



# CENTRAL MARIN SANITATION AGENCY



## POPULAR ANNUAL FINANCIAL REPORT

JULY 1, 2014—JUNE 30, 2015

1301 Andersen Drive • San Rafael, CA 94901 • 415.459.1455 • [www.cmsa.us](http://www.cmsa.us)  
A NACWA PLATINUM PEAK PERFORMANCE AGENCY



# POPULAR FINANCIAL ANNUAL REPORT

FISCAL YEAR JULY 1, 2014 — JUNE 30, 2015



## TABLE OF CONTENTS

A Letter to our Readers.....	3
Local Economy and Statistics.....	4
What CMSA Does.....	5
History and Organization.....	6
Major Accomplishments & Initiatives in FY 2015.....	7
Key Financial Information.....	10
Statement of Net Position.....	11
Capital Assets.....	12
Major Capital and Asset Management Projects.....	13
Statement of Revenue & Expenses and Changes in Net Position.....	14
Where the Money Comes From (Revenue).....	15
Where the Money Goes (Expenses).....	16
GFOA 2014 Award for Outstanding Achievement in Popular Annual Financial Reporting.....	17

## NACWA PLATINUM 10

CMSA has received the Platinum 10 Peak Performance award from the National Association of Clean Water Agencies (NACWA) for ten consecutive calendar years of obtaining 100% compliance with our National Pollutant Discharge

Elimination System (NPDES) permit requirements.

Fewer than 2% of all wastewater treatment facilities nationally have achieved NACWA 5-Year Platinum Award Status.





Central Marin Sanitation Agency (CMSA) is pleased to present its Popular Annual Financial Report (PAFR) for the fiscal year July 1, 2014 to June 30, 2015 (FY 2015). This report provides an overview of the Agency’s financial position, including sources of revenues and expenditures. The PAFR is published to provide the reader with an easy-to-read snapshot of the CMSA organization and its finances, wastewater services, major initiatives, and public education programs.

The condensed financial data presented in the PAFR is derived from the Agency’s Generally Accepted Accounting Principles (GAAP) compliant audited financial statements and its Comprehensive Annual Financial Report (CAFR). The PAFR is not considered or intended to be a GAAP compliant publication, however with a few exceptions, the PAFR is consistent and generally presented in conformity with GAAP. Not included in the PAFR are the Independent Auditor’s Report, the Statement of Cash Flows, Notes to Financial Statements, and Required Supplementary Information. Condensed versions of the Statement of Net Position and the Statement of Revenues & Expenses and Changes in Net Position, and Capital Assets are also presented in a summarized format, providing a generalized overview of the Agency’s overall finances.

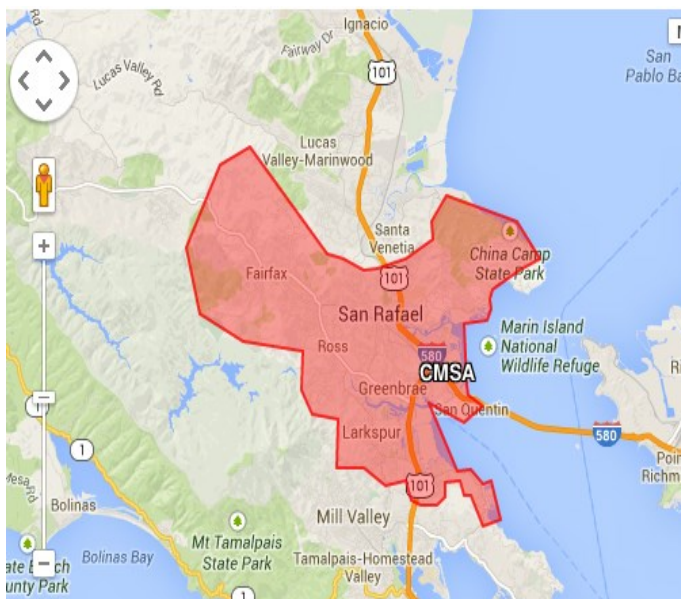
Readers of this document who are interested in learning more about the specific programmatic and financial details and disclosures can refer to the Agency’s FY 2014-2015 CAFR with Audited Financial Statements. The CAFR and audited financial statements are available online at [www.cmsa.us/finance](http://www.cmsa.us/finance), by visiting us at 1301 Andersen Drive, San Rafael, CA 94901, or by contacting us at (415) 459-1455.

We hope the PAFR will give you a broad understanding of our organization and the valuable services that we provide to the public and to safeguard the environment. Feel free to visit our comprehensive website to learn more about CMSA. We welcome your comments, feedback, and suggestions for improving future publications.

Respectfully submitted,

Jason B. Dow, General Manager

Carlos M. Oblites, Administrative Services Manager



**OUR PURPOSE**  
*CMSA shall provide wastewater treatment, disposal, and related environmental services to protect public health and enhance environmental quality within its service area comprised of Sanitary District 1 of Marin County, Sanitary District Number 2 of Marin County, and the San Rafael Sanitation District.*

# LOCAL ECONOMY AND STATISTICS

Central Marin Sanitation Agency (CMSA) is a regional wastewater treatment agency that serves residents, businesses, and institutions located in central Marin County. The region continues to develop slowly, with a growth rate of less than 1% annually, and has the highest average per capita income per household in the state. The mean/median sale price for a home in Marin County for the year ending December 31, 2014 was \$1,137,381/\$868,005, compared to \$990,304/\$795,000 the year before.

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

San Quentin State Prison	1,832
Marin General Hospital	1,650
Golden Gate Bridge, Hwy and Transit District	775
Dominican University	1000
City of San Rafael	390
San Rafael City Schools	355
College of Marin	328
Tamalpais Union High School District	310
Kentfield Rehabilitation & Specialty Hospital	344
Marin Municipal Water District	246

- The total number of households and businesses in the CMSA service area has remained relatively stable over the last few years and consists primarily of residential units.
- CMSA's single largest customer is San Quentin State Prison (SQSP).
- Marin's 3.8% average unemployment rate is the lowest rate in California (8.2%) and remains below national levels (5.7%) at the end of FY 2015.
- Seven of the top ten employers as measured by the number of employees in the CMSA service area are governmental entities.

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

Town of Corte Madera	9,381
Town of Fairfax	7,451
City of Larkspur	12,102
Town of Ross	2,461
Town of San Anselmo	12,514
City of San Rafael <i>(Represents approximately two-thirds of the City's population.)</i>	39,239
San Quentin State Prison	5,247
Unincorporated Areas <i>(San Quentin Village, Greenbrae, Kentfield, Sleepy Hollow, Tiburon peninsula.)</i>	16,500



*Mt. Tamalpais and the CMSA facilities in the foreground.*



*Marin General Hospital*



*Larkspur Ferry Terminal*

Sources: Marin County Assessor Office; 2014 California Employment Development Labor Market Information; California Department of Finance Demographic Reports, January 2014 Population Estimates.

# WHAT CMSA DOES

CMSA’s purpose is to provide wastewater services to protect public health and the environment. The treated wastewater discharged into the central San Francisco Bay consistently meets and exceeds all federal, state, and regional regulatory requirements. In line with its core mission are responsibilities related to:

- Implementing federal pretreatment and state and regional pollution prevention programs.
- Administering a comprehensive safety program for CMSA and Novato Sanitary District (NSD).
- Managing a comprehensive countywide public educational program.
- Providing wastewater collection system maintenance, source control, and other related services under contract to local wastewater agencies.

The Agency provides services to 52,512 equivalent dwelling units (EDU), with an approximate service area population of 105,000.

### What are EDUs?

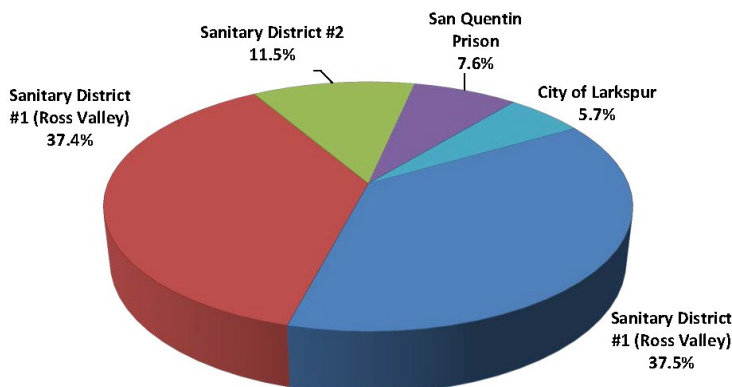
Equivalent Dwelling Units, or EDU, refers to a unit of wastewater discharge. It is the estimated volume and strength generated by a single-family residence.

### WASTEWATER AND BIOSOLIDS TREATED IN FY 2015

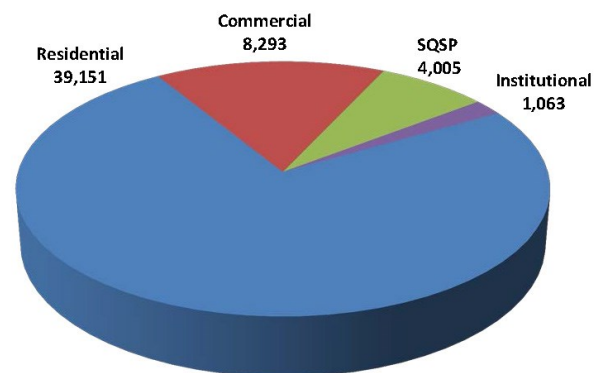
Volume of Total Wastewater Treated .....	3,930 million gallons
Dry Weather Flow (July-Sept 2015) .....	4.7 million gallons/day
Average Wastewater Treated .....	7.0 million gallons/day
Total Biosolids Production .....	5,882 wet tons
Used as Landfill Cover in Marin County .....	3,740 wet tons
Applied to Pasture Land in Sonoma County .....	2,142 wet tons

Source: CMSA FY 2015-16 Budget —www.cmsa.us/finance.

### 52,512 Equivalent Dwelling Units (EDU) Served in FY 2015



### EDU Totals by Connection Type

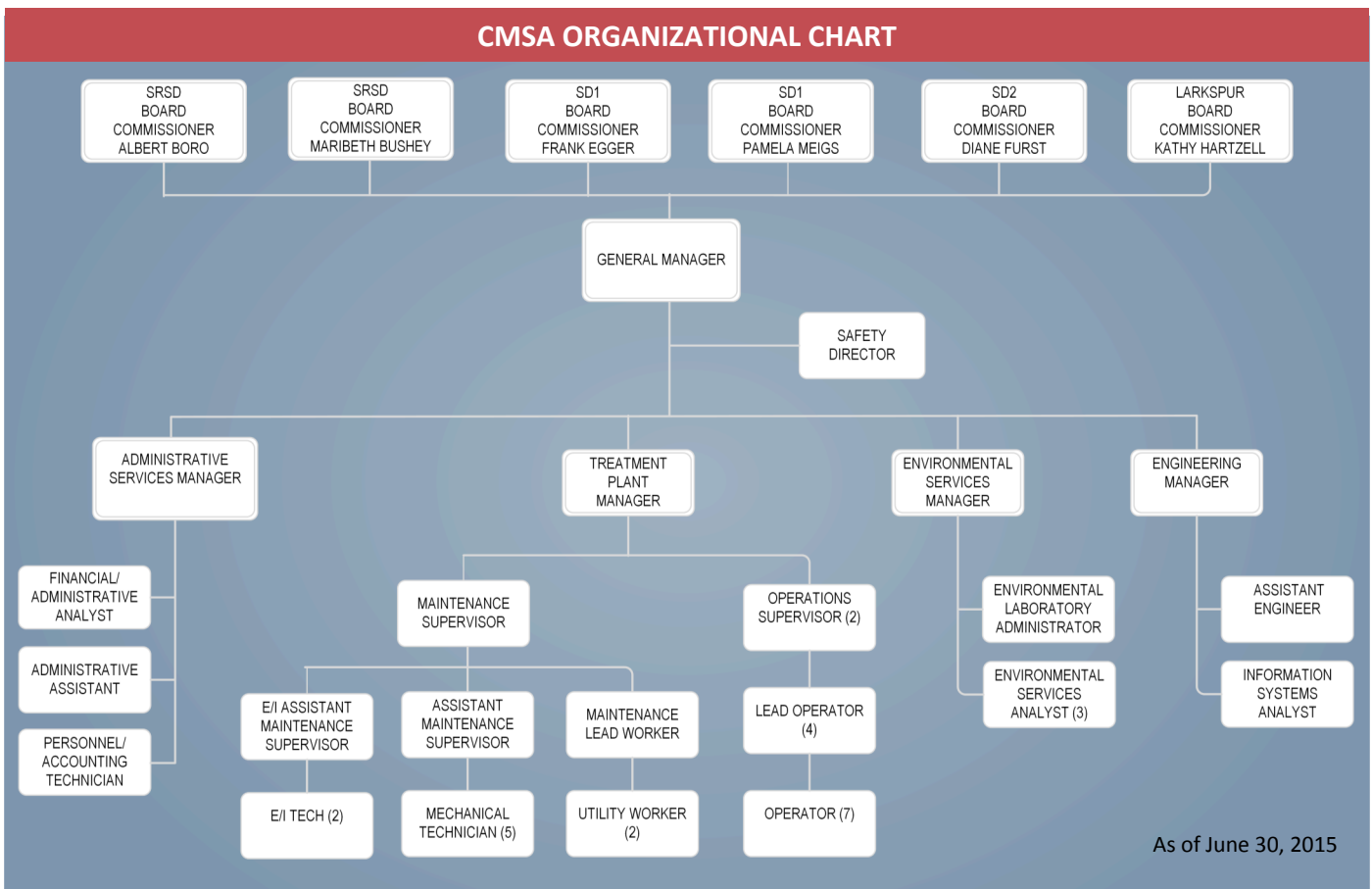


# HISTORY AND ORGANIZATION



Faced with wastewater treatment challenges unique to central Marin County and the necessity to comply with the 1972 Federal Clean Water Act, Sanitary Districts No. 1 (SD 1) and No. 2 (SD 2) of Marin County, the City of Larkspur, and the San Rafael Sanitation District (SRSD) united in 1979 to form a joint powers of authority (JPA) that created a separate government entity, the Central Marin Sanitation Agency (CMSA). The CMSA wastewater treatment facility, the largest in Marin County, began service in January 1985.

The Agency's six-member Board of Commissioners (Board) are appointed by the governing bodies of each JPA member. SRSD and SD 1 each have two representatives, while Larkspur and SD 2 each have one. The Board sets policy, adopts the annual budget for the Agency, and appoints the General Manager and Treasurer/Controller who serve at the pleasure of the Board. The General Manager is the chief executive officer and the Treasurer/Controller is responsible for all financial operations.



# MAJOR ACCOMPLISHMENTS AND INITIATIVES IN FY 2015

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

### GASB 45 AND OTHER POST EMPLOYMENT BENEFITS

During FY 15, the Agency complied with the requirements of the CalPERS Employees' Retirement Benefit Trust Fund (CERBT) and prepared a biennial GASB 45 valuation report for the period ending June 30, 2015.



There was an increase in the actuarial present value of Other Post-Employment Benefits (OPEB) since the June 30, 2013 valuation, from \$4.19 million to \$4.51 million. Assets invested in CERBT to pay for future benefits increased by \$116,054 to \$1,765,644 in FY 15.

### REFINANCING THE AGENCY'S REVENUE BONDS

During the fall of 2014, the Agency's financial advisor informed management that borrowing rates were very favorable, and suggested refunding the 2006 revenue bonds. To implement the refunding transaction, the Board approved a Bond Resolution that authorized the Bond sale and several other Bond related activities. In March 2015, the bond sale was competitively bid, and the low bidder's average interest rate was 2.619%, resulting in a total debt service savings of approximately \$15 million over the 17-year bond term and an average annual debt service savings of approximately \$866,000.

### FUTURE REVENUE PLANNING

The Agency updates a 10-year financial forecast each fiscal year to accompany the annual budget. The 10-year model for FY 16 indicates that the Agency will have sufficient revenues to support operations over the remaining three fiscal years (FY 16 to FY 18) of the Agency's five-year revenue plan.

### REVISIONS TO FINANCIAL POLICIES

During FY 15, Agency staff completed a review of the Agency's Financial Policies in accordance with the Agency's Strategic Business Plan, and the revisions were approved by the Board. The updated language addresses ethics, internal controls, financial reporting, revenue management, and other financial matters.

### CALIFORNIA WATER ENVIRONMENT ASSOCIATION (CWEA) REGIONAL AWARDS

The Agency was recognized by its industry peers by receiving the following awards:

***Community Engagement and Outreach Program of the Year***

***Safety Program of the Year***

Several CMSA staff members were also recognized by receiving awards in their respective disciplines:

- ***Noel Rafael for the Operator-in-Training-Award*** (employee since 2014)
- ***Ray Tiongson for Operator of the Year*** (employee since 2007)
- ***MaryJo Ramey for Pretreatment, Pollution Prevention and Stormwater Person of the Year*** (employee since 2007)
- ***Kit Groves for Electrical and Instrumentation Person of the Year*** (employee since 1986)
- ***James Clark for Mechanical Technician of the Year*** (employee since 2014)
- ***Robert Cole for Community Engagement and Outreach Person of the Year*** (employee since 1998)

The Agency will be eligible for consideration for state level awards which will be presented at the CWEA Annual Conference in April 2016.

# MAJOR ACCOMPLISHMENTS AND INITIATIVES IN FY 2015

## EXPLORING THE USE OF RECYCLED WATER

### TRUCK FILLING STATION

A recycled water truck fill station will be constructed by the end of calendar year 2015, and CMSA will begin supplying recycled water for permitted offsite uses such as sewer flushing, limited landscape irrigation, construction site dust control, and street and sidewalk cleaning.

### RECYCLED WATER FEASIBILITY STUDY

CMSA annually treats approximately 10 million gallons of wastewater per day, and reuses about 15% of the treated wastewater internally. In April 2014, Marin Municipal Water District (MMWD) and CMSA entered into an agreement to have a consultant conduct a study to identify the potential users for CMSA's recycled water and how to deliver the water to each user. The consultant's recommended project is to provide recycled water to San Quentin State Prison for inmate cell toilet flushing, landscape irrigation, boiler make-up water, and use at a car wash.



San Quentin State Prison

## RENEWABLE ENERGY PROGRAMS

### CENTRAL MARIN FATS, OILS, AND GREASE (FOG) PROGRAM

FOG is a renewable resource and is processed in the Agency's digesters to produce additional biogas and energy. In 2013, a combined FOG and food waste receiving facility was constructed at CMSA, and began receiving FOG from private haulers who collect from local restaurants. By mid-2015, up to 15,000 gallons of FOG each weekday was being received.

### CENTRAL MARIN FOOD-TO-ENERGY (F2E) PROGRAM

In 2008, the Agency and the local waste hauler, Marin Sanitary Service (MSS), began working on the Central Marin County Food-to-Energy (F2E) program. F2E is a renewable resource recovery program where food waste from restaurants and markets is collected then converted into a fuel to produce electricity to power the Agency's facilities. Attaining self-sufficiency in energy generation would eliminate the need for the Agency to purchase natural gas and electricity from outside sources. Recent highlights include:



Food waste for processing

- CMSA received support by the cities and towns in the MSS and CMSA service areas, as well as by the Marin County Board of Supervisors, regulatory agencies, and environmental groups.

- In spring 2014, CMSA held a F2E dedication event which was attended by many local agencies, members of the public, and local media.
- MSS has enrolled 120 businesses and over the next couple years plans to have more than 250 participants.
- CMSA processed approximately 5.5 tons of food waste per day, and combined with FOG, generated enough additional biogas to power the Agency up to 18 hours per day.

### BAY AREA BIOSOLIDS-TO-ENERGY (B2E) INITIATIVE

The solid material removed in the wastewater treatment process is treated, processed, and conditioned to meet environmental quality requirements. The treated material, called biosolids, is then beneficially reused. CMSA produced 5,882 wet tons in FY 15.

As a member of the Bay Area Biosolids to Energy Coalition (BAB2E), CMSA has joined the effort to explore the feasibility and potential options to convert biosolids into a renewable resource, such as hydrogen gas or bio-diesel fuel. The BAB2E has recently



engaged in local project activities resulting in the development of two local facilities, and conducts ongoing advocacy efforts for the renewable resource value of biosolids.



## STRATEGIC BUSINESS PLAN

The Agency's Strategic Business Plan (SBP) guides staff in all levels of decision-making, and communicates the Agency's organizational priorities to its stakeholders and customers. Key highlights include:

- Construction of a new Sodium Bisulfite delivery system to reduce the amount of chemicals needed to dechlorinate the treated effluent.
- Advancement of the Agency's Recycled Water Feasibility Study, including a market assessment, and conceptual cost estimates for possible alternatives and locations.
- Collaboration with the Bay Area Clean Water Agencies (BACWA) in compliance with the San Francisco Bay Regional Water Board's Nutrient Watershed Permit.
- Creation of a process to standardize capital project decision-making and reporting.
- Completion of an Agency energy audit and formation of an Energy Efficiency/Green House Gas Team.
- Design of a truck filling station, which will enable CMSA to provide recycled water for limited offsite uses by the end of November 2015.
- Pre-design for the Maintenance Building Rehabilitation Project, which will upgrade office space and increase equipment and supply storage.
- Finalization of a policy addressing employee workspace assessments to enhance productivity.
- Research for the process of conducting organizational culture surveys, such as work performed, associated costs, and typical survey timeframes.
- Creation of a new employee performance evaluation program.
- Completion of an inventory of existing IT hardware and software, and development of an Information Systems Master Plan.



## PUBLIC EDUCATION

As the lead agency in administering the county-wide public education program for the six Marin County wastewater agencies, CMSA continues to be innovative in developing public outreach measures to inform the general public of ways to reduce disposal of pollutants into the sanitary sewer and storm drain systems.

### PHARMACEUTICAL TAKE-BACK PROGRAM

For many years, the Agency has provided financial support to the Marin County Pharmaceutical Take-Back Program to reduce pharmaceutical products being discharged into the sanitary sewers. This year, 5,500 pounds of pharmaceutical products were gathered and properly disposed.



*Safe disposal education*

### OUTREACH EVENTS

CMSA participated in many Marin County public education and outreach events including the Marin County Fair, Fairfax Ecofest, Marin Home and Garden Expo (Spring and Fall shows), Annual Tiburon Salmon Release, Marin Italian Street Painting Festival, Novato Business Showcase, Wetlands Days in Mill Valley, and local farmers markets around the county for Earth Day and Pollution Prevention Week.

### SCHOOL PRESENTATIONS AND PERFORMANCES

CMSA staff coordinated school outreach programs that reached over 7,000 elementary school students in Marin County. The program consisted of an interactive and entertaining performance that educates students about what happens to water after it goes down household drains. The show included juggling, comedy, and magic acts to teach the students about wastewater and other sanitation issues, and promoted awareness of our most precious natural resource.



*School wastewater show*

## KEY FINANCIAL INFORMATION

CMSA is a California Special District and is accounted for in a single enterprise fund. A comprehensive set of Board adopted financial policies provides direction to protect the Agency's assets and investments through sound financial management. The source of the information in this PAFR is consistent with generally accepted accounting principles (GAAP). The information contained herein differs from the Agency's audited financial statements only in that the Basic Financial Statements have been summarized. Other details, such as Notes to the Financial Statements and Required Supplementary Information, have been omitted. These details can be found in the FY 2014-15 CAFR available at [www.cmsa.us/finance](http://www.cmsa.us/finance).

### FY 2015 BUDGET PERFORMANCE

The Agency uses the accrual method of accounting in accordance with GAAP to produce its financial statements, while the cash basis is used to develop the annual budget. The Agency's primary revenue source is the sewer service charge. This table illustrates how the Agency uses the adopted budget to monitor and compare actual financial performance. GAAP and auditing standards do not require the adopted budget to be included in the audited financial statements.

#### FY 2015 CONDENSED STATEMENT REVENUES & EXPENSES: BUDGET TO AUDITED ACTUALS PERFORMANCE

Revenues (Cash in)*	Adopted Budget	Audited Actuals	Expenditures (Cash out)*	Adopted Budget	Audited Actuals*
Sewer Service Charges	\$ 9,399,740	\$ 9,399,740	Total Operating		
Debt Service	5,815,627	5,815,627	Expenses (net of	\$ 10,129,676	9,928,153
Contract and Other	1,774,209	1,785,573	non-cash depreciation)		
Operating Revenues			Total Non-Operating &		
Non Operating	30,700	872,173	Bond Interest Expenses	2,517,501	2,800,854
Revenues **			<b>Total Expenses</b>	<b>\$ 12,647,177</b>	<b>\$ 12,729,007</b>
Capital Contributions **	—	415,845	<b>Total Debt Service</b>		
<b>Total Revenues- All Sources</b>	<b>\$ 17,020,276</b>	<b>\$ 18,288,958</b>	<b>Principal Paid FY 2015</b>	<b>\$ 2,135,000</b>	<b>***\$ 57,645,000</b>

\* Details available in the FY 2014-15 CAFR Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

\*\* The Agency does not budget for unforeseen or unpredictable non-operating revenue or expense sources.

\*\*\*Details available in the FY 2014-15 CAFR, Note 5-Long-Term Obligations (the Refunding Revenue Bonds 2015 Series was not budgeted in FY 2015).

### AUDIT OF AGENCY'S STATEMENT BY INDEPENDENT AUDITOR

State statute requires an annual audit by independent Certified Public Accountants, which is filed with the State Controller's Office. The Agency's FY 2015 Financial Statements were audited by the Agency's auditor, Chavan & Associates, in accordance with GAAP auditing standards, and the statements met the State Controller's Minimum Audit Requirements for California Special Districts. The Agency's Audited Financial Statements and accompanying Independent Auditor's Report were accepted by the CMSA Board in November, and can be found in the Agency's FY 2015 CAFR, available at [www.cmsa.us/finance](http://www.cmsa.us/finance).

## STATEMENT OF NET POSITION

The Statement of Net Position is a useful indicator of financial position. The largest portion of CMSA's net assets reflects its investment in capital assets (land, buildings, equipment, vehicles), less outstanding related debt used to acquire those assets. The Agency's Total Net Position decreased by \$5,209,319 in FY 2015 as a result of the implementation of GASB 68 and the recording of a \$6 million pension liability, offset by the recording of a 2006 Revenue Bond premium of \$830,000 that was recognized when the Refunding Revenue Bonds Series 2015 were issued.

### CONDENSED STATEMENT OF NET POSITION AS OF JUNE 30, 2015

	FY 2015	FY 2014	PERCENT CHANGE
<b><u>ASSETS</u></b>			
Cash & Equivalents	\$ 15,998,126	\$ 15,252,117	4.9%
Current and Non-Current Assets	641,936	1,226,171	-47.6%
Restricted Cash (Revenue Bond Proceeds)	4,048,123	5,179,083	-21.8%
Capital Assets	88,362,689	89,609,071	-1.4%
<b>TOTAL ASSETS</b>	<b>\$ 109,050,874</b>	<b>\$ 111,266,442</b>	<b>-2.0%</b>
<b><u>LIABILITIES</u></b>			
Current Liabilities	\$ 1,478,141	\$ 1,553,084	-4.8%
Current Portion Long-Term Obligations	2,538,833	2,698,595	-5.9%
Non-Current Obligations Net of Current Portion	58,370,954	56,235,100	3.8%
<b>TOTAL LIABILITIES</b>	<b>\$ 62,387,928</b>	<b>\$ 60,486,779</b>	<b>3.1%</b>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	\$ 38,085,361	\$ 36,352,645	4.8%
Unrestricted	7,259,794	14,201,829	-48.9%
<b>TOTAL NET POSITION</b>	<b>\$ 45,345,155</b>	<b>\$ 50,554,474</b>	<b>-10.3%</b>

### DEFINITIONS

**CAPITAL ASSETS:** Includes Agency land, treatment plant, facilities, buildings, and equipment net of depreciation.

**CASH & EQUIVALENTS, CURRENT AND NON-CURRENT ASSETS:** Assets converted to cash or consumed within one year: cash, investments, receivables, prepaid expenses.

**CURRENT LIABILITIES, CURRENT PORTION LONG-TERM OBLIGATIONS:** Payment due on obligations owed by CMSA within the next 12 months.

**NET INVESTMENT IN CAPITAL ASSETS:** Amounts invested in capital assets less accumulated depreciation

and any outstanding debt used to acquire the assets.

**NON-CURRENT LIABILITIES:** Payment obligations owed more than 12 months in the future.

**RESTRICTED CASH:** Cash and investments set aside for specific, contractual purposes.

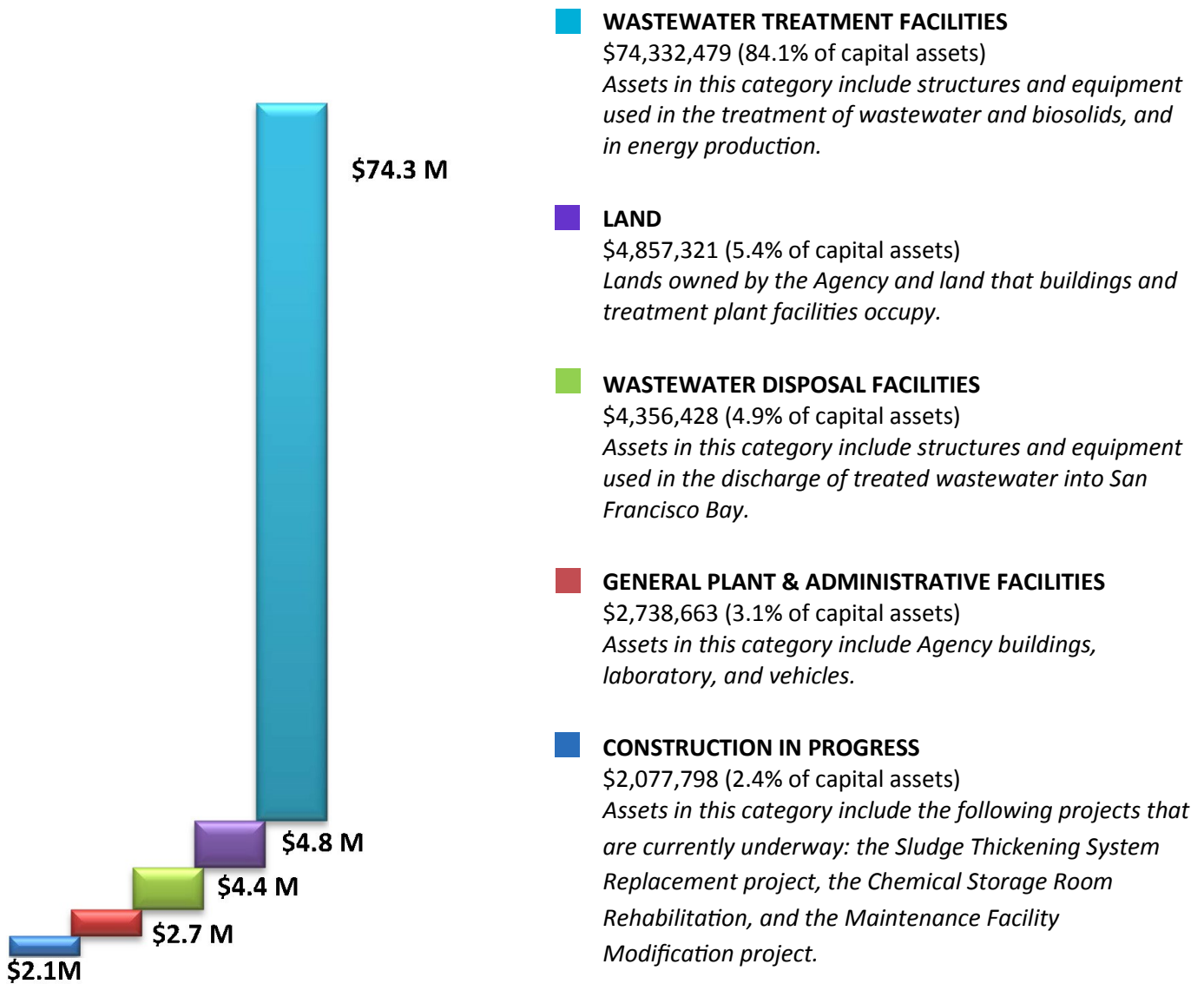
**TOTAL NET POSITION:** Equity associated with general government assets and liabilities.

**UNRESTRICTED (NET POSITION):** Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources not included in the determination of net investment in capital assets or the restricted component of net position.

# CAPITAL ASSETS

As of June 30, 2015, CMSA’s total capital assets, net of depreciation (a non-cash expense that reduces the value of capital assets), totaled \$88,362,689. This amount is broken down into asset categories shown in the bar chart below. Additions to capitalized assets totaled \$2,244,858 and are reported on the Condensed Statement of Net Position and in Note 4 in the FY 2014-15 CAFR financial statements section. The Agency also expensed an additional \$595,731 related to maintenance on capital equipment which is included on the Condensed Statement of Revenues and Expenses and Changes in Net Position.

## CAPITAL ASSETS AS OF JUNE 30, 2015 (Net of Depreciation)



Detailed budget and project information on the Agency’s FY 2015 Capital Improvement Program can be found in the Agency’s Adopted Budget at [www.cmsa.us/finance](http://www.cmsa.us/finance).

# MAJOR CAPITAL AND ASSET MANAGEMENT PROJECTS

## SLUDGE THICKENING SYSTEM REPLACEMENT PROJECT



*New RDT's being installed.*

This project's scope of work includes the replacement of two existing dissolved air floatation (DAF) thickeners with two rotary drum thickeners (RDT) that have a significantly smaller footprint than the

DAFs, allowing them to be installed in the same location as the DAFs. They are also fully enclosed for more effective odor control, and require less energy to operate. On site construction activities began in May 2015, the first RDT was started in late September, and the project is scheduled to be completed in January 2016.

## ELECTRICAL DISTRIBUTION SYSTEM REHABILITATION

A consulting firm was hired to reconcile previous electrical arc flash studies, perform a condition assessment of the main plant switchgear, and provide a comprehensive classification of the plant areas as they relate to the National Fire Protection Association's standards for fire protection in wastewater treatment plants (NFPA 820). The project's findings will form part of the electrical design criteria foundation for all future Agency facility improvement projects. The project began in July of 2014 and was completed in July 2015.

## MAINTENANCE FACILITY MODIFICATIONS

In November 2014, the Agency hired FME Architecture to perform professional services for the Agency's multi-year Maintenance Facility Modifications Project. The



*Existing maintenance building to be modified.*

architect conducted a needs assessment of the office, storage, and inventory needs, and then prepared conceptual plans and cost estimates. The selected

alternative includes construction of a new storage building and modifications to the existing maintenance building. The final construction contract documents are scheduled to be completed in December 2015.

## CHEMICAL STORAGE ROOM REHABILITATION

The existing epoxy coating and concrete floor in the hypochlorite chemical storage room had significant chloride damage, which degraded the structural integrity of the concrete and rebar. The project is to restore the storage



*Existing hypochlorite storage room floor and storage tanks.*

room included the removal and replacement of the contaminated concrete, replacement of the chemical piping systems, and application of a new, non-skid epoxy coating on the floor. Construction activities are scheduled to be completed in November 2015.

## ODOR CONTROL SYSTEM IMPROVEMENTS

This project's original scope was to rehabilitate or replace the treatment plant's three odor scrubbing units with a technology that was appropriate for each area. A consulting firm was hired in November 2014 and a draft report was presented in March 2015. Based on its findings, the preferred alternative had a conceptual construction cost of \$4.3 million, approximately \$3 million greater than the budget allocation in the 10-year Capital Improvement Program. Given the construction cost, the air sampling results, and the fact that the Agency receives very few odor complaints, the original project scope was reconsidered. The consultant's scope and fee was amended to conduct additional air sampling in the summer, update the draft report with the new summer sampling results, remove the task to prepare contract documents to replace the existing scrubbers, and add the design of ventilation modifications to improve the air quality in the solids handling building while biosolids trucks are being loaded.

# STATEMENT OF REVENUE & EXPENSES AND CHANGES IN NET POSITION

This statement summarizes CMSA's operating and non-operating revenues and expenses. CMSA's main sources of revenue are the sewer service charges received from JPA members and contract revenues from providing wastewater services to San Quentin State Prison. Service charges pay for operating expenses, capital improvements, and debt service. Operating revenues grew due to scheduled increases for service charges and contract revenues. Non-operating revenues increased as a result of recording a 2006 Revenue Bond premium that was recognized when the Refunding Revenue Bonds Series 2015 were issued. Operating benefit expenses decreased due to the implementation of GASB 68 and employees' contributions to their retirement benefits. Non-operating expenses increased due to the cost of refunding the Series 2006 Revenue Bonds.

## CONDENSED STATEMENT OF REVENUES, EXPENSES, & NET POSITION AS OF JUNE 30, 2015

	FY 2013	FY 2014	FY 2015	2015 year-over-year PERCENT CHANGE
<b>REVENUES</b>				
Operating Revenues	\$ 15,610,414	\$ 16,333,444	\$ 17,000,940	4.1%
Non-Operating Revenues	149,629	88,240	872,173	888.4%
<b>TOTAL REVENUES</b>	<b>\$ 15,760,043</b>	<b>\$ 16,421,684</b>	<b>\$ 17,873,113</b>	<b>8.8%</b>
<b>EXPENSES</b>				
Operating Expenses	\$ 13,582,756	\$ 15,847,769	\$ 13,419,393	-15.3%
Non-Operating Expenses	2,709,871	2,538,242	2,800,854	10.3%
<b>TOTAL EXPENSES</b>	<b>\$ 16,292,627</b>	<b>\$ 18,386,011</b>	<b>\$ 16,220,247</b>	<b>-11.8%</b>
Net Income (Loss) before Capital Contributions	(532,584)	(1,964,327)	1,652,866	184.1%
Capital Contributions—Capacity Charges	970,596	588,251	415,845	-29.3%
<b>CHANGE IN NET POSITION</b>	<b>\$ 438,012</b>	<b>\$ (1,376,076)</b>	<b>\$ 2,068,711</b>	<b>250.3%</b>
<b>BEGINNING NET POSITION - (July 1)</b>	<b>\$ 51,666,918</b>	<b>\$ 51,930,550</b>	<b>\$ 50,554,474</b>	<b>-2.6%</b>
Prior Period Adjustment	(174,380)	-	(7,278,030)	-100.0%
<b>ENDING NET POSITION - (June 30)</b>	<b>\$ 51,930,550</b>	<b>\$ 50,554,474</b>	<b>\$ 45,345,155</b>	<b>-10.3%</b>

## DEFINITIONS

**CAPITAL CONTRIBUTIONS-CAPACITY CHARGES:** A treatment plant capacity fee paid by each new sewer user connecting to a public sewer served by CMSA. Capital contributions must fund capital and expansion projects.

**CHANGE IN NET POSITION:** The total of net income (loss) plus capital contributions-capacity charges.

**ENDING NET POSITION:** The sum of net position at the beginning of the fiscal year, plus the change in net position, plus prior period adjustments equals the net position at the end of the fiscal year, and is an indication of the Agency's financial position.

**NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS:** The difference between total revenue less total expenses.

**NON-OPERATING REVENUES & EXPENSES:** Revenues and expenses that are incidental to CMSA's main purpose and derived from activities not related to wastewater operations, e.g. interest earnings and costs of borrowing.

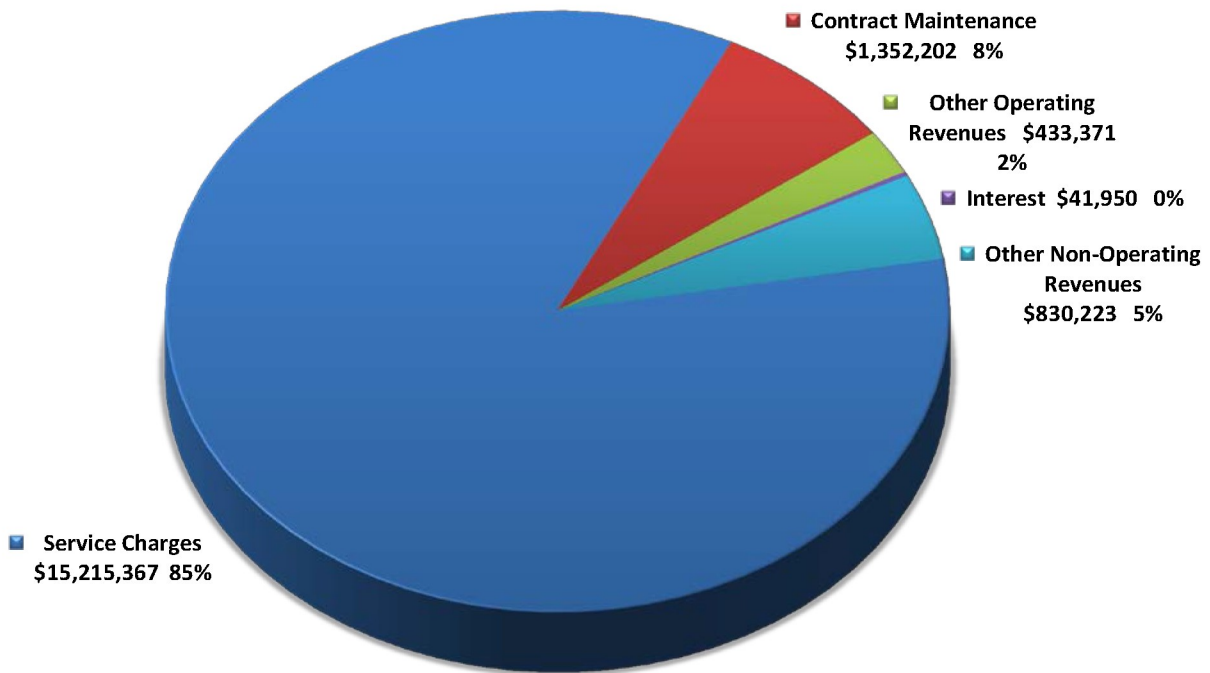
**OPERATING EXPENSES:** Expenses incurred for the provision of wastewater services.

**OPERATING REVENUE:** Revenues received for services, inspections, and program services provided by CMSA.

**PRIOR PERIOD ADJUSTMENT:** Reclassification of FY 2006-2012 debt issuance costs incurred with the implementation of GASB 65 in FY 2013.

## WHERE THE MONEY COMES FROM (REVENUE)

CMSA's total revenues for FY 2015 were \$18,288,958. Operating and non-operating revenues totaled \$17,000,940, and included \$5,815,627 collected for debt service\*. Non-operating revenues totaled \$872,173. There was an additional \$415,845 in capital contributions presented on the Condensed Statement of Revenues, Expenses, and Changes in Net Position.



- Debt service is a fee collected for the repayment of revenue bond principal, interest, and debt coverage. In FY 2015 the Agency paid \$2,135,000 in principal and incurred \$2,108,649 in interest expense. The 2006 Revenue Bonds were retired through the issuance of the Refunding Revenue Bonds Series 2015.

### DEFINITIONS

**CONTRACT MAINTENANCE:** Revenues received from other sanitary agencies or government entities for wastewater treatment and pump station services.

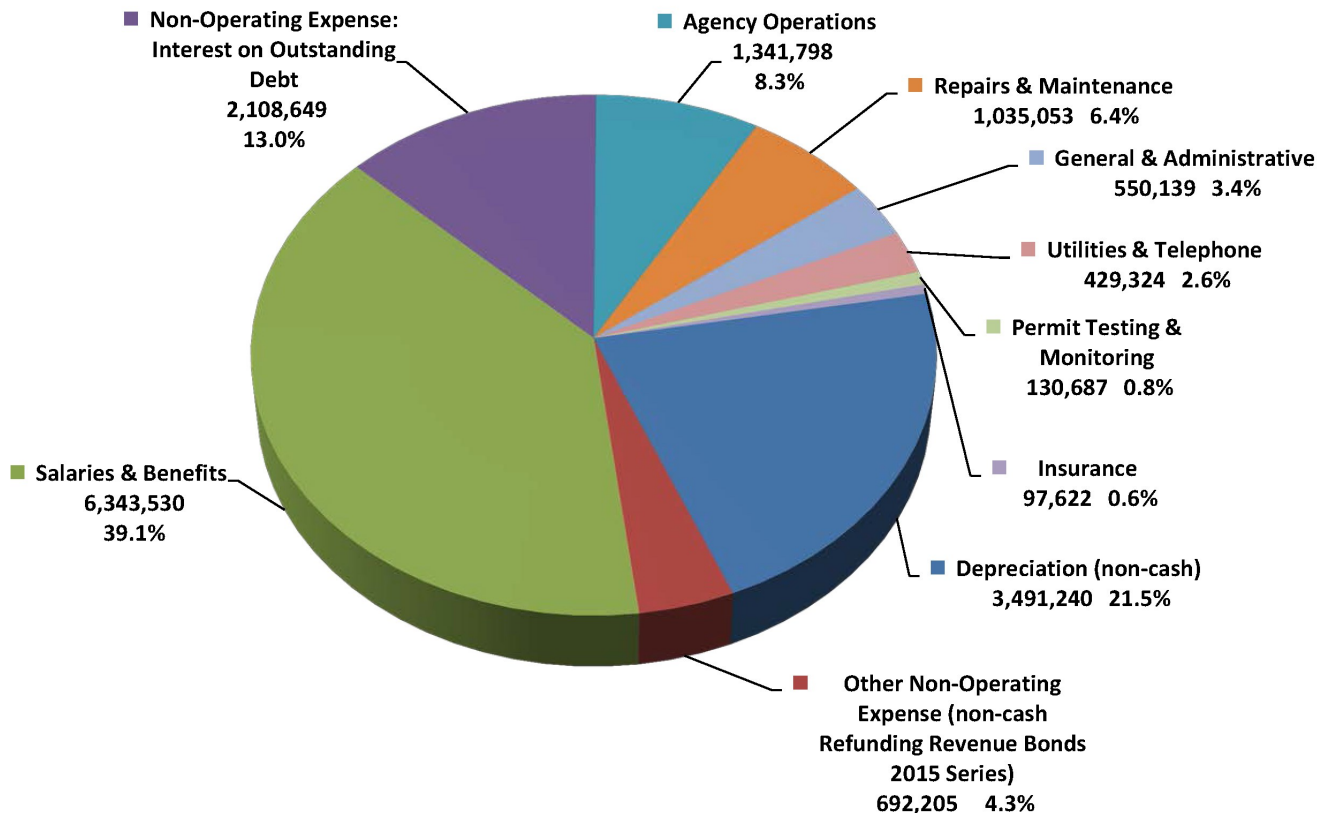
**INTEREST & OTHER NON-OPERATING:** Interest revenue earned on cash and investment accounts and other sources of income, such as dividend payments, that are not derived from day-to-day operations.

**OTHER OPERATING:** Revenues received and fees charged for permit and inspections, administration of programs for other government entities, and facility use charges for septic and foodwaste disposal.

**SERVICE CHARGES:** A fee charged to JPA members and SQSP for wastewater treatment service and their share of the 2006 Series Revenue Bond debt service payment.

## WHERE THE MONEY GOES (EXPENSES)

CMSA FY 2015 operating expenses totaled \$13,419,393 and non-operating expenses totaled \$2,800,854. CMSA incurred \$9,928,153 in actual operational expenses, and recorded \$3,491,240 in depreciation, a non-cash expense. Excluded from this chart are expenditures for capital and asset management projects which have been capitalized and shown as capital assets on the Statement of Net Position and in the Capital Assets section of this report.



### DEFINITIONS

**DEPRECIATION:** A current year non-cash expense that reduces the value of an asset as a result of wear and tear, age, or obsolescence.

**GENERAL & ADMINISTRATIVE:** Expenses include professional services, office related supplies, permits and memberships in local, state, and federal industry organizations.

**INSURANCE:** Premiums are for general liability, property, auto, workers' compensation, and employee/commissioner bonds.

**INTEREST EXPENSE:** The interest payments due for borrowing money for the Series 2006 Revenue Bond.

**PERMIT & MONITORING TESTING:** Laboratory fees related to wastewater sampling and monitoring

services, other regulatory compliance fees, and laboratory supplies.

**PLANT OPERATIONS:** Expenses include purchases for chemicals used in treatment, fuel, and biosolids hauling and disposal fees.

**REPAIRS & MAINTENANCE:** Includes facility expenses to maintain vehicles, equipment, engine generators, tools, supplies, and groundskeeping.

**SALARIES & BENEFITS:** Compensation, retirement and health benefits paid to, and on behalf of, employees and retirees.

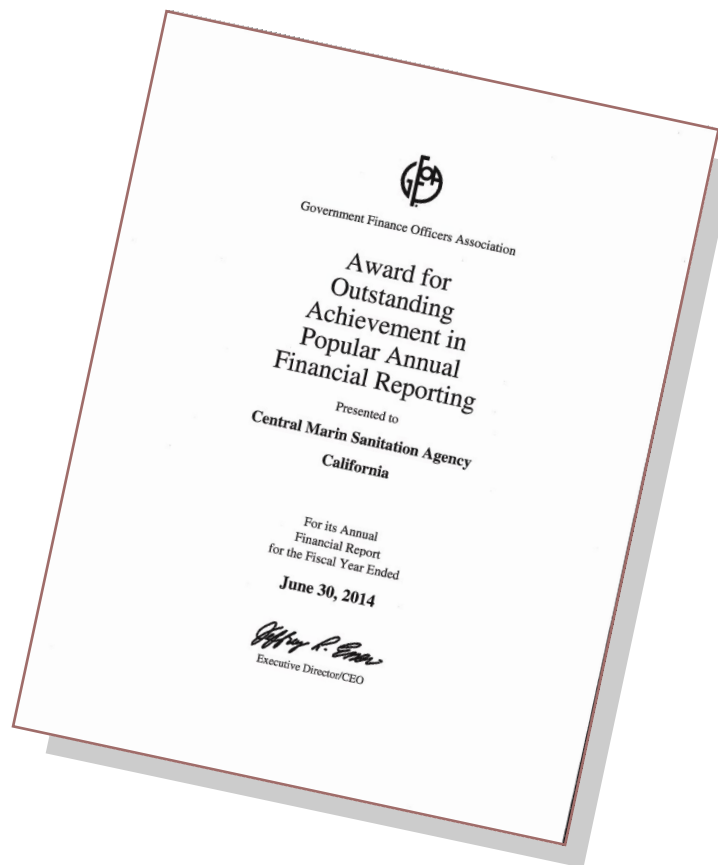
**UTILITIES & TELEPHONE:** Expenses include electricity, natural gas, garbage, water, telephone, and internet.



# GFOA 2014 AWARD FOR OUTSTANDING ACHIEVEMENT

The Government Finance Officers Association (GFOA) of the United States and Canada has given an Award for Outstanding Achievement in Popular Annual Reporting to Central Marin Sanitation Agency, California for its Popular Annual Financial Report for the fiscal year ended June 30, 2014.

The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. The Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for one year. The published report must conform to the program standards of creativity, presentation, understandability, and reader appeal.



## AGENCY ANNUAL REPORTS LISTED BELOW CAN BE FOUND AT [WWW.CMSA.US](http://www.cmsa.us)

- ◆ ***FY 2015 and FY 2016 Adopted Budgets***
- ◆ ***FY 2015 Comprehensive Annual Financial Report with Audited Financial Statements***
- ◆ ***FY 2015 Green Business Report***  
*Annual report summarizing recycling, disposal, product reuse, energy efficiency and other green business activities*
- ◆ ***FY 2015-16 Strategic Business Plan Annual Report***  
*Annual report summarizing the various implementation activities*

# OUR VISION

Central Marin Sanitation Agency will be an industry leader in providing efficient wastewater treatment and disposal services in a manner that is fully compliant with regulations and is economically and environmentally sustainable over the long term.



**CENTRAL MARIN SANITATION AGENCY**

[WWW.CMSA.US](http://WWW.CMSA.US)