam removed from the dental offices waste stream and reports that information to the Regional Water Board. In calendar year 2019, approximately 12.25 pounds of mercury were removed and properly disposed.

__Novato Sanitary District and Las Gallinas Valley Sanitary District Mercury Reduction Programs__: Both districts have contracted with CMSA to administer dental amalgam programs in their respective service areas. The programs are similar to the program implemented at CMSA which has been recognized for its outreach, annual compliance inspections, and comprehensive record keeping. Compliance inspections in 2019 showed that all dental offices were in compliance with program requirements, and the programs were responsible for the removal of 30.75 pounds of mercury.

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

Local agencies that retain CMSA to manage and administer their FOG control programs utilize CMSA staff to perform required permitting, inspection, and enforcement activities for food service establishments, such as restaurants and markets. CMSA has developed and implemented FOG source control programs for the Las Gallinas Valley Sanitary District, San Rafael Sanitation District, Ross Valley Sanitary District, Sanitary District No. 2, Tamalpais Community Services District, and Almonte Sanitary District. All these programs include routine inspections, documentation of grease removal device cleaning, and requirements to install grease removal devices for new restaurants, those undergoing a remodel, or a change of ownership involving upgrades to the kitchen plumbing or fixtures.

REGULATORY INSPECTIONS BY FEDERAL AND STATE REGULATORS

__NPDES Permit Inspection__: The Regional Water Board conducted an inspection on February 15, 2018 of the Agency's treatment facilities, environmental laboratory, and its NPDES reporting files. The final inspection results were issued and indicated that the CMSA facilities were well maintained and that NPDES reporting files were in order. No audit findings or recommendations were provided with this inspection.

__NPDES Pretreatment Compliance Inspection__*:* The Regional Water Board conducted a Pretreatment Compliance Audit in FY17 to verify the Agency's compliance with requirements specified in the Federal Pretreatment Regulations and requirements specified in CMSA's NPDES permit. The inspectors visited two industrial facilities that CMSA regulates and reviewed the records and procedures. The final inspection results were issued and recommended several revisions to the Agency's Sewer Use Ordinance. Agency staff revised the Ordinance and the CMSA Board adopted it on December 13, 2018.

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 educate the general public of ways to reduce pollutant disposal into the sanitary sewer and storm drain systems. Public outreach activities for the past year are summarized below, including the significant impacts to the public outreach activities between March and July of 2020 due to the Covid-19 pandemic and associated shelter-in-place orders.

Pharmaceutical Take-Back Program: For many years, the Agency has provided financial support to the Marin County Pharmaceutical Take-Back Program which reduces the amount of unused pharmaceutical products being discharged directly into the sanitary sewers. This Program was replaced by the RxSafe Marin MED Project which serves a similar purpose and provides literature on how to dispose of unused pharmaceutical products and where to take them. CMSA provides this literature at our public outreach events. In Marin County, 11,220 pounds of unused pharmaceutical products were collected and properly disposed of in calendar year 2019.

Outreach Events: CMSA participated in many Marin County public education and outreach events over the past year, including the Marin County Fair, Earth Day at Marin Academy, Fairfax Ecofest, Senior Information Fair, Trunk or Treat, Scream on the Green, Novato Business Showcase, National Night Out in Mill Valley, and local farmers markets around the county for Earth Day and Pollution Prevention Week. A total of 2,927 environmental quizzes were administered to both adults and children that visited the outreach booths, to educate them about how to handle and dispose of certain 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 valuable knowledge on sustainable pollution prevention practices. Numerous planned in-person public outreach events were cancelled between March and July of 2020 due to the Covid-19 pandemic and associated shelter-in-place orders.

School Presentations and Performances: CMSA staff coordinated school outreach programs that reached 4,354 elementary school students in Marin County. The program consists of an interactive and entertaining performance by a juggler 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, water. Beginning in April 2020, the juggler performance shifted from in-person to virtual in response to the Covid-19 pandemic and associated shelter-in-place orders. Prior to March 2020, Environmental Services staff also visited classrooms to educate students about wastewater treatment at Ross Valley Charter School, Glenwood Elementary School, and the Marin School of Environmental Leadership high school program. Between March 2020 and July 2020 all classroom visits were cancelled due to the Covid-19 pandemic.

CMSA booths at FY20 public outreach events

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Interactive juggler performance at local school

WORKPLACE SAFETY INITIATIVES

Health & Safety Program: CMSA and the Novato Sanitary District partner in a collaborative Health & Safety Program. The program's focus is to promote and assist each agency in developing and maintaining workplace safety programs, while managing employee injury/return-to-work initiatives. The program includes providing employee safety training, developing, and maintaining safety policies and procedures, performing safety assessments of facilities and employee work practices, monitoring changes in Cal/OSHA safety regulations, and providing a variety of other safety services.

Since inception, the program has been very successful, and has received favorable reviews by the California Sanitation Risk Management Authority and the CWEA. In August, the Senior Safety Specialist completed her second year supporting the Health & Safety Program and continues to work closely with the Program's Safety Director.

CMSA was awarded the 2019 Medium Plant Safety Award by the CWEA, and the 2019 CWEA Redwood Empire Section Safety Plant of the Year Award. CMSA was also awarded the Water Environment Federation George W. Burke Facility Safety Award, as the highest scoring safety award winner in all size categories.

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<u>Safety Incentive Program</u>: The CMSA Safety Incentive Program was designed to enhance overall employee safety through active employee participation. In the Fall of 2019 the CMSA policy was revised to offer incentive points for wellness-related activities, including well doctor/dentist visits, vaccinations, and outside wellness topic training, such as those offered via the Agency's Employee Assistance Program. In addition to these new activities, the CMSA Safety and Wellness Incentive Program acknowledges employee contributions in several of the key aspects of a sound safety culture, and awards points for employee contributions in providing hazard alerts, safety suggestions, leading tailgate training sessions, and participating in outside (non-required) safety training activities such as webinars and conferences. Twice per fiscal year employees are awarded monetary awards for achieving specific point levels.

CMSA developed a tracking system to collect participation metrics to provide valuable documentation for demonstrating longer-term regulatory compliance. Program data for FY20 shows continued participation in training and formal safety communications.

For example, initially under this program, tailgates averaged one tailgate session every two months, and included nominal employee participation. In FY20, CMSA employees led a total of 45 tailgates, which is consistent with the total held in FY19 (47), despite the work disruptions and constraints associated with the COVID-19 pandemic.

The total incentive program points that are earned by each employee provides a fair indication of the level of participation in the program. Fourteen employees qualified for awards in FY20.

<u>Safety Training</u>: 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 FY20, CMSA conducted 34 formal safety training sessions on approximately 21 separate topics, including ergonomics, new employee safety orientation, hearing loss prevention, personal protective equipment, Injury and Illness Prevention Plan, bloodborne pathogens, fire extinguisher use, defensive and distracted driving, automatic external defibrillator review, first aid and CPR, confined space entry, heat illness prevention, safe operation of the Bobcat skip loader, forklift and Sky Trak telehandler, and others, which, combined with tailgates added up to a total of approximately 874 cumulative safety training-hours.

<u>Special Projects:</u> In March 2019 CMSA launched a pilot program that uses digital flat screen bulletin boards at two locations to reinforce safety and wellness messages and learning topics in a dynamic and eye-catching format. The content is developed and regularly updated staff as well as an online subscription service.

CMSA was also required to implement a new set of programs in response to the novel coronavirus pandemic and related local public health orders. Activities included preparation of at least 25 separate communications to employees, by management and/or the Safety Officer, covering COVID-19-related instructions, education, and updates. Activities also included tailgate and online training sessions; development of a Social Distancing Protocol, COVID-19 Site-Specific Protection Plan, and COVID-19 exposure hazard analyses of various work locations.

CMSA hired an industrial hygiene consulting company to evaluate the welding shop operation for potential welding fume exposure to employees. The firm's analyses confirmed and documented that the welding operation does not expose employees to toxic fumes above Cal/OSHA permissible exposure limits.

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 FY20 and beyond.

Student Internship Program: CMSA provides internship opportunities for students seeking careers in the water or wastewater industry. Internships are an opportunity for students to gain exposure in a public sector environment and enhance their academic training. Eligibility is for students enrolled in an undergraduate or graduate degree, Career Technical Education, Regional Occupational Program, or similar programs. A department manager seeking an intern prepares a draft learning plan that describes, among other things, how the student will benefit from the training and experience of the internship program assignments. Over the past Agency had interns in the environmental laboratory and the engineering work group.

Retired Annuitant: The Agency also supports use of retired annuitants to perform special projects requiring unique expertise. A long time electrical and instrumentation supervisor was hired under a retired annuitant service agreement to work on an array of electrical , instrumentation, and control system improvement projects.

PARS for Temporary Employees: For retirement contributions for interns and retired annuitants, the Agency switched to the use of PARS, the Public Agency Retirement System. It replaces social security and provides more retirement options for temporary employees. The cost of PARS is shared 50% between the employer and employee, and plan contributions are submitted to a 401K style retirement plan. The employee has the option at time of separation to withdraw all contributions, roll the contributions over into another retirement plan, or purchase CalPERS service credit should the employee become a member of CalPERS.

Self-Insured Dental and Vision Plans: Effective with the beginning of the FY20, the Agency contracted with E.D.I.S., a third-party administrator to manage our self-insured dental plan. Benefits have improved to $2,500 per year for each family member, and the plan is easier to manage than our previous plan. The Dental Plan Works Like Any Other Traditional Plan.

- Employees each have an E.D.I.S. ID Card to replace their current ID Card to use when going to the dentist.
- There is no network, so employees can go to their existing dentist, or to any dentist they choose.
- Once E.D.I.S. receives the claim from the dentist, they process the claim and send payment directly to the dentist.
- E.D.I.S. sends an *Explanation of Benefits* to the employee showing that their claim was processed.
- The dentist charges the employee at time of visit for any copay amount owed.

The self-insured dental plan has been very successful and saved the Agency approximately 50% from its previous fully insured plan. Due to the success of the dental plan, the Agency also is working to expand its self-insured benefit plans to include a vision benefit. The Agency is envisioning a two-tiered vision plan for those with covered eye exams versus medical plans with non-covered eye exams. Estimates show savings from the current fully-insured plan.

New Financial System Software: During the FY20, the Agency signed a contract to license the use of new financial system software from Tyler Technologies called Incode to replace its' aging current system. The Agency purchased the financial and personnel suites that include general ledger, accounts receivable, cashiering, purchasing, accounts payable, payroll, personnel management, employee self-service, time and attendance, fixed assets, project accounting, and Tyler content manager.

The system will provide tremendous time and cost savings to all users; managers and supervisors for authorized access and reporting, administrative staff for accounting and support services, and all employees will enter electronic time sheets and utilize the employee portal to access information and make personnel related initial requests. Access to all aspects of the system is controlled by system security. Users can view data, print reports, create reports, prepare budgets, manage projects, perform accounting and purchasing tasks, and utilize a remote capability for approvals and requests. The system will largely eliminate paper through electronic approval, notifications, and document management, and it replaces nearly all of the manual spreadsheet functions previously performed

As of the end of FY20, system implementation was well underway with final conversion and launch anticipated for the end of October 2020. Some of the noteworthy features of the new system include a customer information system to manage billed receivables for services provided, a project accounting system to manage the numerous and various capital projects, a personnel management system to manage payroll as well as all aspects of personnel, an extensive and robust budgeting system, as well as an extensive and robust reporting system for all aspects of the Tyler Incode system. Staff is very excited as it brings each function live and begins using the system.

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New CMSA Website: A significant initiative completed over the past year was to prepare and launch a new Agency website. To begin the work, members of the strategic planning committee performed a comprehensive review of the existing website, surveyed comparable sites for appropriate look and feel, intuitive page navigation, and user-friendliness, and proposed improvements to appearance, functionality, and ease of use.

A new design was developed and approved, and content placed using standard page templates. The website serves both as a front communication device for the Agency as well as a repository for key documents of the Agency. The website scales automatically to viewing on a desktop or laptop computer, cellphone, or portable device. The new website meets or exceeds all of the contemplated improvements and can be seen at www.cmsa.us.

Policy and Procedure Review: CMSA staff regularly review its Personnel, Financial, and Administrative Policies and Procedures Manuals. Financial policy review was undertaken and completed in November 2018, administrative policy review completed in March 2019, and personnel policy review completed in April 2019. Personnel policies normally takes longer than administrative or financial policies because they utilize legal review and meeting and conferring with the union. These reviews benefit the Agency through keeping up-to-date with ever changing laws, rules, and regulations, and changes in the use of the policies as they relate to practical work situations. The Agency began the cycle again with financial policy review in FY20 and the revised policies have been approved by the Board.

Two-Year Budget: The Agency switched to a two-year budget format for FY20 and FY21. The two-year budget saves a lot of staff time as compared to preparing a budget every year. Mid-year and mid-cycle adjustments are utilized should actual and/or projected revenue or expenses change which would prompt a necessary revision. Thanks to the two-year budget, Finance and Administration staff has more time for projects in the Spring of year one because the budget for year two is already prepared. For FY20, the extra time was utilized for the new financial system conversion, training, and launch as described above.

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

The Agency is currently has a five-year revenue plan for the period from FY19 to FY23, and its revenue figures are incorporated into the FY20 and FY21 budgets. Under the plan, operating revenue is funded by regional service charges to the JPA members, contract and program service fees, and other non-capital general funding sources. Operating expenditures escalate from the base year by estimated general increases for pro-forma annual reasonable costs. Capital expenses are funded by sewer system capacity charges, a debt service coverage charge, a capital fee, and unrestricted capital reserves. The revenue program is fixed for the five-year duration unless unforeseen or unanticipated circumstances arise warranting revision. Scheduled increases of 3.5% annually are set for each of three billed charges to JPA members, regional service charges, the capital fee, and debt service costs.

Future Debt Planning: The Agency is planning to issue debt in FY21 to finance construction of certain capital projects. The new debt issue was contemplated in conjunction with the Finance Committee at the time of the FY20 and FY21 two-year budget preparation, and will consist of construction funds estimated at approximately $9M for certain specific capital projects, plus a provision for costs of issue. Terms of the new debt call for annual debt service in the amount of approximately $560,000 at 2% interest with maturity in June 2041. Debt service will be funded through the net revenues of the wastewater facility. The estimated increase in debt service is included in the financial forecast and the current five-year revenue plan.

FINANCIAL INFORMATION

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

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

The Agency's Board of Commissioners adopts a bi-annual budget to serve as the approved financial plan for each of the two fiscal years. Provisions within the JPA agreement authorize the Board to set the regional service charge to the JPA member agencies. Total revenues received by CMSA from the JPA members, as well as other revenue sources, fund 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 bi-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 Reports 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 (1) Westamerica Bank, (2) the Local Agency Investment Fund (LAIF), and (3) California Asset Management Program (CAMP) to manage its cash and cash equivalent assets. Westamerica Bank serves the Agency's general banking requirements in processing the Agency disbursements and receipts. LAIF is a pooled investment fund, administered by the Office of the State Treasurer of California and available to

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California local government agencies. LAIF investments are considered liquid and provide competitive short-term rates.

Additionally, the Agency invests some or a portion of its budgeted reserves in CAMP, 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.

Total interest income earned and recognized during FY20 was $352,481, a decrease of $58,172 from FY19. The decrease is attributable to a declining short-term interest rate environment on pooled investments held in LAIF and CAMP.

Agency Funding: The Agency began its FY20 and FY21 two-year budget development process with the review of the funding requirements for salaries, benefits, materials, supplies, debt service, reserves, and capital project activities. It next assessed the different sources of revenues to fund those requirements. Regional service charges to JPA 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 contractual agreement. Guided by a revenue management financial policy, the Agency allocates sewer service charges to each JPA member based on the 3-year average of their volume and strength of delivered wastewater. This methodology represents a measurable and fair assignment of treatment costs, using the cost-of-service principal as applied.

An EDU rate of $95.43 was used to allocate debt service to each JPA member. Historic EDU rates for the last ten years are displayed in Schedule 8 of the Statistical Section. During FY20 the Agency received a total of $12,015,001 for sewer service charges and $4,959,163 for debt service from the JPA member agencies.

Significant Non-Cash Transactions: While most financial transactions involve the receipt or payment of cash, some transactions known as accruals involve the recognition of revenue or expense on a different time period than with the receipt or payment of cash

Non-Cash Transactions	FY Ended June 30, 2020	Increase from FY19	Percent (Decrease)
GASB 68 non-cash pension accrual	$1,058,022	$747,849	(241.1)%

Operating & Non-Operating Revenues: The table on the following page shows a summary of revenues by source in FY20 and compares dollar and percentage changes over FY19. 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.

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FINANCIAL INFORMATION (Continued)

Operating & Non-Operating Revenues	Fiscal Year Ended June 30, 2020	FY20 Percent of Total	Increase (Decrease) from FY19	Percent Increase (Decrease)
Regional Service Charge	$ 12,015,001	66.4%	$ 581,366	5.1%
Debt Service Charge	4,959,163	27.4%	(7,346)	(0.1)%
Contract Maintenance Revenue	1,401,010	7.7%	333,495	31.2%
Permit and Inspection Fees	28,423	0.2%	12,281	76.1%
FOG Program Revenues	50,806	0.3%	(3,422)	6.3%
Revenue from Haulers & RV	262,802	1.5%	(7,772)	(2.9)%
COOP Program Revenues	85,666	0.5%	(7,401)	(8.0)%
Total Operating Revenues	**18,802,871**	**104.0%**	**901,201**	**5.0%**
Interest and Investment Income	352,481	1.8%	(58,172)	(14.2)%
Non-Operating revenue (expense)	(1,050,824)	(5.8)%	(1,503,657)	(332.1)%
Total Non-Operating Revenues	**(698,343)**	**(4.0)%**	**(1,561,829)**	**(180.9)%**
Total Revenues	**$ 18,104,528**	**100.0%**	**$ (660,628)**	**(3.5)%**

Total operating and non-operating revenues, excluding capital contributions for capacity charges, decreased by $(660,628). Increases and decreases in revenue categories are summarized as follows:

- Regional service charges increased by $581,366 that includes a capital fee in the amount of $1,021,001. Regional service charges, the capital fee, and the debt service charge in total increased 3.5% per a scheduled increase for the FY20. The capital fee is used to fund future capital improvement projects.
- Debt service charges include the principal and interest for the base debt service plus a 25% debt coverage fee used for capital funding. Although not shown separately above, debt service principal and interest decrease each year due to declining loan amortization of the outstanding 2015 Refunding Revenue Bonds.
- Contract maintenance revenues increased approximately $333,000 and varies year-to-year depending upon the level of actual needed services. The majority of the increase was due to a new service element to SQSP plus general increases in other contract maintenance services.
- Permit and inspections increased for the year resulting in an increase in revenue.
- FOG revenues slightly decreased due to less inspections during the COVID-19 shelter-in-place requirements that resulted in the temporary closing of many restaurants.
- Revenue from haulers and RV dumpers decreased but is consistent with the prior year.
- Interest and investment income decreased approximately $58,000 due to decreases in interest rates.
- Miscellaneous revenues increased approximately $279,000 due to proceeds received from the California OES for a landslide repairs project but was offset by a loss on disposal of assets in the amount of approximately $1,700,000 to remove the remaining book of a cogeneration engine that failed.

FINANCIAL INFORMATION (Continued)

Capital Contributions for Capacity Charges: The following schedule presents a summary of capital contributions for capacity charges for FY20 with a dollar and percentage comparison for changes over FY19. Capacity charges received during FY20 totaled $511,165 for new residential, commercial, and additional fixture unit connections in the combined JPA service area.

Capital Contributions	Fiscal Year Ended June 30, 2020	Increase (Decrease) from FY19	Percent Increase (Decrease)
Capacity charges	$511,165	$(160,604)	(23.9%)

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 at year end. The Agency's practice is to utilize capacity charges received on a first-in-first-out basis to finance capital projects during the fiscal year. No interest was posted to capacity charges and there was no outstanding balance of capacity charges at year-end. Other required disclosures for the FY20 are as follows:

- Total amount of capacity charges collected $511,165

Listing of FY20 Maintenance and Capital Projects for which capacity charges were applied:

▪ Process instrumentation – 30" flow meter	$14,426
▪ Industrial coating rehabilitation – chlorine contact tanks	53,605
▪ Gates rehabilitation	418,505
▪ Outfall inspection repairs – diffuser replacements	24,629
	$511,165

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 FY20. It also includes a comparison of dollar and percentage changes over FY19.

Operating Expenses	Fiscal Year Ended June 30, 2020	FY20 Percent of Total	Increase (Decrease) from FY19	Percent Increase (Decrease)
Salaries and Benefits	$ 9,925,545	72.5%	$ 1,438,842	17.0 %
Operations Supplies & Services	1,638,012	12.0%	201,117	14.0 %
Repairs and Maintenance	588,963	4.3%	(445,855)	(43.1) %
Permit Testing and Monitoring	178,099	1.2%	33,131	22.9 %
Insurance	134,522	1.0%	22,978	20.6 %
Utilities and Telephone	495,207	3.6%	41,125	9.1 %
General and Administrative	736,513	5.4%	(37,537)	(4.8) %
Total Expenses	**$ 13,696,861**	**100.0%**	**$ 1,253,801**	**10.1%**

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Total operating expenses increased by $1,253,801 and are summarized as follows:

- Salaries and Benefits increased overall by $1,438,842 due to 3% cost of living adjustment for an approximate $170,000 increase, three new positions for approximately $165,000, a pension accrual increase of $750,000, a $50,000 savings in dental expenses, a workers compensation increase of $209,000, and benefit increases for the remainder.
- Operations supplies and services increased by approximately $201,000 due mainly to more usage of specific treatment chemicals and certain unit price increases.
- Repairs and Maintenance projects were more significant for FY20 resulting in more capitalizable projects than expensed.
- Permit Testing and Monitoring is very consistent between years.
- Insurance is generally consistent between years with small increases for property and general liability insurance.
- The approximate $41,000 increase in utility expenses was attributable to lump-sum renewal contracts versus single year.
- General and administrative expenses reflect a net decrease of approximately $37,000 for special studies for consultants for the asset management program and equipment for the pilot digester study that were performed in the prior year and not in the current year under review, FY20.

Revenue Bonds Assets and Liabilities: The Agency issued Refunding Revenue Bonds Series 2015 in the principal amount of $49,310,000 at premium of $5,344,174 in an advance refunding (1) to prepay the outstanding principal of 2006 Revenue Bonds, (2) to purchase a surety policy to replace the previous cash funded reserve, and (3) to pay certain costs of issuing the bonds. The Bonds are fully registered, with principal due annually on September 1, and interest payable semi-annually on March 1 and September 1. The bonds maturing on or after September 1, 2025 are subject to optional redemption on any date on or after September 1, 2024, together with accrued interest to the redemption date, without a premium.

The transaction advance refunded the principal amount of $55,510,000 plus interest in the amount of $3,251,467 due on the 2006 Revenue Bonds by placing in escrow the amount of $58,761,467. The escrow amount was used to redeem the entire outstanding amount of the Revenue Bonds, Series 2006 in full on September 1, 2016. The transaction resulted in a deferred amount on refunding of $2,859,484, and a decrease in total cash flows of $5,212,685. The deferred amount on refunding is carried as a deferred outflow of resources, and the premium is carried as a net reduction to the 2015 revenue bonds. The deferred amount on refunding and the premium are amortized on a straight-line basis over the life of the Bonds as components of interest expense. There is no balance in the refunding escrow account at June 30, 2020.

Each JPA member 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. Debt Service Charges per EDU are fixed for each member's service area for consistency beginning with FY18. Service Charge Revenue reflects the actual semi-annual debt service payments received from the JPA members and is based solely on 125% of the scheduled semi-annual debt payments to the bond holders.

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

Revenue Related to Debt Service	**Fiscal Year Ended June 30, 2020**
Service charge revenue - principal	$ 2,395,000
Service charge revenue - interest	1,572,331
Service charge revenue - coverage	991,833
Service Charge Revenue: Debt Service	$ 4,959,164
Outstanding Debt	
Current Maturity (due in one year)	2,470,000
Long-term debt (greater than one year)	35,575,000
Total Outstanding Debt	**$38,045,000**

Capital Assets: The following schedule presents a summary of capital assets for the fiscal year ended June 30, 2020 with a dollar and percentage comparison for changes over FY19.

Capital Assets	**Fiscal Year Ended June 30, 2020**	**Increase (Decrease) from FY19**	**Percent Increase (Decrease)**
Plant and facilities at cost	$160,605,114	$(1,612,217)	(0.1)%
Accumulated depreciation and disposition	(84,289,049)	(917,004)	1.1%
Net Plant and Facility	**$ 76,316,065**	**$(2,529,717)**	**(3.2%)**

The Agency's investment in capital assets as of June 30, 2020 totaled $76,316,065, 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 FY20, the Agency acquired approximately $3,315,000 in capital assets, transferred approximately $1,342,000 from construction-in-progress into service, and recorded an additional approximately $4,122,000 for depreciation of capital assets in service. Depreciation expense increased $14,904, as there were more assets placed in service in FY20 versus FY19. Major capital asset transactions and including amounts spent during the fiscal year include the following:

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- Completed the hillside slope stabilization project, $653,279
- Completed work on a cogeneration engine overhaul, $688,559
- Purchased and placed in service various wastewater treatment facilities, $1,171,277
- Purchased and placed in service various office and lab equipment, $48,980
- Purchased and placed in service various vehicles, $45,372

Pension Benefits: Retirement costs have come under scrutiny in recent years due to increasing costs in connection with CalPERS. Total employer pension obligation has been reduced for new employees hired after January 1, 2013 under what is known as PEPRA, Public Employees' Pension Reform Act. CalPERS is now essentially a two-tiered system for Classic members hired before January 1, 2013 and PEPRA for those hired on or after January 1, 2013. CalPERS continues to revise its pension-related actuarial assumptions, such as the discount rate and life expectancy, among others, that often leads to increased employer contribution rates. Because of the sensitivity of rates and their relationship as a percentage of revenue, the Agency has elected to disclose this information on its website for transparency. Approximately 47% of Agency employees were hired under the lower-cost PEPRA plan.

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

Fiscal Year	Base Pension Contributions	UAL Pension Contributions	Pension Accrued	Total Pension
FY20	$596,587	$724,668	$1,058,022	$2,379,277
FY19	533,164	598,231	310,173	1,441,568
FY18	347,760	619,899	1,040,765	2,008,424
FY17	553,681	403,722	1,174,900	2,132,303
FY16	607,041	352,583	(256,509)	703,115
FY15	927,186	(1)	(731,956)	195,230
FY14	2,724,054	(1)	(2)	2,724,054
FY13	1,202,050	(1)	(2)	1,202,050
FY12	1,130,652	(1)	(2)	1,130,652
FY11	1,035,624	(1)	(2)	1,035,624

Note [1] UAL pension contributions formerly included in employer base contributions rate

Note [2] Pension accruals became effective with GASB 68

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FINANCIAL INFORMATION (Continued)

<u>Other Post-Employment Benefits (OPEB):</u> The Agency provides other post-employment benefits (OPEB) for eligible employees also on a two-tiered basis. Tier-1 employees hired before July 1, 2010 receive a fully paid lifetime medical insurance benefit for the employee only, while Tier-2 employees hired after July 1, 2010, may receive a lifetime medical insurance benefit, currently in the amount of $136 per month and adjusted annually thereafter, with the remainder of the monthly insurance premium paid by the retiree. During active years, tier-2 employees also receive an employer provided health reimbursement account (HRA) used to accumulate funding to pay for medical costs after retirement. The Agency contributes 1 ½ percent of gross base salary to the HRA plan that is not taxed as compensation upon transfer to the trust or upon receipt of benefits from the trust.

The Agency is subject to the provisions of a new accounting pronouncement known as GASB 75 that became effective for the FY18 for its post-retirement health care plan. Similar to pensions, the total obligation for the OPEB plan, net of plan assets, will be reflected as a liability on the balance sheet. The plan currently is approximately 63% funded with an unfunded liability remaining in the amount of approximately $1.6M. Increases or decreases in the obligation will now flow through the income statement and, if material, will be described in its two components of cash payments made as well as non-cash accruals recorded. For transparency, the Agency has also elected to post its OPEB actuarial valuation reports on the website.

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

Fiscal Year	Number Retirees	OPEB Contributions	OPEB Accrued	Total OPEB
FY20	32	$226,958	$(39,025)	$187,933
FY19	31	224,526	21,772	246,298
FY18	32	292,033	(38,862)	253,171
FY17	30	286,875	15,912	302,787
FY16	30	289,977	19,997	309,974
FY15	30	314,006	(1)	314,006
FY14	31	307,370	(1)	307,370
FY13	29	381,188	(1)	381,188
FY12	28	381,524	(1)	381,524
FY11	24	378,514	(1)	378,514

Note [1] OPEB accruals became effective with GASBs 43 and 75

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FINANCIAL INFORMATION (Continued)

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, 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 of Cropper Accountancy Corporation performed the audit of the Agency's FY20 financial statements. Cropper Accountancy Corporation specializes in governmental and non-profit audit engagements. In addition to meeting the requirements set forth in state statutes, the auditor also reviewed the Agency's financial policies and procedures, as well as the Agency's adherence to them in conducting financial transactions. The auditor's report on the general purpose financial statements and accompanying notes are included in the financial section of this report.

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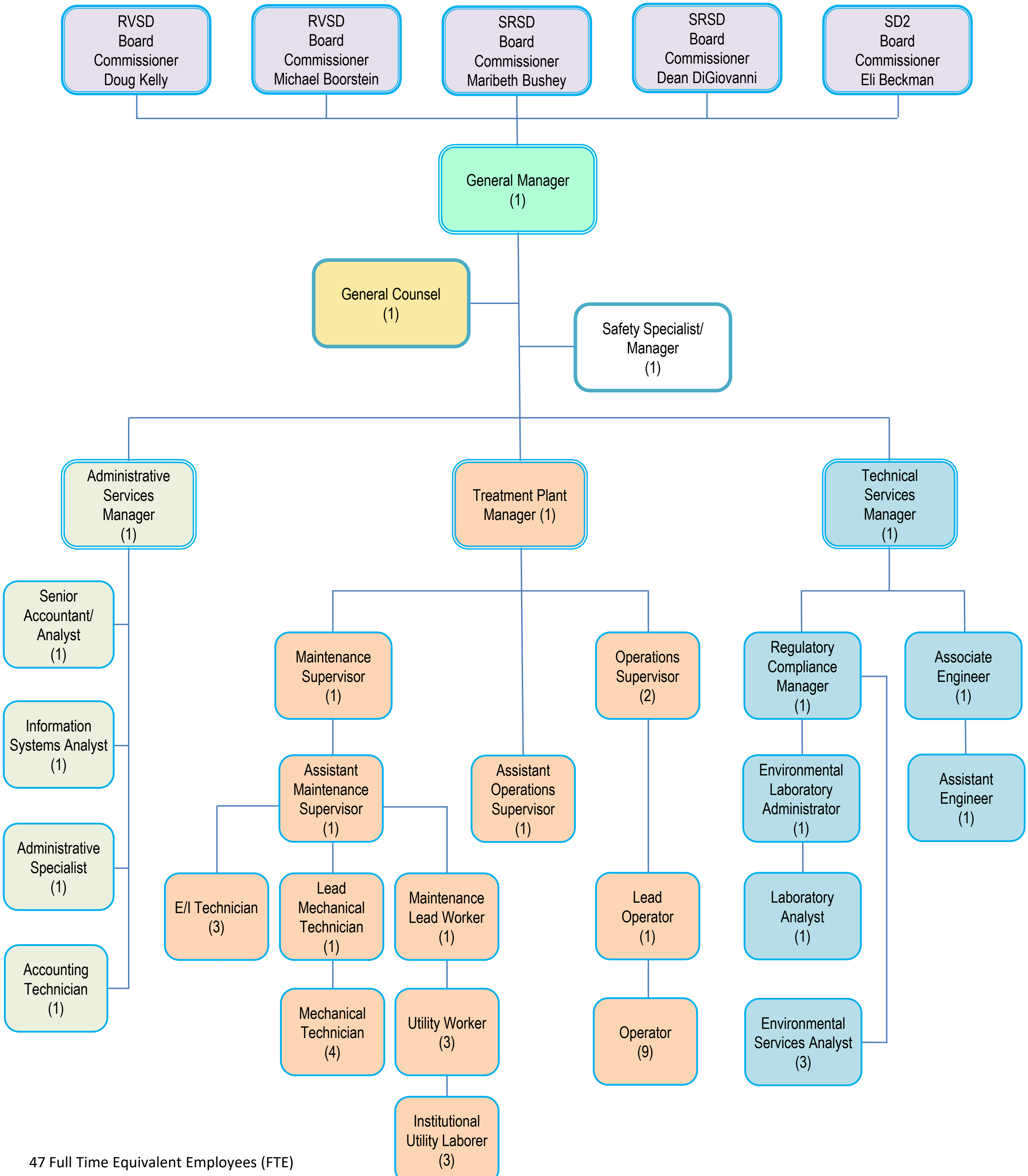
CMSA ORGANIZATIONAL CHART



47 Full Time Equivalent Employees (FTE)
June 30, 2020

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CMSA Authorized Staff Positions	FY18	FY19	FY20
ADMINISTRATION			
General Manager	1	1	1
Administrative Specialist	1	1	1
Treatment Plant Manager	1	1	1
Administrative Services Manager	1	1	1
Senior Accountant/Analyst	1	1	1
Personnel and Accounting Technician	1	1	1
Information Systems Analyst	1	1	1
Total Administration	**7**	**7**	**7**
COOPERATIVE AGREEMENTS			
Safety Specialist/Manager (Replaced Health and Safety Manager)	-	1	1
Health and Safety Manager (Replaced Safety Director)	1	-	-
Total Cooperative Agreements	**1**	**1**	**1**
MAINTENANCE			
Maintenance Supervisor	1	1	1
Assistant Maintenance Supervisor	1	1	1
Lead Mechanical Technician (FY19 New position: promoted Mechanical Technician)	-	1	1
Mechanical Technician (I-III)	4	4	4
Maintenance Lead	1	1	1
Maintenance Repair (FY19 Eliminated Maintenance Repair position replaced with Mechanical Technician)	1	-	-
Utility Worker	3	3	3
Institutional Utility Laborer (New position: dedicated to SQSP)	-	-	3
Electrical/Instrumentation Assistant Maintenance Supervisor	1	-	-
Electrical/Instrumentation Tech (I-III)	2	3	3
Total Maintenance	**14**	**14**	**17**
OPERATIONS			
Operations Supervisor	2	2	2
Assistant Operations Supervisor (New position: promoted Lead Operator)	-	1	1
Lead Operator	2	1	1
Operator (Trainee, I-III)	9	9	9
Total Operations	**13**	**13**	**13**
TECHNICAL SERVICES			
Technical Services Manager	1	1	1
Associate Engineer (Promotion for obtaining Professional Engineer license)	-	1	1
Assistant Engineer	2	1	1
Regulatory Compliance Manager (New position during FY19 to replace Laboratory Director)	-	1	1
Laboratory Director	1	-	-
Environmental Laboratory Administrator	1	1	1
Laboratory Analyst (New FY19)	-	1	1
Environmental Services Analyst (I-II)	3	3	3
Total Technical Services	**8**	**9**	**9**
TOTAL AUTHORIZED STAFFED POSITIONS	**43**	**44**	**47**

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California

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Executive Director/CEO

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FINANCIAL SECTION

Audited Financial Statements

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CROPPER
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CERTIFIED PUBLIC ACCOUNTANTS

CENTRAL MARIN SANITATION AGENCY

FINANCIAL STATEMENTS

JUNE 30, 2020

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CROPPER
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities of Central Marin Sanitation Agency as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

District 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.

Auditors' 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. 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 entity'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 entity'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 business-type activities of Central Marin Sanitation Agency, as of June 30, 2020, and the 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 (pages 3 – 10), schedule of the District's proportionate share of the net pension liability and Schedule of Contributions (page 42), Schedule of Changes in the Net OPEB Liability and Related Ratios (page 43) and Schedule of OPEB Contributions (page 44) 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Marin Sanitation Agency's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
October 22, 2020

Central Marin Sanitation Agency
Management's Discussion and Analysis
June 30, 2020

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, 2020. 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 2019-20 reporting period, the Agency provided services to 48,011 equivalent dwelling units (EDUs) with an approximate population of 105,000 in the service area. An additional 4005 EDUs have been assigned to SQSP for total EDUs of 52,016.

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 approximately $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. In January 2020, the Members approved a City of Larkspur Withdrawal Agreement and amended the JPA to remove Larkspur as a Member.

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, 4) providing collection system maintenance, source control, and other services under contract to several local agencies in the county, and 5) administers an organic waste receiving program to produce renewable power that is exported to the utility grid.

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 Sanitary District No. 2 of Marin County has one member. The five-member Board sets policy for the Agency. The Board appoints the General Manager and Treasurer/Controller who serve at the pleasure of the Board. The General Manager is the chief administrative officer responsible for 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report includes the Management's Discussion and Analysis report, the Independent Auditors' 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 which is 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> 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

Description	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Amount Increase (Decrease)	Percent Increase (Decrease)
Current and other assets	$20,514,559	$19,607,469	$907,090	4.6%
Capital assets – net	76,313,394	78,845,782	(2,532,388)	(3.2)
Total assets	96,827,953	98,453,251	(1,625,298)	(1.7)
Deferred outflows of resources	5,570,585	6,329,394	(758,809)	(12.0)
Current liabilities	4,523,643	3,879,363	644,280	16.6
Noncurrent liabilities	53,125,486	55,467,490	(2,342,004)	(4.2)
Total liabilities	57,649,129	59,346,853	(1,697,724)	(2.9)
Deferred inflows of resources	1,700,000	1,790,731	(90,731)	(5.0)%
Net position –				
Net investment in capital assets	36,620,936	36,596,279	24,657	0.1
Unrestricted	6,428,473	7,048,782	(620,309)	(8.8)
Total net position	$43,049,409	$43,645,061	$(595,652)	(1.4)%

The Summary of Net Position shown above reflects debt repayment for each of the fiscal years ending June 30, 2020 and 2019. Capital assets increased for each of the fiscal years 2020 and 2019 for capital assets purchased or constructed but decreased on an overall net basis after provision for depreciation. Changes in net position invested in capital assets represents net increases (decreases) in capital assets less outstanding debt used to finance construction of capital assets. Changes in unrestricted net assets reflect swings due to the utilization of cash to construct capital assets or other operating activities. Net assets in total increased (decreased) overall by the amount of income (loss) before capital contributions plus capital contributions recognized from capacity charges.

Net position decreased by $(595,652) to $43,049,409 from FY 2018-19 to FY 2019-20 as described below:

- Total assets decreased by $(1,625,298). Current assets increased by $907,090 due mainly to an increase in cash in the amount of approximately $578,000, an increase in accounts receivable in the amount of approximately $365,000, the addition of inventory in the amount of $83,000, and a net decrease of approximately $119,000 between interest receivable and prepaid expenses. Capital assets – net decreased by $(2,532,388) because of retirement of assets in connection with a physical asset inventory, a major cogeneration engine removed from service early due to failure, as well as the excess of the provision for accumulated depreciation on capital assets, a contra-asset, over current year capital asset additions.

Table 1 – Summary of Net Position (Continued)

- Deferred outflow amounts decreased for both pension and OPEB from the prior year in the amount of $(758,809).

- Current liabilities (obligations due within 12 months) increased by $644,280. The net increase was due primarily to an increase in accounts payable, $355,000, an increase in accrued salaries and benefits, 95,000, an increase in compensated absences, 119,000, and an increase in the current portion of long-term debt, 75,000.

- Non-current (long-term) liabilities decreased by $(2,342,004) as a result of an increase in net pension liability of $997,000 and a decrease in the net OPEB liability in the amount of $(460,000). 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 to the bondholders, approximately $2,400,000 for FY20. The remaining change in long-term liabilities are due to changes in current maturities of long-term debt and compensated absences payable. Additional information on the Agency's non-current liabilities can be found in Note #6-Long-Term Obligations.

- Deferred inflows of resources decreased by approximately $91,000 for a decrease in the net OPEB obligation.

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 net position is unrestricted and may be used to meet the Agency's ongoing obligations to its customers and creditors.

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REVENUES, EXPENSES, AND CHANGE IN NET POSITION STATEMENT ANALYSIS

Table 2 – Change in Net Position

Description	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Amount Increase (Decrease)	Percent Increase (Decrease)
Service charges	$16,974,164	$16,400,143	$574,021	3.5%
Contract maintenance revenues	1,401,010	1,067,515	333,495	31.2
Other operating revenues	427,699	434,012	(6,313)	(1.5)
Interest and investment income	352,481	410,653	(58,172)	(14.2)
Other non-operating rev (exp)	(1,050,824)	452,833	(1,503,657)	(332.1)
Total revenues	18,104,530	18,765,156	(660,626)	(3.5)
Salaries and benefits	9,925,545	8,486,703	1,438,842	17.0
Operations supplies and services	1,638,012	1,436,895	201,117	14.0
Repairs and maintenance	588,963	1,034,818	(445,855)	(43.1)
Permit testing and monitoring	178,099	144,968	33,131	22.9
Depreciation and amortization	4,128,150	4,110,575	17,575	0.4
Insurance	134,522	111,545	22,977	20.6
Utilities and telephone	495,207	454,082	41,125	9.1
General and administrative	736,513	774,050	(37,537)	(4.8)
Interest expense	1,386,336	1,457,861	(71,525)	(4.9)
Total expenses	19,211,347	18,011,497	1,199,850	6.7
Income (loss) before cap contrib	(1,106,817)	753,659	(1,860,476)	(246.9)
Add: capacity charges revenue	511,165	671,769	(160,604)	(23.9)
Increase (decrease) in net position	(595,652)	1,425,428	(2,021,080)	(141.8)
Net position – beg	43,645,061	42,219,633	1,425,428	3.4
Net position – end	$43,049,409	$43,645,061	$(595,652)	(1.4)%

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 decrease in net position was $(595,652) during FY 2019-20 as follows:

- Total revenues (operating and non-operating) decreased by $(660,626) from FY 2018-19 to $18.1 million in FY 2019-20. The increase in revenues was from a scheduled 3.5% increase in billed charges to members that includes base service charges, a capital fee, the debt service charge, and the debt service coverage charge. Contract maintenance revenues increased approximately $333,000 mainly due to changes in flow volume and strength for waste services between CMSA and SQSP, new industrial utility labor services with SQSP,

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and increased billable services for Sanitary District #2 pump station maintenance. Other operating revenues is very consistent between years with a minor reduction in the amount of approximately $6,000.

- Interest and investment income decreased approximately $58,000 due to declining interest rates. The net change in other non-operating revenue (expense) was approximately $1.5 million. Other non-operating revenues increased by approximately $286,000 due to increases in State Water Resources Control Board and FEMA reimbursement revenues, $231,000, and a new revenue source from Marin Clean Energy for $41,000 for excess unutilized power sold to the electric grid. Other non-operating expense includes a loss on disposal of fixed assets in the amount of $1,721,889 for a major asset cogeneration engine that was not fully depreciated and failed. The amount of the loss is the remaining book value of the asset disposed.

- Total expenses increased approximately $1,200,000 from FY 2018-19 to FY 2019-20. Salaries are up from the prior year due to a cost of living adjustment of 3.1%, filling vacant positions, and adding three new positions for billable Industrial Utility Laborers for an approximate increase of $387,000. CalPERS retirement and medical increased by modest scheduled amounts, dental saw a $50,000 savings from converting to a self-insured plan, and most other benefits are consistent between years. Workers compensation insurance increased by $209,000 due to higher than normal experience but the experience modification factor has since decreased from 1.5 to 1.29. The single largest increase in expenses, approximately $750,000, was an actuarially calculated accrued pension expense of $1,058,000. Repairs and maintenance projects were more significant for FY20 resulting in more capitalizable projects than expensed. Operations supplies and services increased approximately $200,000 due mainly to chemicals for polymer and calcium nitrate. All other expenses are very consistent between years.

- Capital contributions for capacity charges for FY 2019-20 decreased by $161,000 to approximately $511,000 due to less new construction activity during the year. Member agencies collect and remit capacity charges to the Agency.

CAPITAL ASSETS

The Agency's investment in capital assets as of June 30, 2020 totaled $76,316,065 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 2019-20, the Agency acquired/constructed $3.3 million and depreciated approximately $4.1 million in capital assets. The Agency also posted fully depreciated retirements in connection with a fixed asset physical assets inventory as well as retirement of a non-fully depreciated major asset cogeneration engine that failed and was replaced. The total net decrease in the Agency's investment in capital assets was $2,532,388 or (3.2)%.

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Table 3 – Summary of Net Investment in Capital Assets

Description	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Amount Increase (Decrease)	Percent Increase (Decrease)
Land and land improvements	$5,510,600	$4,857,321	$653,279	13.4%
Construction in progress	1,825,779	1,118,263	707,516	63.3
Wastewater treatment facilities	62,219,119	65,580,231	(3,361,112)	(5.1)
Wastewater disposal facilities	2,738,491	3,059,419	(320,928)	(10.5)
General, plant, & admin facilities	4,019,404	4,230,548	(211,144)	5.0
Capital assets – net	$76,313,394	$78,845,782	$(2,532,388)	(3.2)

Construction-in-progress increased by approximately $708,000 and there were approximately $1,342,000 in completed project transfers during the year. Major capital asset completed project transfers and new acquisitions with their amounts for the FY 2019-20 include the following:

- Completed the hillside slope stabilization project ($653,279)
- Completed work on a cogeneration engine overhaul ($688,559)
- Purchased and placed in service various pumps and wastewater equipment ($1,171,277)
- Purchased and placed in service various hardware, software, and lab equipment ($48,980)
- Purchased and placed in service various vehicles ($45,372)

Additional information about the Agency's capital assets can be found in Note 5-Plant and Facilities.

DEBT ADMINISTRATION

As of June 30, 2020, the Agency had $38,045,000 in outstanding debt from the Refunding Revenue Bonds Series 2015, not including a premium in the amount of $3,543,420 that is amortized over the life of the bonds.

The Agency continues to upgrade and improve the quality of its treatment systems to exceed current environmental regulations, expand its power delivery program, 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 6-Long-Term Obligations.

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Table 4 – Summary of Long Term Debt

Description	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Amount Increase (Decrease)	Percent Increase (Decrease)
2015 Revenue bonds, net	$41,588,420	$44,331,953	$(2,743,533)	(6.2)%
Long-term debt – net	$41,588,420	$44,331,953	$(2,743,533)	(6.2)%

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 rate payers within the service area served. 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 a bi-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-item 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 JPA 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

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FINANCIAL STATEMENTS

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CENTRAL MARIN SANITATION AGENCY
Statement of Net Position
June 30, 2020

Assets	
Current Assets	
Cash and cash equivalents	$ 17,797,320
Accounts receivable	665,870
Accrued interest receivable	60,057
Prepaid expenses	28,184
Deposits (self-insured dental)	13,835
Inventory - parts and fuel	1,916,038
Other current assets	1,050
Total Current Assets	20,482,354
Noncurrent Assets	
Prepaid insurance on bond issuance	32,205
Capital assets, net of accumulated depreciation (Note 4)	76,313,394
Total Noncurrent Assets	76,345,599
Total Assets	96,827,953
Deferred Outflows of Resources	
Loss on early retirement of long-term debt	1,895,962
Relating to pension	3,430,907
Relating to OPEB	243,716
Total Deferred Outflows of Resources	5,570,585
Liabilities	
Current Liabilities	
Accounts payable	781,907
Accrued salaries and employee benefits	297,505
Unearned revenue	24,266
Interest payable on revenue bonds	512,135
Current portion of compensated absences payable	437,830
Current portion of revenue bonds payable	2,470,000
Total Current Liabilities	4,523,643
Noncurrent Liabilities:	
Compensated absences payable, net of current portions	300,710
Revenue bonds payable, net of premium	39,118,420
Net pension liability	12,098,199
Net OPEB liability	1,608,157
Total Noncurrent Liabilities	53,125,486
Total Liabilities	57,649,129
Deferred Outflows of Resources	
Pension adjustments	1,206,133
Other post-employment benefits	493,867
Total Deferred Inflows of Resources	1,700,000
Net Position	
Net investment in capital assets	36,620,936
Unrestricted	6,428,473
Total Net Position	$ 43,049,409

The accompanying notes are an integral part of the financial statements

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CENTRAL MARIN SANITATION AGENCY
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020

Operating Revenues:	
Service charges	$ 16,974,164
Contract maintenance revenues	1,401,010
Other operating revenues	427,699
Total operating revenue	18,802,873
Operating Expenses:	
Salaries and benefits	9,925,545
Operations supplies and services	1,638,012
Repairs and maintenance	588,963
Permit testing and monitoring	178,099
Insurance	134,522
Utilities and telephone	495,207
General and administrative	736,513
Depreciation and amortization	4,128,150
Total operating expenses	17,825,011
Operating Income (Loss)	977,862
Nonoperating Revenues (Expenses):	
Interest and investment income	352,481
Interest expense	(1,386,336)
Other non-operating revenues (expenses)	(1,050,824)
Total non-operating revenues (expenses)	(2,084,679)
Income before contributions	(1,106,817)
Capital contributions - capacity fees	511,165
Change in Net Position	(595,652)
Net Position - Beginning of Year	43,645,061
Net Position - Ending	$ 43,049,409

The accompanying notes are an integral part of the financial statements

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CENTRAL MARIN SANITATION AGENCY
Statement of Cash Flows
Year Ended June 30, 2020

Cash Flows from Operating Activities:	
Receipts from customers and users	$ 18,589,017
Payments to suppliers	(3,430,692)
Payments to employees and related benefits	(8,753,003)
Net cash provided by operating activities	6,405,322
Cash Flows from Non-Capital Financing Activities:	
Energy rebates	40,507
Rents and leases	49,950
Other non-capital financing	(52,434)
Net cash provided by non-capital financing activities	38,023
Cash Flows from Capital and Related Financing Activities:	
Capacity charges	511,165
Grants for capital projects	506,285
Acquisition and construction of capital assets	(3,314,983)
Sales of assets	500
Principal payments on long-term debt	(2,395,000)
Interest on long-term debt	(1,572,331)
Net cash used in capital and related financing activities	(6,264,364)
Cash Flows from Investing Activities	
Investment income	399,246
Net cash provided by invetsing activities	399,246
Net increase in cash and cash equivalents	578,227
Cash and cash equivalents, July 1	17,219,093
Cash and Cash equivalents, June 30	$ 17,797,320
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	977,862
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation expense	4,128,150
(Increase) decrease in:	
Accounts receivable	(238,122)
Inventory	(82,556)
Prepaid expenses	47,929
Other current assets	20,710
Deferred outflows	572,321
Increase (decrease) in:	
Accounts payable	354,541
Accrued salaries and benefits	95,119
Unearned revenue	24,266
Accrued compensated absences	58,426
Net Pension Liability	997,041
Net OPEB Obligation	(459,634)
Deferred inflows	(90,731)
Net cash provided by operating activities	$ 6,405,322

The accompanying notes are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

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.

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

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

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

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

Statement of Net Position

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

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

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

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

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

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

Return to TOC

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

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

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

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

Statement of Cash Flows

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

Plant and Facilities Capital Assets

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

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

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

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.

Return to TOC

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

Wastewater Treatment Facilities:

Buildings	40 years
Other	5 – 25 years
Wastewater Disposal Facilities	40 – 50 years

General Plant & Administrative Facilities:

Buildings	40 years
Other	5 – 30 years

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.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Agency's plan (OPEB plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	January 1, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

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. 84, *Fiduciary Activities.* - The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The implementation of this pronouncement did not have a significant impact on the Agency's financial statements.

Upcoming New Accounting Pronouncements

GASB Statement No. 87, *Leases.* - The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this Statement were originally effective for reporting periods beginning after December 15, 2019 (fiscal 2021) but were postponed 18 months by GASBS No. 95. Earlier application is encouraged.

GASB Statement No. 89, ***Accounting for Interest Cost Incurred before the End of a Construction Period.*** - The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The requirements of this Statement were originally effective for reporting periods beginning after December 15, 2019 (fiscal 2021) but have been postponed by one year by GASBS No. 95. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

GASB Statement No. 90, ***Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61.*** - The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently. In addition, requiring reporting of information about component units if the government acquires a 100 percent equity interest provides information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (fiscal 2020) but have been postponed by one year by GASBS No. 95. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

GASB Statement No. 91, ***Conduit Debt Obligations* -** The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

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The requirements of this Statement were originally effective for reporting periods beginning after December 15, 2020 (fiscal 2022) but have been postponed by one year by GASBS No. 95. Earlier application is encouraged. The Agency doesn't believe this statement will have a significant impact on the Agency's financial statements.

GASB Statement No. 92, ***Omnibus 2020*** - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. The topics include but are not limited to leases, intra-entity transfers between a primary government and a post-employment benefit plan component unit, accounting for pensions and OPEB related assets, measurement of liabilities related to asset retirement obligations, and nonrecurring fair value measurements of assets or liabilities.

The requirements of this Statement were originally effective for reporting periods beginning after June 15, 2021 (fiscal 2022) but have been postponed one year by GASBS No. 95.

GASB Statement No. 93, ***Replacement of Interbank Offered Rates -*** The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offer Rate (IBOR). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of *reference rate,* as it is used in Statement 53, as amended.

The removal of London IBOR as an appropriate benchmark interest rate were originally effective for reporting periods ending after December 31, 2021 (fiscal year 2022-23). All other requirements of this Statement were to be effective for reporting periods beginning after June 15, 2020 (fiscal year 2020-21). The effective date for all provisions of this Statement were postponed one year by GASBS No. 95. The Authority does not believe that the implementation of this Pronouncement will have an impact on the financial statements.

GASB Statement No. 94, ***Public-Private and Public-Public Partnerships and Availability Payment Arrangements -*** The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPP.

PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated).

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (fiscal year 2022-23), and all reporting periods thereafter. The Authority has not yet determined whether the implementation of this Pronouncement will have a material impact on the financial statements.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* - The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* - This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (fiscal year 2022-23), and all reporting periods thereafter. The Authority has not yet determined whether the implementation of this Pronouncement will have a material impact on the financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 -* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021 (fiscal year 2021-22). For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021 (fiscal year 2021-22).

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The Agency's cash, cash equivalents and investments consisted of the following as of June 30, 2020:

Cash and Investments	Carrying Amount	Fair Value / Amortized	Investment Rating	Maturities
Business-type Activities:				
Cash Deposits:				
Cash on hand	$ 501,319	$ 501,319	N/A	N/A
Petty Cash	654	654	N/A	N/A
Total Cash Deposits	501,973	501,973		
Investments:				
California Local Agency Investment Fund	16,833,588	16,916,288	Unrated	< 1 year
Wells Fargo Escrow	81,176	81,176	Unrated	< 1 year
California Asset Management Program	380,582	380,582	AAAm	< 1 year
Total Investments	17,222,346	17,378,046		
Total Cash and Investments	$ 17,724,319	$ 17,880,019		

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 $477,474 as of June 30, 2020. 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 Agency has the following recurring fair value measurements as of June 30, 2020:

- California Local Agency Investment Fund (LAIF) of $16,916,288; valued using Level 2 inputs.

California Local Agency Investment Fund

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

- Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

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

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

The total amount invested by all public agencies in LAIF, as of June 30, 2020, was approximately $105.7 billion. Of that amount, 96.63% is invested in non-derivative financial products and 3.37% 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. The total amount invested by all public agencies in CAMP, as of June 30, 2020 was approximately $5.6 billion. Of that amount, 81% was invested in non-derivative financial products and 19% was invested in repurchase agreements. An investment in the Trust is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the Trust are distributed by PFM Fund Distributors, Inc., member Financial Industry Regulatory Authority (FINRA) (www.finra.org) and Securities Investor Protection Corporation (SIPC) (www.sipc.org). PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC. The plan has elected to be measured at amortized cost for financial reporting purposes per GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The plan's net assets, portfolio holdings, are valued at amortized cost based on trade date.

Investment Policy

The Agency is authorized under California Government Code and the Agency's investment policy to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government or its agencies; bankers acceptances of U.S. banks; commercial paper of prime quality; negotiable certificates of deposit; repurchase or reverse repurchase agreements; and passbook savings account demand deposits. Investments prohibited by the Agency are inverse floaters, range notes, mortgage pool interest-only strips, and zero interest accrual at maturity notes. The Agency's investments were in compliance with the above provisions as of and for the year ended June 30, 2020. 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 at the top of Note 3.

- *Credit Risk* - Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. In order to limit loss exposure due to Credit Risk, the investment policy limits purchases of investments to those rated A-1 by Standard & Poor's or P-1 by Moody's Investors Service. The Agency's minimum legal rating is not applicable to the LAIF and CAMP investment pools.

- *Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a written policy for custodial credit risk over deposits.

  The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. In the case of investments, the risk of loss of the investment due failure, impairment or malfeasance of the third party whose name in which the investment is held and who has physical

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possession of the instrument. Neither the California Government Code nor the Agency's investment policy contains legal or policy requirements that would limit the exposure to custodial risk.

- *Concentration of Credit Risk* – See the chart in investment policy for the Agency's limitations on the amount that can be invested in any one issuer. As of June 30, 2020, external investment pools were not subject to a limitation. As of June 30, 2020, the Agency invested 97% in LAIF. There were no other investments in any one issuer that represent five percent or more of the total investments.

NOTE 4 – SELF-INSURED DENTAL DEPOSIT

During the year ended June 30, 2019, the Agency analyzed the existing third-party dental insurance plan, and determined that it would be fiscally beneficial to self-insure. As a result, $33,250 was deposited into a separate account which will be used to pay employee dental expenses to dentists for authorized procedures beginning in fiscal 2020. The funds from this deposit are drawn down monthly and replenished automatically by the trustee. At June 30, 2020, the balance in the self-insurance account was $13,835.

NOTE 5 - PLANT AND FACILITIES (CAPITAL ASSETS)

The Agency's plant and facilities capital assets consisted of the following as of June 30, 2020:

Capital Assets	Balance July 01, 2019	Additions	Disposals & Adjustments	Transfers	Balance June 30, 2020
Non-depreciable Plant and Facilities:					
Land and land improvements	$ 4,857,321	$ -	-	653,279	$ 5,510,600
Construction in progress	1,118,263	2,049,354	-	(1,341,837)	1,825,780
Total non-depreciable plant and facilities	5,975,584	2,049,354	-	(688,558)	7,336,380
Depreciable Plant and Facilities:					
Wastewater treatment facilities	132,436,758	1,171,277	(4,398,219)	688,558	129,898,374
Wastewater disposal facilities	13,659,653	-	-	-	13,659,653
General plant and administrative facilities	10,145,832	94,352	(529,477)	-	9,710,707
Total depreciable plant and facilities	156,242,243	1,265,629	(4,927,696)	688,558	153,268,734
Less accumulated depreciation for:					
Wastewater treatment facilities	(66,856,527)	(3,498,558)	2,675,830	-	(67,679,255)
Wastewater disposal facilities	(10,600,234)	(320,928)	-	-	(10,921,162)
General plant and administrative facilities	(5,915,284)	(305,496)	529,477	-	(5,691,303)
Total accumulated depreciation	(83,372,045)	(4,124,982)	3,205,307	-	(84,291,720)
Total depreciable plant and facilities - net	72,870,198	(2,859,353)	(1,722,389)	688,558	68,977,014
Total plant and facilities - net	$78,845,782	(809,999)	(1,722,389)	-	$76,313,394

Depreciation expense for the year ended June 30, 2020 was $4,124,982.

NOTE 6 - LONG-TERM OBLIGATIONS

The Agency’s long-term obligations consisted of the following as of June 30, 2020:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
2015 Refunding Revenue Bonds	$ 40,440,000	-	$2,395,000	$ 38,045,000	$ 2,470,000
2015 Refunding Revenue Bonds Discounts and premiums, net	3,891,953	-	348,533	3,543,420	-
Net Pension Liability	11,101,158	997,041	-	12,098,199	-
Net OPEB Liability	2,067,791	-	459,634	1,608,157	-
Compensated Absences	680,114	114,732	56,306	738,540	437,830
Total Long-term Obligations	$ 58,181,016	1,111,773	3,259,473	$ 56,033,316	$ 2,907,830

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, 2020:

Year Ending June 30,	Principal	Interest	Total
2021	$ 2,470,000	1,487,006	3,957,006
2022	2,580,000	1,386,006	3,966,006
2023	2,685,000	1,280,706	3,965,706
2024	2,785,000	1,157,381	3,942,381
2025	2,930,000	1,014,506	3,944,506
2026 – 2030	16,865,000	2,937,056	19,802,056
2031 – 2032	7,730,000	241,361	7,971,361
Total Debt Service	$ 38,045,000	$ 9,504,022	$ 47,549,022

NOTE 7 - 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 8 - COMMITMENTS AND CONTINGENCIES

The Agency had $1,438,048 in construction-related contractual commitments as of June 30, 2020. Contingencies of an interminable amount include normal recurring pending claims and litigation. Agency management is of the opinion that the resolution of these matters will not result in a material liability to the Agency. No provision has been made for a contingent liability that meets the criteria for accrual set forth in current government accounting standards.

NOTE 9 - 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, 2019 (most recent information available):

	June 30, 2019
Total Assets	$ 26,991,334
Total Liabilities	20,588,497
Total Equity	6,402,837
Total Revenues	13,274,331
Total Expenditures	14,577,244
Retrospective Contribution	(138,397)

NOTE 10 - 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, 2020, are summarized as follows:

	Miscellaneous	
	Tier 1	PEPRA
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a % of eligible compensation	2.70%	2.00%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	13.182%	6.985%

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, 2020 the contributions recognized as part of pension expense for the Plan were as follows:

Employer contributions	$ 1,306,245

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

As of June 30, 2020, 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	$ 12,098,199

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, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2018 and 2019 was as follows:

	Miscellaneous
Proportion – June 30, 2018	0.25323%
Proportion – June 30, 2019	0.25988%
Change in Proportions	0.00665%

For the year ended June 30, 2020, the Agency recognized pension expense of $2,537,116. At June 30, 2020, 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	$ 1,306,245	$ -
Changes in assumptions	520,157	(177,659)
Differences between expected and actual experiences	725,196	(58,701)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	344,220	(213,969)
Net differences between projected and actual earnings on plan investments	535,089	(755,804)
Total	$ 3,430,907	$ (1,206,133)

Of the $3,430,907 reported as deferred outflows of resources, $1,306,245 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, 2021.

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

Fiscal Year Ending:	Deferred Outflows/(inflows) of Resources
2021	$ 809,141
2022	(44,565)
2023	117,188
2024	36,765

Actuarial Assumptions - The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' membership data for all funds.
Post-retirement benefit increase	Contract COLA up to 2.0% until Purchasing Power Protection allowance floor on purchasing power applies, 2.5% thereafter

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

Discount Rate - The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which ranges of expected future real rates of return (expected returns, net of pension plan investment expenses 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+ 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 adjusted to account for assumed administrative expenses.

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.

Allocation by Asset Class	New Strategic Allocation	Real Return Years 1 – 10 (a)	Real Return Years 11+ (b)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	—	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	—	-0.92%
Total	100.00%		

(a) An expected inflation of 2.00% was used for this period.
(b) An expected inflation of 2.92% was 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:

Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
$ 18,384,534	$ 12,098,199	$ 6,909,274

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 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

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

Employees Covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	39
Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to, but not yet receiving benefits	-
Total	71

Contributions

The Agency's plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the Agency and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year June 30, 2020, the Agency’s cash contributions were $43,000 to the CERBT trust and the implied subsidy was $183,958 resulting in total payments of $226,958.

CENTRAL MARIN SANITATION AGENCY
Notes to the Financial Statements
June 30, 2020

Net OPEB Liability

The Agency's Net OPEB Liability was measured on June 30, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation dated June 30, 2019 that was rolled back to January 1, 2018, and forward to June 30, 2019 to determine the total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	7.28%
Inflation	2.75% per year
Salary Increases	3.0% per annum, in aggregate
Investment rate of Return	7.28%
Mortality Rate (1)	Derived using CalPERS' membership data for all funds.
Pre-retirement turnover (2)	Derived using CalPERS' membership data for all funds.
Healthcare trend rate	Increase 5.50% per year.

Notes:

(1) Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website (www.calpers.ca.gov) under Forms and Publications.

(2) The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website (www.calpers.ca.gov) under Forms and Publications.

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

Asset Class	Target Allocation	Target Range	Benchmark
Global equity	59%	± 5%	MSCI AII Country World Index IMI (net)
Fixed income	25%	± 5%	Bloomberg Barclays Long Liability Index
Treasury Inflation-Protected Securities	5%	± 3%	Bloomberg Barclays US TIPS Index, Series L
Real Estate Investment Trusts	8%	± 5%	FTSE EPRA NAREIT Developed Liquid Index (net)
Commodities	3%	± 3%	S&P GCSI Total Return Index
Cash	-	+ 2%	91 Day Treasury Bill
Total	100%		

Discount Rate

The discount rate used to measure the total OPEB liability was 7.28 percent. The cash flows of the OPEB plan were projected to future years, assuming that CMSA will contribute an amount so that the assets always exceed expected benefits to retirees. Under that projection, the plan assets are projected to be adequate to pay all benefits to retirees in all future years, so the discount rate has been set equal to the long-term expected rate of return on investments, 7.28%.

Changes in the OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Obligation (Asset) = (a) – (b)
Balance at June 30, 2019 (Valuation date January 1, 2018)	$4,578,547	$ 2,510,756	$ 2,067,791
Changes recognized for the measurement period			
Service cost	118,130	-	118,130
Interest	326,176	-	326,176
Difference between actual and expected experience	(485,040)	-	(485,040)
Change in assumptions	(18,331)	-	(18,331)
Employer contributions	-	239,297	(239,297)
Net investment income	-	161,815	(161,815)
Benefit payments to retirees	(196,215)	(196,215)	-
Administrative expense	-	(543)	543
Net changes	(255,280)	204,354	(459,634)
Balance at June 30, 2020 (Valuation date June 30, 2018)	$ 4,323,267	$ 2,715,110	$ 1,608,157

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

The following presents the Net OPEB Liability of the Agency if it were calculated using a discount rate that is one percentage point higher or lower than the current discount rate, for the measurement period ended June 30, 2019:

	1% Decrease (6.28%)	Current Discount Rate (7.28%)	1% Increase (8.28%)
Net OPEB Liability	$ 2,179,802	$ 1,608,157	$ 1,136,484

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

The following presents the net OPEB liability of the Agency if it were calculated using health care cost trend rates that are one percentage point higher or lower than the current rate, for the measurement period ended June 30, 2019:

	1% Decrease (4.5%)	Current Trend Rate (5.5%)	1% Increase (6.5%)
Net OPEB Liability	$ 1,127,883	$ 1,608,157	$ 2,186,594

OPEB Plan Fiduciary Net Position

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

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

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

For the year ended June 30, 2020, the Agency recognized OPEB expense of $246,298. At June 30, 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 226,958	$ -
Difference between expected and actual experience	-	(440,129)
Changes of assumptions	-	(16,634)
Net differences between projected and actual earnings on plan investments	16,758	(37,104)
Total	$ 243,716	$ (493,867)

The $226,958 reported as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

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

Fiscal Year Ending:	Deferred Outflows/(inflows) of Resources
2021	(59,382)
2022	(59,383)
2023	(45,593)
2024	(42,420)
2025	(46,608)
Thereafter	(223,723)

REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Proportionate Share of Net Pension Liability
Last 10 Years*

	Fiscal Year End June 30,					
	2020	2019	2018	2017	2016	2015
Measurement date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of net pension liability	0.11806%	0.25323%	0.26795%	0.27951%	0.24216%	0.24376%
Proportionate share of the net pension liability	$ 12,098,199	$ 11,101,158	$ 11,275,371	$ 9,709,971	$ 6,643,602	$ 6,024,473
Covered payroll	$ 4,985,715	$ 4,765,978	$ 4,560,237	$ 4,764,021	$ 4,418,991	$ 4,099,618
Proportionate share of the net pension liability as a percentage of covered payroll	242.66%	232.93%	247.25%	203.82%	150.34%	146.95%
Plan's fiduciary net position	$ 34,639,289	$ 33,230,349	$ 32,353,864	$ 29,830,921	$ -	$ -
Plan's fiduciary net position as a percentage of the Plan's total pension liability	74.11%	74.96%	74.16%	75.44%	82.12%	83.21%

Schedule of Agency's Pension Plan Contributions
Last 10 Years*

	2020	2019	2018	2017	2016	2015
Contractually required contributions (actuarially determined)	$ 1,306,245	$ 1,133,396	$ 967,659	$ 957,403	$ 950,859	$ 927,135
Contributions in relation to actuarially determined contributions	(1,306,245)	(1,133,396)	(967,659)	(957,403)	(950,859)	(927,135)
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll	$ 5,167,910	$ 4,985,715	$ 4,765,978	$ 4,560,237	$ 4,764,021	$ 4,418,991
Contributions as a percentage of covered payroll	25.28%	22.73%	20.30%	20.99%	19.96%	20.98%

Notes to Schedule:

Valuation Date:	June 30, 2019
Methods and assuptions used to determine contribution rates:	
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Actuarial value of assets
Inflation	2.50%
Salary increase	Varies by entry age and service
Investment rate of return	7.15%
Mortality Rate Table	Derived using CalPERS Membership Data for all Funds
Post-retirement benefit increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

* Fiscal year ending June 30, 2015, was the first year of implementation, therefore only six years are shown.

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CENTRAL MARIN SANITATION AGENCY
Schedule of Changes in the Net OPEB Liability and Related Ratios
for the Measurement Periods Ended June 30

		2019	2018	2017
Total OPEB Liability				
Service cost		$ 118,130	$ 114,689	$ 111,349
Interest on the OPEB liability		326,176	309,421	293,164
Differences between actual and expected experience		(485,040)	-	-
Changes of assumptions		(18,331)	-	-
Benefits paid to retirees		(196,215)	(191,714)	(170,667)
Net change in total OPEB liability		(255,280)	232,396	233,846
Total OPEB Liability - beginning		4,578,547	4,346,151	4,112,305
Total OPEB Liability - ending	**(a)**	$ 4,323,267	$ 4,578,547	$ 4,346,151
Plan Fiduciary Net Position				
Employer contributions		$ 239,297	$ 299,028	$ 287,122
Net investment income		161,815	177,929	207,513
Benefits paid to retirees		(196,215)	(191,714)	(170,667)
Administrative expense		(543)	(1,214)	(1,006)
Net change in plan fiduciary position		204,354	284,029	322,962
Plan fiduciary net position- beginning		2,510,756	2,226,727	1,903,765
Plan fiduciary net position- ending	**(b)**	$ 2,715,110	$ 2,510,756	$ 2,226,727
Net OPEB liability- ending	**(a) - (b)**	$ 1,608,157	$ 2,067,791	$ 2,119,424
Plan fiduciary net position as a percentage of the total OPEB liability		62.80%	54.84%	51.23%
Covered-employee payroll		$ 4,995,712	$ 5,259,257	$ 4,716,585
Net OPEB liability as a percentage of covered-employee payroll		32.19%	39.32%	44.94%

Notes to Schedule:

Historical information is required only for measurement periods for which GASB No. 75 is applicable. Future years' information will be displayed, up to 10 years, as information becomes available

The term Covered-employee payroll is used because there are employees receiving benefits not based on wages.

CENTRAL MARIN SANITATION AGENCY
Schedule of OPEB Contributions
Last Ten Fiscal Years*

Fiscal Year Ended June 30,	2020	2019	2018
Actuarially determined contributions (ADC)	$ 202,704	$ 246,298	$ 292,033
Contributions in relation to the ADC	(202,704)	(246,298)	(292,033)
Contribution deficiency (excess)		**$ -**	**$ -**
Covered-employee payroll	$ 4,995,712	$ 5,259,527	$ 4,716,585
Contributions as a percentage of covered-employee payroll	4.06%	4.68%	6.19%

Notes to Schedule:

*Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020 were selected by the Agency after consultation with the actuary.

Method and assumptions used to determine contribution:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll
Asset valuation method	Market value
Inflation	2.75%
Long-term investment rate of return	7.28%
Discount rate	7.28% per annum
Healthcare cost-trend rates	5.5% per annum
Payroll growth	3.0% per annum
Coverage elections	100% of eligible employees assumed to elect coverage upon retirement, remaining covered for life. Employees with no current medical assumed to elect employee-only medical upon retirement.
Mortality	Taken from the 2014 CalPERS OPEB Assumptions Model for *Public Agency Miscellaneous*
Retirement rates	Taken from the 2014 CalPERS OPEB Assumptions Model for *Public Agency Miscellaneous* with a 2.7% at 55 retirement plan.
Turnover (withdrawal)	Taken from the 2014 CalPERS OPEB Assumptions Model for *Public Agency Miscellaneous*

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INDEPENDENT AUDITORS' 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Central Marin Sanitation Agency, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Central Marin Sanitation Agency's basic financial statements, and have issued our report thereon dated October 22, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Marin Sanitation 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 Central Marin Sanitation Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Marin Sanitation 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

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.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
October 22, 2020

STATISTICAL SECTION

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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 core business activities it performs.

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Central Marin Sanitation Agency
Statement of Net Position

Schedule 1

Fiscal Year Ending June 30

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net Investment in Capital Assets	$ 36,620,936	$ 36,596,279	$ 36,596,025	$ 36,400,782	$ 36,022,116	$ 38,085,361	$ 36,352,645	$ 38,592,778	$ 39,015,640	$ 39,424,680
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	6,428,473	7,048,782	5,623,608	6,218,578	7,438,757	7,259,794	14,201,829	13,337,772	12,651,278	11,513,682
Total Net Position *	$ 43,049,409	$ 43,645,061	$ 42,219,633	$ 42,619,360	$ 43,460,873	$ 45,345,155	$ 50,554,474	$ 51,930,550	$ 51,666,918	$ 50,938,362

Source: Central Marin Sanitation Agency Audited Financial Statements

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

Schedule 2

Fiscal Year Ended June 30	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-operating Revenues (Expenses)	Capital Contributions - Capacity Charges	Change in Net Position	Beginning Net Position	Prior Period Adjustment		Ending Net Position
2020	$ 18,802,873	$ (17,825,011)	977,862	$ (2,084,679)	$ 511,165	(595,652)	43,645,061			43,049,409
2019	17,901,670	(16,553,636)	1,348,034	(594,375)	671,769	1,425,428	42,219,633			43,645,061
2018	17,353,966	(16,351,993)	1,001,973	(1,223,633)	197,753	(23,907)	42,619,360	(375,820)	*	42,219,633
2017	17,235,271	(16,793,252)	442,019	(1,613,611)	330,079	(841,513)	43,460,873	-		42,619,360
2016	16,495,058	(15,257,981)	1,237,077	(1,119,479)	162,705	280,303	45,345,155	(2,164,585)	**	43,460,873
2015	17,000,940	(13,419,393)	3,581,547	(1,928,681)	415,845	2,068,711	50,554,474	(7,278,030)	***	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

* The Agency restated beginning net position. There was a net decrease in net position as a result of implementing GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB) and a correction of depreciation on fixed assets. The decrease was offset with an increased value of inventory resulting from a full retroactive inventory count and cost analysis.

** During the FY17 audit, prior period adjustments were recorded which affected the FY16 financial statements. No reissuance of the FY16 audited financial statements was deemed necessary, however the adjustments have been reflected in this schedule for accurate comparison data and analysis.

*** 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 2009-2012 were reclassified to capital assets.

Source: Central Marin Sanitation Agency Audited Financial Statements

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Central Marin Sanitation Agency
Operating Revenue by Source

Schedule 3

Fiscal Year Ended June 30	Service Charges	Contract Maintenance Revenue	Other Operating Revenue	Total Operating Revenues
2020	$ 16,974,164	$ 1,401,010	$ 427,699	18,802,873
2019	16,400,143	1,067,515	434,012	17,901,670
2018	15,845,548	1,114,680	393,738	17,353,966
2017	15,355,475	1,442,550	437,246	17,235,271
2016	14,471,578	1,546,239	477,241	16,495,058
2015	15,215,367	1,352,202	433,371	17,000,940
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

Source: Central Marin Sanitation Agency Audited Financial Statements

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Central Marin Sanitation Agency
Operating Expenses by Function

Schedule 4

Fiscal Year Ended June 30	Salaries & Benefits	Operations Supplies and Services	Repairs & Maintenance	Permit Testing & Monitoring	Depreciation & Amoritization	Insurance	Utilities & Telephone	General & Administrative	Total Operating Expenses
2020	$ 9,925,545	$ 1,638,012	$ 588,963	$ 178,099	$ 4,128,150	$ 134,522	$ 495,207	$ 736,513	$ 17,825,011
2019	8,486,703	1,436,895	1,034,818	144,968	4,110,575	111,545	454,082	774,050	16,553,636
2018	8,877,307	1,366,871	886,312	149,815	3,995,080	95,517	311,191	669,900	16,351,993
2017	9,079,369	1,496,774	947,285	110,973	4,045,357	97,095	318,900	697,499	16,793,252
2016	7,411,654	1,408,893	1,373,609	121,094	3,902,112	101,447	346,701	595,639	15,261,149
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

Source: Central Marin Sanitation Agency Audited Financial Statements

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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)
2020	$ 352,481	$ -		$ (1,386,336)	$ (1,050,824)	(2,084,679)
2019	410,653	452,833		(1,457,861)	-	(594,375)
2018	218,516	85,212		(1,527,361)	-	(1,223,633)
2017	113,085	26,067		(1,752,699)	(64)	(1,613,611)
2016	376,752	80,717		(1,758,318)	518	(1,300,331)
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)

Source: Central Marin Sanitation Agency Audited Financial Statements

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Central Marin Sanitation Agency
Capital Contributions

Schedule 6

Fiscal Year Ended June 30	Capacity Charges
2020	$ 511,165
2019	671,769
2018	197,753
2017	330,079
2016	162,705
2015	415,845
2014	588,251
2013	970,596
2012	93,919
2011	74,149

Source: Central Marin Sanitation Agency Audited Financial Statements

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Central Marin Sanitation Agency
Capital Additions

Schedule 7

Fisal Year Ended June 30	Capital Additions
2020	$ 3,314,983
2019	2,185,309
2018	2,043,192
2017	2,730,175
2016	4,372,405
2015	2,244,858
2014	2,180,163
2013	3,953,437
2012	5,736,508
2011	2,835,289

Source: Central Marin Sanitation Agency Audited Financial Statements

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Central Marin Sanitation Agency
Major Revenue Rates and Base

Schedule 8 (1)

Fiscal Year Ended June 30	Regional Service Charges & Capital Fee	Regional Service Charge & Capital Fee Revenue	Debt Service Charge per EDU	Total Debt Service Charges	Total Regional Service Charges & Debt Charges Per EDU	EDUs Reported by JPA Members (1)	EDUs Assigned JPA Members for Debt Service	EDUs Assigned SQSP	Total Equivalent Dwelling Units (EDUs) (1)
2020	249.78	12,015,001	$ 95.29	$ 4,959,163	345.06	48,103	48,039	4,005	52,044
2019	236.82	11,433,635	95.43	4,966,508	332.25	48,279	48,039	4,005	52,044
2018	226.56	10,893,165	95.16	4,952,383	321.72	48,081	48,039	4,005	52,044
2017	217.82	10,395,358	94.74	4,960,117	312.56	47,724		4,005	51,729
2016	204.71	9,897,549	87.10	4,574,029	291.81	48,350		4,005	52,355
2015	193.78	9,399,740	111.49	5,815,627	305.27	48,507		4,005	52,512
2014	184.86	8,901,932	111.69	5,820,649	296.55	48,156		4,005	52,161
2013	172.00	8,274,123	113.51	5,820,931	285.51	48,106		4,005	52,111
2012	169.74	8,576,114	115.19	5,819,892	284.93	50,525			50,525
2011	164.64	9,032,809	103.95	5,818,384	268.59	54,867			54,867

This schedule reflects Regional Service Charges, Debt Service Charges, and applicable Equivalent Dwelling Unit counts (EDUs), respectively used in connection with the calculation of a cost per EDU. The cost per EDU is generally used for information purposes or with certain other charges within the fee ordinance. Regional service charges are billed to members based upon volume and strength of wastewater flow. Prior to FY12, regional service charges were billed to members based uopn EDU counts. Debt service charges are billed to members based upon fixed EDU counts assigned to each member effective in FY18 to smooth fluctuations in debt service allocation.

Note (1):
EDU counts are provided annually to CMSA by the JPA member agencies. An EDU generally is one household. In the case of multiple dwellings, the number of EDUs is based upon units. Commercial EDU is based upon winter time water use. Industrial EDU is based on volume and strength of the wastewater flow. Included in this total is 4,005 EDU assigned to SQSP for the debt service allocation. Prior to FY13, SQSP's EDU was included in the total EDU reported by JPA members. Actual and assigned EDU counts are reflected on this schedule. See also Schedule 10.

Source: Annual Agency Budgets

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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. Additional information about the how the initial service charge is calculated can be found in the Agency's FY20 & FY21 Budget available on www.cmsa.us/finance. Reported below is actual data for the reporting period.

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

12-Month Period	SRSD	RVSD	SD #2	SQSP	Influent Flow
April 1, 2019 to March 31, 2020	1,480.12	1,923.57	400.86	174.72	3,979.27
April 1, 2018 to March 31, 2019	1,807.98	2,301.31	438.86	192.18	4,740.33
April 1, 2017 to March 31, 2018	1,411.51	1,888.58	382.15	166.12	3,848.36
April 1, 2016 to March 31, 2017	1,844.03	2,597.79	472.68	136.90	5,051.40
April 1, 2015 to March 31, 2016	1,435.31	1,912.90	422.01	129.48	3,899.70
April 1, 2014 to March 31, 2015	1,521.91	1,953.05	424.90	143.97	4,043.83
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	RVSD	SD #2	SQSP	Influent BOD
April 1, 2019 to March 31, 2020	4,698,037	4,903,805	525,205	381,608	10,508,655
April 1, 2018 to March 31, 2019	4,743,449	4,438,157	599,208	376,680	10,157,494
April 1, 2017 to March 31, 2018	3,605,713	4,281,207	585,582	404,146	8,876,648
April 1, 2016 to March 31, 2017	4,293,860	4,450,865	674,224	355,347	9,774,296
April 1, 2015 to March 31, 2016	3,892,566	4,358,760	592,658	306,804	9,150,788
April 1, 2014 to March 31, 2015	4,451,240	5,101,508	447,649	509,759	10,510,156
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	RVSD	SD #2	SQSP	Influent TSS
April 1, 2019 to March 31, 2020	5,844,502	5,813,416	631,754	515,623	12,805,295
April 1, 2018 to March 31, 2019	6,114,054	4,991,101	862,434	514,072	12,481,661
April 1, 2017 to March 31, 2018	4,660,290	5,612,940	799,015	487,062	11,559,307
April 1, 2016 to March 31, 2017	5,543,868	5,629,170	905,498	457,495	12,536,031
April 1, 2015 to March 31, 2016	5,569,476	6,827,531	934,372	398,325	13,729,704
April 1, 2014 to March 31, 2015	7,812,006	8,343,902	699,225	1,503,385	18,358,518
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:
Laboratory analysis of the data above is performed to allocate treatment costs by members into its components of flow, biological oxygen demand, and total suspended solids.

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

Schedule 10

Fiscal Year Ended June 30	Ross Valley Sanitary District	City of Larkspur **(1)**	Sanitary District #2	San Rafael Sanitation District	Subtotal JPA Member EDU Counts	San Quentin Prison	Total EDUs	EDU Change from Prior Year
2020	22,249	-	6,245	19,609	48,103	4,005	52,108	(176)
2019	19,345	3,066	6,152	19,716	48,279	4,005	52,284	198
2018	19,448	3,060	6,008	19,565	48,081	4,005	52,086	357
2017	19,298	3,039	6,055	19,332	47,724	4,005	51,729	(626)
2016	19,700	3,019	6,076	19,555	48,350	4,005	52,355	(157)
2015	19,666	2,982	6,216	19,643	48,507	4,005	52,512	351
2014	19,498	2,949	6,006	19,703	48,156	4,005	52,161	50
2013	19,511	2,997	6,116	19,482	48,106	4,005	52,111	1,586
2012	18,835	3,079	5,955	19,409	47,278	3,247	50,525	(4,342)
2011	19,261	3,021	5,975	19,401	47,658	7,209	54,867	(1,074)

The actual EDU count presented for informational purposes in this schedule also is used to establish Waste Hauler Charges and Industrial Monitoring Fees as set forth in CMSA Ordinance No. 2019-1 (see http://www.cmsa.us/documents/ordinances). The assigned EDU presented in Schedule 8 is the basis of revenue allocation when determining debt service charge revenue which is the funding source to repay debt service.

Note (1): Larkspur withdrew from the JPA in January 2020, ending the need to show the City's individual EDU count.

Source: Annual Agency Budgets

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Central Marin Sanitation Agency
Revenue Bonds
Principal Debt Outstanding

Schedule 11

Fiscal Year Ended June 30	2015 Revenue Bonds	2006 Revenue Bonds	Total Outstanding Debt	Total Debt Per EDU **(1)**	Total Debt Per Capita **(2)**
2020	$ 38,045,000	$ -	38,045,000	$ 731	$ 364
2019	40,440,000	-	40,440,000	777	387
2018	42,770,000	-	42,770,000	822	409
2017	45,020,000	-	45,020,000	870	431
2016	47,215,000	-	47,215,000	902	452
2015	49,310,000	-	49,310,000	939	472
2014		57,645,000	57,645,000	1,105	552
2013		59,685,000	59,685,000	1,145	571
2012		61,640,000	61,640,000	1,220	590
2011		63,520,000	63,520,000	1,158	608

Notes:

(1): EDU counts for debt service purposes are described on Schedule 8.

(2): Debt per capita is based upon US Census Bureau QuickFacts that estimates population within the CMSA service area at 104,500

Source: Central Marin Sanitation Agency Audited Financial Statements

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Central Marin Sanitation Agency
Pledged Revenue Coverage

Schedule 12

Fiscal Year Ended June 30	Sewer Service Charges **(1)**	Less Operating Expenses	Net Revenues Available	2015 Revenue Bonds	2006 Revenue Bonds	Total Annual Debt Service	Debt Service Coverage
2020	$ 18,615,695	$ 10,916,950	$ 7,698,745	$ 3,781,336		$ 3,781,336	2.04
2019	19,436,925	11,567,182	7,869,743	3,787,861		3,787,861	2.08
2018	17,855,447	11,355,010	6,500,437	3,777,361		3,777,361	1.72
2017	17,704,438	11,424,190	6,280,248	3,947,699		3,947,699	1.59
2016	16,753,516	11,359,037	5,394,479	3,672,466		3,672,466	1.47
2015	17,596,753	9,928,153	7,668,600		$ 4,243,649	4,243,649	1.81
2014	17,008,183	10,731,313	6,276,870		4,576,490	4,576,490	1.37
2013	16,723,456	10,076,619	6,646,837		4,657,688	4,657,688	1.43
2012	15,336,634	9,425,636	5,910,998		4,583,231	4,583,231	1.29
2011	15,606,660	9,458,613	6,148,047		4,586,096	4,586,096	1.34

Note (1)

Sewer Service Charges include all sources of revenue (regional service and debt service charges to JPA members, contract maintenance revenues, other operating and non-operating revenues, interest income, and capital contributions (capacity fees).

Source: Central Marin Sanitation Agency Audited Financial Statements

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Central Marin Sanitation Agency
Demographic and Economic Statistics

Schedule 13

Fiscal Year Ended June 30	Marin County Population **(1)**	Marin County Personal Income (in thousands) **(2)**	Per Capita Personal Income **(2)**	Marin County Unemployment Rate **(1)**
2020	N/A	N/A	N/A	4.4%
2019	N/A	N/A	N/A	2.4%
2018	262,326	$34,866,708	$134,275	2.5%
2017	262,092	32,395,707	124,731	3.1%
2016	260,651	30,863,148	118,416	3.3%
2015	261,221	29,910,331	114,592	3.8%
2014	258,324	27,766,076	106,614	4.6%
2013	255,778	25,439,774	98,431	5.6%
2012	254,882	24,912,755	97,288	6.9%
2011	254,359	23,228,271	90,962	8.1%

Source: **(1)** State of California Employment Development Department Labor Market Info websi

www.labormarketinfo.edd.ca.gov
(2) US Department of Commerce Bureau of Economic Analysis (BEA) website:
www.bea.gov/iTable

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Central Marin Sanitation Agency
Ten Largest Employers Statistic

Schedule 14

Ten Largest Employers in the CMSA Service Area	Type of Entity	Number of Employees FY20	Percentage of Total Marin County Employment (1)	Number of Employees FY19	Percentage of Total Marin County Employment	Number of Employees FY18	Percentage of Total Marin County Employment	Number of Employees FY17	Percentage of Total Marin County Employment	Number of Employees FY16	Percentage of Total Marin County Employment
BioMarin **(2)**	Biotech	1,700	1.42%	1,700	1.24%	1,700	1.25%	1,700	1.25%		
MarinHealth Medical Center (formerly Marin General Hospital)	Hospital	1,650	1.38%	1,650	1.20%	1,650	1.21%	1,650	1.22%	1,650	1.21%
San Quentin State Prison	State Government	1,614	1.35%	1,836	1.34%	1,600	1.18%	1,662	1.22%	1,832	1.35%
Dominican University	University	1,200	1.00%	1,200	0.88%	1,000	0.74%	1,000	0.74%	1,000	0.73%
Golden Gate Transit	Transit District	828	0.69%	828	0.60%	820	0.60%	810	0.60%	775	0.57%
College of Marin	College District	529	0.44%	360	0.26%	360	0.26%	507	0.37%	332	0.24%
Restoration Hardware **(2)**	Home Furnishings	500	0.42%	500	0.36%	500	0.37%	500	0.37%		
Tamalpais Union High School District (TUHSD) **(3)**	School District	409	0.34%	409	0.30%					332	0.24%
City of San Rafael	Government	405	0.34%	410	0.30%	404	0.30%	401	0.30%	390	0.29%
San Rafael City Schools	School District	362	0.30%	362	0.26%	355	0.26%	355	0.26%	355	0.26%
Kentfield Rehabilitation & Hospital	Hospital					345	0.25%	345	0.25%	344	0.25%
Marin Muncipal Water District (MMWD)	Water District									246	0.18%

		Number of Employees FY15	Percentage of Total Marin County Employment	Number of Employees FY14	Percentage of Total Marin County Employment	Number of Employees FY13	Percentage of Total Marin County Employment	Number of Employees FY12	Percentage of Total Marin County Employment	Number of Employees FY11	Percentage of Total Marin County Employment
BioMarin	Biotech										
Marin General Hospital	Hospital	1,650	1.22%	1,650	1.20%	1,650	1.22%	1,505	1.17%	1,505	1.21%
San Quentin State Prison	State Government	1,832	1.35%	1,832	1.34%	1,832	1.36%	2,058	1.60%	2,058	1.65%
Dominican University	University	1,000	0.74%	745	0.54%	745	0.55%	745	0.58%	838	0.67%
Golden Gate Transit	Transit District	775	0.57%	775	0.57%	838	0.62%	838	0.65%	745	0.60%
City of San Rafael	Government	390	0.29%	383	0.28%	387	0.29%	387	0.30%	355	0.28%
College of Marin	College District	328	0.24%	354	0.26%	474	0.35%	650	0.51%	344	0.28%
Restoration Hardware (added FY17)	Home Furnishings										
Tamalpais Union High School	School District	310	0.23%	353	0.26%	353	0.26%	353	0.27%	400	0.32%
San Rafael City Schools	School District	355	0.26%	355	0.26%	355	0.26%	355	0.28%	650	0.52%
Kentfield Rehabilitation & Hospital	Hospital	344	0.25%	344	0.25%	344	0.25%	344	0.27%	353	0.28%
Marin Muncipal Water District (MMWD)	Water District	246	0.18%	244	0.18%	239	0.18%	238	0.19%	236	0.19%

(1) Total Marin County employment for June 2020 was 119,500. The data source is from www.labormarketinfo.edd.ca.gov/data/interactive-labor-market-data-tools.html. Employment statistics by cities within Marin County are not available.

(2) BioMarin and Restoration Hardware were identified as two of the top 10 employers in CMSA's service area in FY17 replacing MMWD and TUHSD. MMWD's and TUHSD's employee headcounts for the previous 8 years remain on the schedule.

(3) Tamalpais Union High School District (TUHSD) website the district employs 539 of which 409 are employed in the CMSA service area making the district once again one of the larger employers in Central Marin.

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Central Marin Sanitation Agency
Authorized Staffing by Department Function

Schedule 15

Authorized Staffing by Department	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Administration **(4)**	7	7	7	7	6	6	6	6	6	6
Maintenance **(1)** (1a)	17	14	14	14	14	13	14	13	13	13
Operations	13	13	13	13	13	13	13	13	13	14
Technical Services **(4)** **(4a)**	9	9	8	8						
Environmental Services **(4)**	-	-	-	-	5	5	5	5	5	5
Engineering **(2)**	-	-	-	-	4	3	3	3	3	2
Safety Program **(3)**	1	1	1	1	1	1	1	1	1	1
Agency Total	47	44	43	43	43	41	42	41	41	41

Note **(1)**: FY16 Addition of one Utility Worker.
Note **(1a)**: FY20 addition three Institutional Utility Laborers.
Note **(2)**: FY16 Addition of one new Associate Engineer position.
Note **(3)**: The Safety Program is a shared services position with CMSA Administration (.6) and one local wastewater agency whose share is .4 FTE.
Note **(4)**: The Board approved a department reorganization plan at the November 10, 2016 meeting. Three Engineering and four Environmental Services positions were reorganized into Technical Services. One Engineering position was transferred into Administration.
Note **(4a)**: FY19 Addition of one new Laboratory Analyst position.

Source: Central Marin Sanitation Agency records

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Central Marin Sanitation Agency
Wastewater Treated and Permit Limit

Schedule 16

Treatment Plant	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
	Millions of Gallons per Day									
Average Dry Weather Flow (ADWF) Permitted Capacity Limit (1)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
ADWF (2)	8.5	8.5	7.0	8.2	4.6	4.7	5.6	5.8	6.1	6.2
Average Wastewater Treated per day	10.5	13.3	9.3	12.9	7.8	7.0	7.9	8.9	8.0	10.6

	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
	Wet Tons per Year									
Biosolids Treated	5,982	6,512	6,517	6,500	6,231	5,882	5,450	6,107	6,344	6,267

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

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

Source: Central Marin Sanitation Agency records

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CENTRAL MARIN SANITATION AGENCY
Agency Information
June 30, 2020

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

Authority	Joint Powers Agreement	
Date of formation	October 1979	
Governing body	Board of Commissioners appointed by member agencies:	
	Ross Valley Sanitary District	- 2 appointees
	Sanitary District No. 2 of Marin County	- 1 appointee
	San Rafael Sanitation District	- 2 appointees
Chief Executive Officer	General Manager, Jason Dow	
Chief Fiscal Officer	Administrative Services Manager, Kenneth Spray	
Type of service	Wastewater treatment and disposal	
Number of Authorized Positions	47	

Member Agency Contact Information:

Ross Valley Sanitary District
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
San Rafael, CA 94915-1560
(415) 454-4001

Retirement Plans Contact Information:

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

Source: Central Marin Sanitation Agency

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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.

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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.

- **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

ADC	Alternate Daily Cover
ADWF	Average Dry Weather Flow
AM	Asset Management
ATC	Authority to Construct
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
CalOES	California Office of Energy Services
CalPERS	California Public Employees Retirement System
CAMP	California Asset Management Program (see Interest Income)
CASA	California Association of Sanitation Agencies
CCT	Chlorine Contact Tank
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
E.D.I.S.	Employer Driven Insurance Services (third party-administrator for self-insured dental benefits)
EDU	Equivalent Dwelling Unit

ELAP	Environmental Laboratory Approval Program
EPMC	Employer Paid Member Contribution
F2E	Food-to-Energy
FEMA	Federal Emergency Management Agency
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
IA	Interconnection Agreement
JEPA	Joint Exercise of Powers Agreement
JPA	Joint Powers of Authority
LARK	City of Larkspur, JPA Member
LBNL	Lawrence Berkeley National Laboratories
LED	Light-emitting Diodes
LGVSD	Las Gallinas Sanitary District (see Contract Service Revenues)
MCE	Marin Clean Energy
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)
OES	Office of Emergency Services (California)
OPEB	Other Post-Employment Benefits
PCA	Pretreatment Compliance Audit
PIER	Public Interest Energy Research
PPA	Power Purchase Agreement
RAS	Return Activated Sludge
RFP	Request for Proposal
RFQ	Request for Qualifications
ROWD	Report of Waste Discharge
RWB	Regional Water Board
RVSD	Ross Valley Sanitary District, JPA Member
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 #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