Central Marin Sanitation Agency

FINANCE COMMITTEE MEETING AGENDA
Tuesday, September 16, 2025, 12:00pm
1301 Anderson Drive, San Rafael CA 94901

AGENDA

1. **Call Meeting to Order**

2. **Pledge of Allegiance**

3. **Roll Call**

4. **Agenda Review & Approval**

5. **Open Period for Public Participation**
   Open time for public expression, up to two minutes per speaker, on items within CMSA's jurisdiction and not on the agenda. The Committee will not discuss or take action during open time, but members may briefly respond to statements made or questions proposed by the public, ask for clarification from staff, refer the matter to staff, or request staff to report back to the body at a subsequent meeting concerning any matter, or take action to direct staff to place a matter of business on a future agenda.

6. **Revised Capital Improvement Plan Funding Model**
   Recommendation: Discuss the revised Capital Improvement Plan funding model and provide direction to staff, as appropriate.

7. **FY26 Debt Issuance**
   Recommendation: Discuss the FY26 debt issuance tasks, and provide direction to the General Manager, as appropriate.

8. **Proposed Regional Charge Allocation Changes**
   Recommendation: Discuss the proposed Regional Charge Allocation changes, and provide direction to staff as appropriate.

9. **Committee Oral Reports***

10. **Items for Next/Future Agendas**

11. **Schedule next meeting**

*Information not furnished with Agenda

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

Central Marin Sanitation Agency

FINANCE COMMITTEE MEMORANDUM

September 12, 2025

To: CMSA Finance Committee

From: Corey Spray, Administrative Services Manager
Jason Dow, General Manager

Subject: Revised Capital Improvement Funding Model

Recommendation: Discuss the revised Capital Improvement Plan funding model and provide direction to staff, as appropriate.

Discussion: The previous Capital Improvement Plan (CIP) Funding Model that was adopted in 2020 showed the 10-year CIP was adequately funded and included debt issuances in FY21, FY23, and FY26. The Agency issued $9 million in tax-exempt revenue bonds in FY21. The Finance Committee recommended and the Board approved not issuing debt in FY23 due to the Agency receiving a $2.6 million CalRecycle grant, collection of substantially more capacity charge revenue than budgeted for several years, and accumulation of significant amounts of unused operating revenues transferred into the unassigned capital operating reserve each year.

Since FY20, the CIP has expanded from $55.5 million to approximately $95 million, not including the estimated placeholder funding for a future Nutrient Removal Project's construction. Staff made the following revisions to the CIP Funding Model (Model) for the Committee to review and discuss.

1) Model has been reformatted and more accurately ties to audited financial statement information and reserve accounts use and balances.

2) Board adopted 10-year CIP annual amounts are shown in line 3, and the Centrifuge Replacement construction cost was reduced by $1.5 million

3) Nutrient Removal Project construction shown in line 2, but not added to the Model.

4) Planned $13 million revenue bond issuance shown in line 5.

5) All available reserves used to fund the CIP in FY29 as shown in line 11.

Annual CIP funding is from capacity charges, the capital fee, and unassigned capital reserves. Beginning in FY27, unassigned capital reserves provide a significant portion of the annual CIP funding and are exhausted in FY29.

Decisions for the Committee to consider are:

a) Should the Agency consider issuing more than $13 million in revenue bonds this year?

b) Should staff remove the non-essential or contingent projects from the CIP, and update the Model? For example, the biotower rehabilitation project may not be needed if certain Nutrient Removal Project alternatives are selected.

c) Should the Model show all reserves being used in future years to fund the CIP?

CENTRAL MARIN SANITATION AGENCY
CAPITAL IMPROVEMENT PROGRAM (CIP) FUNDING PLAN
FOR FISCAL YEARS ENDED 2024 THROUGH 2034

		YEAR 0	*YEAR 1*	*YEAR 2*	*YEAR 3*	*YEAR 4*	*YEAR 5*	*YEAR 6*	*YEAR 7*	*YEAR 8*	*YEAR 9*	*YEAR 10*
		ACTUAL	*ACTUAL*	*BUDGET*	*BUDGET*	*FORECAST*						
		6/30/2024	**6/30/2025**	**6/30/2026**	**6/30/2027**	**6/30/2028**	**6/30/2029**	**6/30/2030**	**6/30/2031**	**6/30/2032**	**6/30/2033**	**6/30/2034**
1	Total annual CIP to fund	$ 5,362,279	$ 6,056,973	$ 15,130,850	$ 8,250,100	$ 9,365,500	$ 12,463,800	$ 6,943,800	$ 7,260,600	$ 6,702,300	$ 8,583,500	$ 4,978,900
2	*Nutrient Removal construction cost (Note 5)*	-	-	-	-	-	*31,734,300*	*33,348,000*	-	-	-	-
3	*Total annual CIP to fund (w/ NR cost)*	*$ 5,362,279*	*$ 6,056,973*	*$ 15,130,850*	*$ 8,250,100*	*$ 9,365,500*	*$ 44,198,100*	*$ 40,291,800*	*$ 7,260,600*	*$ 6,702,300*	*$ 8,583,500*	*$ 4,978,900*
	CIP funding sources:											
4	Other financing sources - grants	$ 1,556,349	$ 2,962,224	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5	Other financing sources - bonds, net COI	-	-	12,675,000	-	-	-	-	-	-	-	-
6	Other financing sources - bond interest	-	-	122,000	-	-	-	-	-	-	-	-
7	Other financing sources - loans	-	-	-	-	-	-	-	-	-	-	-
8	Capacity charges	986,988	641,969	40,500	41,700	43,000	44,300	45,600	47,000	48,400	49,900	51,400
9	Debt service coverage fees (*PY source*)	1,124,141	1,093,418	1,131,437	1,124,300	1,365,800	1,354,400	1,354,400	1,364,000	1,364,900	1,364,300	367,900
10	Capital fees (*Note 2*)	1,289,186	1,359,361	1,161,913	1,034,800	1,445,700	1,733,000	1,982,900	2,286,400	2,608,400	7,169,300	4,559,600
11	Unassigned op transfer in (*Note 3/4*)	-	3,043,571	19,787	-	-	5,266,300	-	-	-	-	-
12	Total available funding	$ 4,956,664	$ 9,100,544	$ 15,150,637	$ 2,200,800	$ 2,854,500	$ 8,398,000	$ 3,382,900	$ 3,697,400	$ 4,021,700	$ 8,583,500	$ 4,978,900
13	Unassigned capital surplus / (usage) - CIP	$ (405,615)	$ 3,043,571	$ 19,787	$ (6,049,300)	$ (6,511,000)	$ (4,065,800)	$ (3,560,900)	$ (3,563,200)	$ (2,680,600)	$ -	$ -
14	Unassigned capital reserve, beginning	$ 14,407,989	$ 13,830,983	$ 17,175,809	$ 17,941,796	$ 11,900,696	$ 5,398,196	$ -	$ (847,704)	$ (4,401,504)	$ (7,074,204)	$ (7,311,104)
15	Surplus / (deficit)	(577,007)	3,344,827	765,986	(6,041,100)	(6,502,500)	(5,398,196)	(847,704)	(3,553,800)	(2,672,700)	(236,900)	3,704,200
16	Unassigned capital reserve, ending	$ 13,830,983	$ 17,175,809	$ 17,941,796	$ 11,900,696	$ 5,398,196	$ -	$ (847,704)	$ (4,401,504)	$ (7,074,204)	$ (7,311,104)	$ (3,606,904)
17	*Policy target*	*$ 8,105,877*	*$ 7,477,169*	*$ 8,573,600*	*$ 8,573,600*	*$ 8,573,600*	*$ 8,573,600*	*$ 8,573,600*	*$ 8,573,600*	*$ 8,573,600*	*$ 8,573,600*	*$ 8,573,600*

Note 1: The unassigned capital reserve surplus / (deficit) - CIP balance can be different from the actual change in the unassigned capital reserve balance due to funds transfers to/from other reserve accounts to fund CIP expenditures, pay debt service, and meet specific reserve requirements.

Note 2: Capacity charges are conservatively estimated following current budget practice. However, actual collections may significantly differ.

Note 3: The Agency's operating surplus may be higher than forecasted due to conservative estimates being used for cash inflows and outflows. This thereby increases the amount of unassigned reserves that can be transferred from operating activities to fund the capital program. Years 1 and 2 also includes one-time funds transfer in from unassigned operating to bring down unassigned operating down to $500,000 per internal discussion.

Note 4: Year 5 includes all available operating reserves, emergency reserves, and unassigned operating reserves are being transferred into the unassigned capital reserve to help fund the capital program. Furthermore, all current year (in year 6) debt service coverage fee collections are expected to be transferred into the unassigned capital reserve--as included in the net surplus/(deficit) balance for the unassigned capital reserve balance. Starting in year 5, the Agency is expected to exhaust all available resources due to the intensity of the capital program's spending.

Note 5: Included for presentation only with a complete representation of expected costs on the capital program. Better cost figures are expected in future periods. The funding plan, however, does not consider this additional cost due to the uncertainty of the figures and plan design. Funding for this cost specifically will be reviewed at a later period. As such, the funding plan only considers the cost figures in line 1.

FINANCE COMMITTEE MEMORANDUM

September 12, 2025

To: CMSA Finance Committee

From: Corey Spray, Administrative Services Manager
Jason Dow, General Manager

Subject: FY26 Debt Issuance

Recommendation: Discuss the FY26 debt issuance tasks, and provide direction to the General Manager, as appropriate.

Discussion: There are several tasks that need to be completed prior to initiating a debt issuance. These are listed below for the Committee's discussion.

1) Committee to review Capitol Improvement Program (CIP) funding model and decide on any revisions.

2) Staff revision of the funding CIP funding model and the Committee accept it.

3) Committee to prepare debt issuance plan for Board consideration: NTE debt issuance amount, issuance type, financial advisor, bond/disclosure counsel, issuance method.

4) Board discussion and decision on debt issuance plan.

5) Financial advisor and bond/disclosure contracts approval by Board.

6) Financial advisor prepares debt issuance structure alternatives for Committee review and decision.

7) Bond counsel prepares debt issuance documents.

8) Board approves debt issuance.

Central Marin Sanitation Agency

FINANCE COMMITTEE MEMORANDUM

September 12, 2025

To: CMSA Finance Committee

From: Jason Dow, General Manager

Subject: Proposed Regional Charge Allocation Changes

Recommendation: Discuss the proposed Regional Charge Allocation changes, and provide direction to staff as appropriate.

Summary: At the September 9, 2025, meeting, the Board discussed the history of the Regional Charge Allocation process and the RVSD Board's concerns about the current process. The Board directed its Finance Committee to discuss and consider the following three Regional Charge Allocation changes:

1) Revise the general CMSA Laboratory Standard Operating Procedure (SOP) for the Regional Charge allocation to include detailed information and procedures on how the allocation data is obtained and used to determine the JPA members' allocation percentages.

2) Base the FY26 Regional Charges on wastewater strength results from the relocated sample locations on the San Rafael and Ross Valley interceptors – June 2023 through March 2025.

3) Determine and present San Quentin's treatment fee as if San Quentin were a JPA member.

Discussion: Each of the above proposed changes to the Regional Charge Allocation process are discussed below.

1) <u>Revise the Laboratory SOP</u>
RVSD sent the JPA managers a memo dated July 17, 2025, with the following proposed SOP changes:

a) Provide a map of flow and strength sampling sites.
b) Provide diagrams of each sampling configuration and location showing both a cross section of the sampling location and dimensions along with locations of sampling equipment.
c) Install a new sampling site for San Quentin that is located at the main pump station's force main. This is be equitable to JPA member agencies whose strength indicators are sampled in interceptors.

d) Delete the following subjective language from Section 2.b.II: "This process accurately identifies the respective flow, TSS loading and BOD loading for each contributing agency."
e) Replace the "annual daily load" averaging method with an "aggregated daily load" method.
f) Obtain and use two strength samples per week, preferably Monday and Thursday.
g) In Section 2.b.III, delete "Sample collection is performed on Tuesdays to reduce the potential for by member agency collection system flushing." Replace with "Sample collection is performed on Mondays and Thursdays as a convention to create consistency in the data set, to minimize variability, and for the efficiency of sample processing."
h) Replace the language in Section 3.a.I "monitoring week" with "monitoring event". Delete the following language from Section 3.a.I: "and recollected the following week."
i) Perfom strength data outlier screening by removing data that is two standard deviations above the median. In Sections 4.a and 4.b – delete all reference to the annual interquartile range (IQR) method limits and replace with two standard deviations above the median.

The JPA managers are currently reviewing the the RVSD data analysis and discussing the above proposed SOP changes. When the managers agree on a set of proposed changes, they will present them to CMSA for consideraiton. Instead of revising the SOP, the revised allocation process should be in a new adminitrative procedure, approved by the CMSA Board, and placed in the Agency's Administrative Policy Manual.

2) <u>Change the FY26 Regional Charge Allocation</u>
The FY26 allocation is based on 3-years of flow and strength data, from April 2022 – March 2025. The first year's strength data is from the original sample port on both interceptors, and the following two year's strength data from the new sample ports. Due to some of the data from the origional sample port not being reprsentative of the collection system's strength, RVSD is proposing to use data from the new sample location, June 2023 – March 2025.

The current and proposed allocation percentages are shown below.

FY26 Allocations	**RVSD**	**SRSD**	**SD2**
Current Allocation	48.64	40.18	11.18
Proposed Allocation	45.29	40.91	13.80

The Regional Charge, including the service charge and capital fee for JPA each member for FY26, using the current allocation and proposed allocations, are shown below, as well as the difference between the charges.

FY26 Charges	**RVSD**	**SRSD**	**SD2**
Current Charge	$7,659,389	$6,327184	$1,760,525
Proposed Charge	$7,131,862	$6,442,139	$2,173,100
Difference	<$527,527>	$114,953	$412,575

If the FY26 allocation is based on data obtained from the new sample port, RVSD has overpaid and both SRSD and SD2 have underpaid their charges. If the Committee recommends to the Board to approve changing the FY26 Regional Charge allocation using the proposed data set, staff are seeking Committee guidance on how to adjust each JPA members FY26 charges.

Assuming a refund is provided to RVSD on a future FY26 invoice, here are some options on how to handle the underpayments by SD2 and SRSD:

1) Invoice the underpayments on a future FY26 invoice.
2) Include the underpayments on the four FY27 Regional Charge invoices.
3) Ask each agency how they would like to handle the underpayments.
4) CMSA will absorb the RVSD refund, and not charge SRSD and SD2 for their underpayments.

3) <u>San Quentin Regional Charge Allocation</u>
The San Quentin wastewater service agreement with CDCR has three cost elements - treatment, debt service, and pump station maintenance. The FY26 fee is based on the FY25 fee with a 4.5% increase to align with the increase in the FY26 Regional Charge. San Quentin's 3-year flow/strength contribution relative to the JPA members is shown below.

FY26 Allocations	**RVSD**	**SRSD**	**SD2**	**SQ**
Flow/Str Contribution	46.04%	38.03%	10.59%	5.34%

San Quentin's FY26 treatment fee is $852,000, and the annual contract fee is up to $996,000. If San Quentin's FY26 treatment fee is included in the FY26 Regional Charge and its allocated using the 5.34%, the adjusted FY26 treatment fee is $886,392.