Central Marin Sanitation Agency

COMMISSION REGULAR MEETING AGENDA
Tuesday, November 13, 2018
at the Agency Office
7:00 p.m.

Members of the public may directly address the Board on any item appearing on the Agenda.
They may address the Board when the item is called by the Board Chair
and he/she indicates it is the time for the public to speak to the agenda item.
Audio and video recordings will be made of this meeting and will be posted to the Agency website.

1. **7:00 p.m.: Call Meeting to Order/Pledge of Allegiance**

2. **Roll Call**

3. **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 Board of Commissioners' agenda. The Board will not discuss or take action during open time.

4. **Consent Calendar**
   Matters listed under this item are considered routine and will be enacted by one motion. The consent calendar may include resolutions; therefore, the motion, second, and vote will also be applicable to the resolution and recorded accordingly. There will be no separate discussion of these items unless requested by a member of the Board or the public prior to the time the Board votes on the motion to adopt.

   a) Minutes—Regular Board Meeting—October 9, 2018
   b) Treasurer's Report—Operating Account—October 2018
   c) Schedule of Investments and its Capital Reserve Summary—October 2018
   d) NPDES, Process, and Maintenance Report—October 2018
   e) Performance Metric Report—October 2018
   f) Capacity Charge Schedule for Fiscal Year 2017-18
   g) Fiscal Year 2018-19 First Quarter Budget Status Report
   h) FY 2019 Asset Management Program – 1st Quarter Report
   i) Maintenance Department Reorganization
   j) Sole Source Authorization to Specify Motorized Actuators for Use in the Primary Gates Rehabilitation Project

OVER

5. **<u>Proposed Revisions to the Agency's Sewer Use Ordinance – First Reading</u>**
   Recommendation: Review the proposed revisions to the Agency's Sewer Use Ordinance, and set the public hearing for the Ordinance at the December Board meeting.

6. **<u>Fiscal Year 2017-18 Audited Financial Statements</u>**
   Recommendation: Accept the Agency's FY 18 audited financial statements, and provide comments or direction to the General Manager, as appropriate.

7. **<u>Revised CMSA Financial Policies Manual</u>**
   Recommendations: Adopt the revised CMSA Financial Policies Manual, and provide direction to the General Manager as appropriate.

8. **<u>Reschedule the December 2018 and March 2019 Board Meetings</u>**
   Recommendation: Consider rescheduling the December 2018 and March 2019 Board meetings.

9. **<u>Larkspur Membership in the CMSA Joint Powers Agreement</u>**
   Recommendation: Informational, provide direction to staff as appropriate.

10. **<u>North Bay Watershed Association (NBWA) Report</u>***

11. **<u>Oral Reports by Commissioners/General Manager</u>***

12. **<u>Next Scheduled Meeting</u>**
    Tuesday, December 11, 2018 at 7:00 p.m. at the Agency office, unless rescheduled under item #8 above.

*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

COMMISSION REGULAR MEETING MINUTES
Tuesday, October 9, 2018
at the Agency Office

Note: The minutes are an official record of the Board meeting.
There are also official audio and video recordings available on the Agency's website at www.cmsa.us.
The time stamps on these minutes refer to the items' start times on the video recording of the meeting.
Please contact CMSA at 415-459-1455 for information about receiving a copy of these records.

1. Call Meeting to Order/Pledge of Allegiance

Chair Furst called the meeting to order at 7:03 p.m. A quorum was present.

2. Roll Call **00:00:35**

Present:	Chair Diane Furst; Vice-Chair Michael Boorstein; Secretary Dean DiGiovanni; Commissioner Maribeth Bushey; and Alternate Commissioner Tom Gaffney
Absent:	Commissioners Dan Hillmer and Doug Kelly
Staff present:	Jason Dow, General Manager; Ken Spray, Administrative Services Manager; Kate Brouillet, Recording Secretary
Public present:	Felicia Newhouse, Ross Valley Sanitary District; Matthew Pera, Marin Independent Journal

3. Open Time for Public Participation **00:00:58**

There were no comments from the public.

Chair Furst suggested moving item #9, Debt Issuance Planning, ahead of the Consent Calendar, as the Administrative Services Manager was in attendance and could respond to Board questions.

Comments from the Public:
There were no comments from the public.

ACTION: Commissioner Bushey moved to consider item #9, Debt Issuance Planning, next on the agenda; second, Commissioner Boorstein.

VOTE: The vote was passed unanimously.

9. Debt Issuance Planning **00:01:50**

GM Dow reviewed the tentative schedule and the projects planned for the debt issuance that were incorporated into the Agency's revenue program. He stated that he and Ken Spray, Administrative Services Manager, met with Sarah Hollenbeck, the Agency's financial advisor with PFM, who provided a market rate update and explained that tax-exempt municipal interest rates are projected to increase over the next year. GM Dow said that in subsequent discussions with Ms. Hollenbeck and the Agency's bond counsel, Sean Tierney with Hawkins Delafield Wood, staff believes the Board may want to consider beginning the Agency's next debt issuance process in the near future to take advantage of the lower projected interest rates.

The Board discussed the debt issuance schedule and Agency projects planned for the two debt issuances, timing for the availability of the funds, legal requirements for expenditure of the funds, interest rate projections, and debt service payment requirements.

The Board asked a few questions. GM Dow and Mr. Spray responded to the Board's questions.

The Board agreed to direct its Standing Finance Committee to prepare a debt issuance plan and recommendation for the full Board.

The Board thanked Mr. Spray, and he left the meeting.

Comments from the Public:
There were no comments from the public.

DIRECTION: The Board Standing Finance Committee to review the item and return recommendations to the full Board by January, 2019.

4. Consent Calendar **00:13:27**

a) Minutes—Special Board Meeting—August 21, 2018
b) Treasurer's Report—Operating Account—August 2018
c) Treasurer's Report—Operating Account—September 2018
d) Schedule of Investments—August 2018
e) Schedule of Investments and its Capital Reserve Summary—September 2018
f) NPDES, Process, and Maintenance Report—August 2018
g) NPDES, Process, and Maintenance Report—September 2018
h) Performance Metric Report—August and September 2018
i) General Manager Employment Agreement Amendment #1
j) Lead Mechanical Technician Job Description
k) Asset Management Program Evaluation Project–Consultant Selection

Chair Furst stated that there were two Consent Calendar items to pull for discussion, items #4a and #4e.

GM Dow asked to review item #4e, Schedule of Investments and its Capital Reserve Summary. He reviewed the new Capital Reserve Summary report and stated that it will be included the Consent Calendar going forward.

Chair Furst referred to page 3 of item #4a, the August Minutes: On item #6, Board Compensation Policy, GAFFNEY should be deleted from the vote and replaced with KELLY.

Commissioner Gaffney asked to remove item #4a, the August Minutes, as he will abstain from voting.

Comments from the Public:
There were no comments from the public.

ACTION:	Commissioner Bushey moved to approve Consent Calendar item #4a with the above referenced correction; second, Commissioner DiGiovanni.
Ayes:	BOORSTEIN, BUSHEY, DIGIOVANNI, FURST
Nos:	NONE
Abstentions:	GAFFNEY

ACTION:	Commissioner Gaffney moved to approve Consent Calendar items 4b through 4k; second, Commissioner Boorstein.
VOTE:	The vote was passed unanimously.

5. Public Hearing for the Proposed Compensation Ordinance 2018-1, Entitled "An Ordinance of the Central Marin Sanitation Agency Board of Commissioners Adjusting Commissioner Compensation" **00:17:05**

Chair Furst opened the public hearing, and said that the Board recently received a letter from a member of the public regarding this item. She read the contents of the letter. She stated that the Board discussed this item at its last meeting, and that the stipend amount that was determined is the same as Novato Sanitary District and puts the compensation level at approximately the middle of comparable districts.

The Board briefly discussed the item.

GM Dow said a summary of the Ordinance was advertised in the Marin Independent Journal on October 3-5.

Comments from the Public:
There were no comments from the public.

Chair Furst closed the public hearing and asked for a motion.

ACTION: Commissioner Gaffney moved to adopt the proposed Compensation Ordinance 2018-1; second, Commissioner DiGiovanni.

VOTE: The vote was passed unanimously.

6. Revised Board Policy #2 – Compensation for Agency Officials 00:26:35

GM Dow referred to the staff memo and reviewed the changes that have been proposed for Board Policy #2, Compensation for Agency Officials.

The Board discussed the appropriate number of meetings per month and types of meetings that would be eligible for the stipend, and the number of times that the Board policy has been updated.

GM Dow answered the Board's questions.

The Board concurred that the maximum number of meetings in a calendar month that are eligible for a stipend should be changed from six to four in the policy item #4. The Board concurred that there should be an additional item #5 that states that this Board policy should be reviewed biannually.

Comments from the Public:
There were no comments from the public.

ACTION: Commissioner Bushey moved to approve the revised Board Policy #2 – Compensation for Agency Officials, with the above referenced two changes; second, Commissioner DiGiovanni.

VOTE: The vote was passed unanimously.

7. Cogeneration System Maintenance Project Agreement 00:34:28

GM Dow referred to the staff memo and reviewed the project scope and budget. He stated that the Agency's cogeneration engine is scheduled for major preventative maintenance work this fiscal year, and that Peterson Power Systems submitted the lowest cost proposal of $81,361. He stated that staff confirmed they meet the qualifications in the project specifications, and if the Agreement is approved, this work will be completed within 90 days of the Agency executing the agreement.

The Board asked various questions regarding the project. GM Dow answered the Board's questions.

Comments from the Public:
There were no comments from the public.

ACTION: Commissioner Boorstein moved to approve the 2018 Cogeneration System Maintenance Project Agreement with Peterson Power Systems, and authorize the General Manager to sign it; second, Commissioner DiGiovanni.

VOTE: The vote was passed unanimously.

8. Cogeneration System Predesign Evaluation Agreement **00:40:41**

GM Dow said that staff has worked with Carollo Engineers to prepare a scope of work, budget estimate, and project schedule for a Cogeneration System Predesign Evaluation (Project). He stated that the Project is comprised of activities from three separate Agency projects—uninitiated tasks from the Agency's Renewable Energy Expansion Program, a cogeneration system technology assessment from the FY 19 Capital Improvement Program (CIP), and predesign level work on a selected cogeneration system that was planned for next fiscal year. GM Dow said that funding for the original project's activities was from various sources, and now most of the funding will be from the Agency's Clean Water State Revolving Fund (CWSRF) Agreement. He stated that if the staff recommendation is approved, Carollo will begin the Project work in mid-October and complete it during the spring of 2019 to align with task completion dates in the CWSRF Agreement.

The Board asked various questions regarding the scope of the project, timeline, timing of the CWSRF loan grant reimbursements, consultant selection process, status of the PG&E interconnection agreement, potential sale of the Agency's excess energy, and future Board updates on the project.

GM Dow answered the Board's questions, and said staff will plan to prepare a presentation on the technology assessment findings at an upcoming Board meeting.

Comments from the Public:
There were no comments from the public.

ACTION: Commissioner Boorstein moved to approve the Professional Services Agreement with Carollo Engineers for the Cogeneration System Predesign Evaluation, and authorize the General Manager to sign the Agreement; second, Commissioner Gaffney.

VOTE: The vote was passed unanimously.

10. North Bay Watershed Association (NBWA) Report **00:58:50**

Commissioner Boorstein stated that he attended the October 5th NBWA Board Meeting, and they had a lengthy discussion on the development of their strategic plan. He stated that at their next meeting, they will present their findings and recommendations.

11. Oral Reports by Commissioners/General Manager **01:03:33**

GM Dow reviewed his handout and reported:

- Peter Kistenmacher started work on 9/24 as Technical Services Manager.
- Electrical/Instrumentation Technician, Rafael Panga, has resigned and taken another position. Koff & Associates has started a recruitment.

- CMSA has started a recruitment for an Environmental Services Analyst to fill a vacant position.
- San Rafael Sanitation District is advertising for an alternate CMSA commissioner to fill the position vacated by Al Boro.
- AB 1912 (Rodriquez) has been signed by the Governor and mandates that a JPA that decides to terminate or dissolve must agree on how the JPA's pension obligations will be allocated between the members.

Chair Furst adjourned the regular meeting at 8:12 p.m.

The Recording Secretary left the meeting.

12. Closed Session was convened at 8:13 p.m. **01:06:50**
PUBLIC EMPLOYEE PERFORMANCE EVALUATION
California Government Code Section 54957
Title: General Manager

13. Open Session was reconvened at 8:27 p.m.
Chair Furst reported that no action was taken in Closed Session, and direction was given to staff.

14. Open Period for Public Participation
There was no public present.

15. Next Scheduled Meeting
Tuesday, November 13, 2018 at 7:00 p.m. at the Agency office.

Chair Furst adjourned the Closed Session at 8:30 p.m.

Respectfully submitted,

Kate Brouillet, Recording Secretary	Dean DiGiovanni, Secretary

Central Marin Sanitation Agency
Treasurer's Report - Operating Account
For the Month of October 2018

I. Accounts Summary: Bank & Investment Accounts

Summary of Bank & Money Market Accounts		
Westamerica Bank - Account Activity shown below	$	289,082.66
Local Agency Investment Fund (LAIF) - Refer to Schedule of Investments		16,092,968.91
California Asset Management Program (CAMP) - Refer to Schedule of Investments		368,107.26
Total Bank & Investment Accounts: Ending Balance on October 31, 2018	$	16,750,158.83

II. Account Activity for Westamerica Bank

Beginning Balance on October 1, 2018	$	384,306.58
Cash Receipts (Deposits into Westamerica):		
Transfers from LAIF		200,000.00
JPA Service Charges (FY19 Q2: RVSD, SRSD)		1,415,198.18
Capacity Charges: SRSD - FY19: 127 Fixture Units		47,091.60
Permit and Inspection Fees		1,119.44
Revenue from Haulers & RVs		18,966.99
Revenue from Organic Waste Programs		16,328.68
Health & Safety Program Revenue (NSD: FY19 2Q Salary/Benefits)		10,332.48
SD 2 Operations & Maintenance Contract (FY19: August)		28,144.51
SQSP Wastewater Services Contract (FY19: August & September)		169,361.34
SQ Village Operations & Maintenance Contract (FY19: August)		1,218.10
Misc Revenue: Clean Water State Revolving Fund Disbursement #2		167,662.00
COBRA Health Benefit Payments from separated employees/retirees		89.44
Miscelleneous Reimbursements: New York Life Insurance		77.37
Total Cash Receipts	$	2,075,590.13
Cash Disbursements (Withdrawals from WestAmerica):		
October 2018 Operating account disbursements register (see attached)	$	802,813.81
Regular Payroll paid 10/12/18		134,546.04
Regular Payroll paid 10/26/18		137,577.77
Transfers to EFTPS Federal Payroll Taxes (10/03, 10/10, 10/17, 10/31)		91,650.03
Final Separation Pay (1)		4,146.66
Transfers to LAIF (FY19 Q2: JPA Payments)		1,000,000.00
Bank Fee		79.74
Total Cash Disbursements	$	2,170,814.05
Ending Balance on October 31, 2018	$	289,082.66

Prepared by:
Kenneth Spray, Administrative Services Manager

Reviewed by:
Jason Dow, General Manager

Central Marin Sanitation Agency
Operating Account Disbursements Register
For the Month of October 2018

Check Number	Date	Vendor/Payee	Amount	Description
17475				Last check # from prior month's register
17476	10/05/18	Phillip Frye	212.97	Reimbursement for retiree health benefits by check
17477	10/05/18	James L. Johnson	183.34	Reimbursement for retiree health benefits by check
17478	10/05/18	Byron Jones	237.34	Reimbursement for retiree health benefits by check
17479	10/08/18	Airgas USA, LLC	217.12	Oxygen for monthly bioassay
17480	10/08/18	Allied Electronics Inc	171.98	Electrical terminals
17481	10/08/18	Bay Area Coating Consultants	6,199.62	Prof Svcs: Coating Inspection Services, first and final invoice
17482	10/08/18	Brandon Tire	540.08	Agency vehicle tires and auto parts (3 invoices)
17483	10/08/18	Caltest Analytical Laboratory	3,107.13	Lab analyses; July and August 2018
17484	10/08/18	City Electric Supply	46.30	Wire markers
17485	10/08/18	ChemStation of Northern Cal.	3,116.20	Odor control chemicals
17486	10/08/18	Cole-Parmer	415.93	Final effuent sample vault strip chart recorder
17487	10/08/18	Fisher Scientific	230.18	Sulfuric acid and sodium hydroxide
17488	10/08/18	Flyers Energy LLC	2,878.41	Oil for cogeneration engine
17489	10/08/18	Michael Gardea	500.20	Employee expenses eligible for Agency dental reimbursement
17490	10/08/18	Grainger	1,901.60	Wharf hydrant; impact driver; electrical and safety supplies (10 invoices)
17491	10/08/18	Hach Company	1,547.63	Peroxide station pressure relief valve kit; hazardous waste recycling kit; chemical solutions (5 invoices)
17492	10/08/18	Hagel Supply Co.	356.36	Utility paper products and supplies, August 2018
17493	10/08/18	Harrington Industrial Plastics	350.22	Strainer filter basket
17494	10/08/18	Horizon Dist. Inc	127.45	Irrigation parts and supplies (2 invoices)
17495	10/08/18	Hopkins Technical Products Inc	942.34	Pressure relief valve for peroxide station
17496	10/08/18	Peter Kistenmacher	145.88	Employee expense reimb: DMV report fee and mileage to pre-employment physical
17497	10/08/18	Marin Office Supply	515.51	Office supplies, September 2018
17498	10/08/18	Marin Resource Recovery Center	458.00	Yard waste and demo debris disposal (2 invoices)
17499	10/08/18	McMaster-Carr Supply Co.	1,968.22	Brackets; outlet box covers; pressure wash supplies; tubing; misc supplies & equipment (15 invoices)
17500	10/08/18	Metal Service Center	91.08	Safe access gate materials
17501	10/08/18	Navia Benefit Solutions	50.00	Flexible spending account, monthly fee
17502	10/08/18	North Bay Watershed Assoc.	5,560.46	FY 18-19 membership fee
17503	10/08/18	Platt	631.60	Wire and misc. electrical supplies (2 invoices)
17504	10/08/18	R2 Engineering, Inc	47,204.90	Replacement positive displacement pumps (4)
17505	10/08/18	Ryan Herco Flow Solutions	177.78	Filters for lab
17506	10/08/18	Ricoh USA Inc	259.35	Lab copier lease, 09/09-10/08/2018
17507	10/08/18	RMC	161.60	Lab copier lease, 06/17-09/16/2018
17508	10/08/18	Rockwell Solutions	16,387.84	Replacement mixing pump for Organic Waste Receiving Facility
17509	10/08/18	Safety-kleen Systems, Inc	459.20	Antifreeze and hazardous waste disposal (2 invoices)
17510	10/08/18	Seco Controls LLC	3,150.49	Laser level transmitter for digester
17511	10/08/18	State Water Resources Ctrl Brd	150.00	Operator certificate renewal (1 employee)
17512	10/08/18	Synagro West, Inc.	3,753.75	Biosolids land application fee, August 2018
17513	10/08/18	Thomas Fish Company	138.50	Rainbow trout for monthly bioassay
17514	10/08/18	Univar USA Inc	9,195.88	Sodium hypochlorite (1 delivery); Sodium bisulfite (1 delivery)
17515	10/08/18	VWR International	12,990.59	Specialized refrigerator & associated equipment for lab
17516	10/08/18	Water Components & Bldg. Supp.	461.86	Pipes, grout, clamps (5 invoices)
17517	10/08/18	Wells Fargo Vendor	374.13	Maintenance copier lease, 09/13-10/12/2018
17518	10/11/18	Alaniz Construction Inc	60,281.23	Pavement Rehabilitation Project construction, first & final invoice
17519	10/11/18	Allied Fluid Products Corp	1,074.28	Pump for bioassay equipment
17520	10/11/18	A & S Landscape Materials, Inc	617.99	Redwood chip mulch for landscaping

Central Marin Sanitation Agency
Operating Account Disbursements Register
For the Month of October 2018

17521	10/11/18	Aramark Uniform Services	1,210.96	Uniform service, September 2018
17522	10/11/18	ASCO Power Svcs Inc.	5,500.00	SD2 Pump Station Maint: Automatic transfer switch (Note B)
17523	10/11/18	BWS Distributors, Inc.	1,437.13	Safety supplies: Fall protection harnesses
17524	10/11/18	Carollo Engineers, Inc.	1,175.80	Prof Svcs: PG&E Interconnection Design Project, September 2018
17525	10/11/18	Evoqua Water Tech LLC	19,209.70	Calcium nitrate (1 delivery); Hydrogen peroxide (1 delivery)
17526	10/11/18	Alan Fiore	906.56	Replacement for lost check
17527	10/11/18	FLO-LINE Technology Inc.	4,487.89	Ferric chloride metering pump
17528	10/11/18	Frontier Analytical Lab.	900.00	NPDES Permit: PCB testing
17529	10/11/18	Hach Company	816.13	Pump, tubing, and probe
17530	10/11/18	Hagel Supply Co.	419.00	Utility paper products and supplies, September 2018
17531	10/11/18	IEDA, Inc.	809.00	Labor relations consulting, October 2018
17532	10/11/18	Kaman Industrial Technologies	3,836.00	Grit classifier auger
17533	10/11/18	Ken Grady Co., Inc.	457.64	Electrical cables
17534	10/11/18	Lystek International LTD	10,699.65	Biosolids beneficial reuse fee, September 2018
17535	10/11/18	Marin Color Service	116.64	Paint and painting supplies, September 2018
17536	10/11/18	Metal Service Center	491.53	Stainless steel pipe
17537	10/11/18	Novato Sanitary District	6,065.03	Prof Svcs: Joint Health & Safety Program, July to August 2018
17538	10/11/18	P.G.& E.	40,733.74	Electricity service, 08/15-09/13/2018; SFD PS, (2 invoices)
17539	10/11/18	Quenvold's Safety Shoes	4,237.92	Annual Shoemobile: safety shoes for 21 employees
17540	10/11/18	Rafael Lumber	47.79	Paint and brushes
17541	10/11/18	S and S	8,867.44	Biosolids hauling fee, September 2018
17542	10/11/18	SPURR	1,426.01	Natural gas supply, August 2018
17543	10/11/18	State Water Resources Ctrl Brd	300.00	Operator certificate renewal (2 employees)
17544	10/11/18	Woodland Center Auto Supply	321.12	Parts and supplies for Agency vehicles
17545	10/15/18	California Public Employee	3,590.16	Contribution to Retiree Health Benefits Trust Fund, October 2018 (Note C)
17546	10/15/18	California State Disbursement	250.50	EE Garnishment, PPE 10/06/2018 (Note A)
17547	10/15/18	ICMA Retirement Trust-457	3,350.00	Deferred compensation contributions, PPE 10/06/2018 (Note A)
17548	10/15/18	Navia Benefit Solutions	607.68	Flexible spending account, PPE 10/06/2018
17549	10/15/18	SEIU Local 1021	1,007.57	Union dues, PPE 10/06/2018
17550	10/15/18	Graybar	5,975.14	Equipment for FY 19 CIP Lighting Retrofit Project
17551	10/15/18	Jackson's Hardware	97.90	Paint and fasteners, September 2018
17552	10/15/18	Kone Inc	136.70	Elevator maintenance, October 2018
17553	10/15/18	Kevin Lewis	169.00	Employee per diem advance: Nexgen User Conference 2018
17554	10/15/18	Muniquip, Inc.	3,160.65	Headworks pump parts and classifier equipment
17555	10/15/18	Orchard Business/SYNCB	1,090.77	Groundskeeping equipment and misc. supplies
17556	10/15/18	Ricoh USA Inc	1,161.83	Admin copier lease, 09/23-10/22/2018
17557	10/15/18	RM Automation Inc	531.94	Temperature sensors for centrifuges
17558	10/15/18	Top Line Engineers Inc	112,800.00	Prof Svcs: Chemical Storage Facilities Coating project (2 invoices)
17559	10/15/18	Abel Villarreal	169.00	Employee per diem advance: Nexgen User Conference 2018
17560	10/15/18	Western Exterminator Co. Inc.	178.50	Pest control services, September 2018
17561	10/17/18	Allied Electronics Inc	88.16	Electrical crimp connectors
17562	10/17/18	AT&T	411.42	Fax and emergency phone service, 10/07-11/06/2018
17563	10/17/18	AT&T Dataplan	406.55	Wireless service, 09/02-10/01/2018
17564	10/17/18	CAL-CARD	6,620.15	State of California Purchase Card, August-September 2018
17565	10/17/18	Comcast	193.38	Internet service, 10/04-11/03/2018
17566	10/17/18	CWEA TCP	188.00	Membership renewal (1 employee)
17567	10/17/18	Dee Consultants LLC	7,080.00	Prof Svcs: Construction Management Support, September 2018
17568	10/17/18	Jason Dow	125.00	Employee expenses eligible for Agency dental reimbursement
17569	10/17/18	EPIC Compliance Systems, Inc.	1,440.00	Prof Svcs: Underground Storage Tank Inspection
17570	10/17/18	Evoqua Water Tech LLC	19,264.77	Calcium Nitrate (2 deliveries); lab supplies (1 invoice)
17571	10/17/18	Hach Company	711.93	Chemical solutions (3 invoices)
17572	10/17/18	Ken Grady Co., Inc.	364.68	Chlorine membrane

Central Marin Sanitation Agency
Operating Account Disbursements Register
For the Month of October 2018

17573	10/17/18	Koff & Associates, Inc.	3,000.00	Prof Svcs: Environmental Services Analyst recruitment, Phase 2
17574	10/17/18	Marin Sanitary Service	6,523.77	Yard waste, compost, shredding, rag bin services (3 invoices)
17575	10/17/18	Marin Recycling HHWF	190.00	Yard waste disposal
17576	10/17/18	R&S Erection of Santa Rosa Inc	9,250.00	Annex Building roll-up door
17577	10/17/18	Rock Steady Juggling	1,000.00	Pub Ed Program: Outreach at two schools (Note B)
17578	10/17/18	State Water Resources Ctrl Brd	150.00	Operator certificate renewal (1 employee)
17579	10/17/18	Waste Management	5,531.23	Redwood Landfill biosolids reuse fee, September 2018
17580	10/17/18	Wiley Price & Radulovich	1,265.00	Prof Svcs: Employment law services
17581	10/24/18	Allied Fluid Products Corp	1,779.89	Gaskets for piping and valves
17582	10/24/18	Alliant Insurance Services	165.00	Agency vehicle insurance fee
17583	10/24/18	Amazon	1,348.00	Electrical, computer, safety, and office supplies, September 2018
17584	10/24/18	Bay Power Inc	6,209.82	Electrical equipment for the Power Monitoring Project
17585	10/24/18	Katherine Brouillet	83.84	Employee expense reimb: Office/meeting supplies
17586	10/24/18	City Electric Supply	345.72	Data cables and fuses (2 invoices)
17587	10/24/18	FactoryMation	172.28	Electrical supplies
17588	10/24/18	Fastenal Company	568.32	Maintenance vending machine supply replenishment
17589	10/24/18	Fisher Scientific	724.36	Pipets, filters, and buffer solutions (6 invoices)
17590	10/24/18	Galco Industrial Electronics	639.22	Intrinsically safe relay; fuses (2 invoices)
17591	10/24/18	Michael Gardea	217.20	Employee expenses eligible for Agency dental reimbursement
17592	10/24/18	Grainger	537.24	Electrical and lighting equipment (5 invoices)
17593	10/24/18	Harrington Industrial Plastics	386.09	Piping and air filters (2 invoices)
17594	10/24/18	Home Depot Credit Services	899.47	Storage shelf; lighting; misc. electrical supplies, September 2018
17595	10/24/18	J.J. Keller & Associates Inc	995.00	Safety Program software license, 01/01-12/31/2019
17596	10/24/18	McMaster-Carr Supply Co.	2,974.07	Strut channels; pipes, valves and fittings; battery; washdown enclosure (11 invoices)
17597	10/24/18	Meyers, Nave, Riback	880.00	Legal Svcs: Agency NPDES permit renewal
17598	10/24/18	Northern Tool & Equipment	612.91	Load handler and storage equipment
17599	10/24/18	Pace Supply Corp.	36.05	Fuel line repair supplies
17600	10/24/18	Praxair Distribution, Inc.	121.52	Oxygen tank refill
17601	10/24/18	R2 Engineering, Inc	9,078.46	Process tank pump replacement
17602	10/24/18	Calmat Co./Shamrock Materials	184.39	Propane (2 invoices)
17603	10/24/18	TjMacdougald	700.00	Pub Ed Program: Logo development (Note B)
17604	10/24/18	Univar	12,032.21	Sodium hypochlorite (2 deliveries); Sodium bisulfite (1 delivery)
17605	10/29/18	California State Disbursement	250.50	EE Garnishment, PPE 10/30/2018 (Note A)
17606	10/29/18	ICMA Retirement Trust-457	3,350.00	Deferred compensation contributions, PPE 10/30/2018 (Note A)
17607	10/29/18	Navia Benefit Solutions	607.68	Flexible spending account, PPE 10/30/2018
17608	10/29/18	SEIU Local 1021	1,007.57	Union dues, PPE 10/30/2018

Payments by Automatic Clearing House:

10/3/2018	Payments to 25 retirees	7,614.27	Reimbursement for retiree health benefits
10/1/2018	CalPERS Medical ins	65,021.15	Medical insurance, October 2018
10/1/2018	Delta Dental	7,782.03	Dental insurance, October 2018
10/1/2018	Lincoln Life Ins	2,390.54	Life insurance, October 2018
10/1/2018	Vision Service Plan -(CA)	925.87	Vision insurance, October 2018
10/2/2018	CalPERS	35,020.90	Retirement pension contribution: Agency and employees, PPE 09/22/2018 (Note C)
10/16/2018	CalPERS	35,995.04	Retirement pension contribution: Agency and employees, PPE 10/06/2018 (Note C)
10/10/2018	CalPERS	200	Payroll biweekly fee
10/30/2018	CalPERS	35,540.85	Retirement pension contribution: Agency and employees, PPE 10/30/2018 (Note C)
10/2/2018	EDD	11,895.29	State & SDI Taxes, PPE 09/22/2018

Central Marin Sanitation Agency
Operating Account Disbursements Register
For the Month of October 2018

10/15/2018	EDD	12,252.65	State & SDI Taxes, PPE 10/06/2018
10/9/2018	EDD	345.14	State & SDI Taxes, Panga last check
10/30/2018	EDD	12,035.26	State & SDI Taxes, PPE 10/06/2018
10/1/2018	NRS/PEHP-3 and Z	7,645.68	Deferred compensation and MARA contribution, PPE 09/22/2018
10/15/2018	NRS/PEHP-3 and Z	10,729.01	Deferred compensation and MARA contribution, PPE 10/02/2018
10/30/2018	NRS/PEHP-3 and Z	7,816.74	Deferred compensation and MARA contribution, PPE 10/20/2018
10/12/2018	Michael Owen Boorstein	200.00	Stipends for 10/05 NBWA & 10/09/2018 Board meetings
10/12/2018	Maribeth Bushey	100.00	Stipend for 10/09/2018 Board meeting
10/12/2018	Dean DiGiovanni	100.00	Stipend for 10/09/2018 Board meeting
10/12/2018	Tom Gaffney	100.00	Stipend for 10/09/2018 Board meeting
10/12/2018	Diane L. Furst	100.00	Stipend for 10/09/2018 Board meeting
	Grand Total	802,813.81	

Notes:

A: Not an Agency Expense. Expense funded through Payroll deduction.

B: Not an Agency Expense. CMSA will be reimbursed for this expense.

C: CMSA is partially reimbursed for this expense per Employee Labor Agreements.

CENTRAL MARIN SANITATION AGENCY
SCHEDULE OF INVESTMENTS
As of the Month Ended October 31, 2018

Description		Book Value		Market Value (1)	% Port		Projected Year End
I. Pooled Investments with California Asset Management Program (CAMP)							
Money Market Funds (< 1 year in maturity)							
CAMP Cash Reserve Pool: 2.27% at 10/31/18							
b1. Agency Unrestricted Reserve: Operating	$	18,107.26	$	18,107.26			
b2. Agency Unrestricted Reserve: Emergency		250,000.00		250,000.00		$	250,000
b3. Agency Unrestricted Reserve: Insurance		100,000.00		100,000.00		$	100,000
Total with CAMP	**$**	**368,107.26**	**$**	**368,107.26**	**2.2%**		
II. Pooled Investments with Local Agency Investment Fund (LAIF)							
Money Market Funds (< 1 year in maturity)							
Local Agency Investment Fund (LAIF): 2.063% at 09/30/18							
a1. Operating Reserves (Unrestricted General)	$	2,588,710.91	$	2,588,710.91			
b1. Operating Reserves (Unrestricted) (2)	$	2,955,500.00	$	2,955,500.00		$	2,955,500
c1. Capital Reserves (Restricted) (3)	$	1,223,153.00	$	1,223,153.00		$	993,301
c2. Capital Reserves (Unrestricted) (4)	$	9,325,605.00	$	9,325,605.00		$	7,258,146
Total with LAIF	**$**	**16,092,968.91**	**$**	**16,092,968.91**	**97.8%**		
TOTAL INVESTMENTS	**$**	**16,461,076.17**	**$**	**16,461,076.17**	**100.0%**		

NOTES:
(1) Market values are per the fiscal agent's respective monthly statements
(2) Operating reserves calculated at 25% operating budget
(3) Includes capacity charges and debt service coverage
(4) Includes capital fee charges

Statement of Compliance
The above portfolio of investments is in compliance with the Agency's investments policy, adopted annually, and California Government Code Section 53601, authorized investments, and 53646, investments policy. In addition, the Agency does have the financial ability to meet its cash flow requirements for the next six months.

Kenneth Spray, CPA
Administrative Services Manager

CENTRAL MARIN SANITATION AGENCY
CAPITAL RESERVES SUMMARY FOR THE SCHEDULE OF INVESTMENTS

Year-to-Date as of the Month Ended October 31, 2018

Restricted Capital Reserves Sources and Uses	Monthly Amounts Received (Used)	YTD Amounts Received (Used)
Capacity charges revenue	$ 26,055	$ 47,092
Debt coverage collection revenue	-	792,269
Total restricted capital reserve funding sources	26,055	839,361
Capacity charges usage for capital (1st)	(26,055)	(47,092)
Debt coverage usage for capital (2nd)	(108,646)	(559,593)
Total restricted capital reserve uses	(134,701)	(606,685)
Net change		232,676
Balance - beg of year		990,477
Balance - end of year		$ 1,223,153

Unrestricted Capital Reserves Sources and Uses		
Capital fee revenue	$ 202,815	$ 405,630
Unrestricted operating-reserve-transfer-in	703,289	703,289
SRF/FEMA cost reimb proceeds received	167,662	350,441
Total unrestricted capital reserve funding sources	1,073,766	1,459,360
Capital fee usage to fund CIP (3rd)	-	-
Unrestricted capital reserve draw (4th)	-	-
Total unrestricted capital reserve uses	-	-
Net change		1,459,360
Balance - beg of year		7,866,245
Balance - end of year		$ 9,325,605

Total capital reserve balances	$10,548,758
Total approved CIP budget	$ 2,862,500
Total CIP funded from capital reserve sources	606,685
Total approved capital budget remaining	$ 2,255,815

Central Marin Sanitation Agency

BOARD MEMORANDUM

November 8, 2018

To: CMSA Commissioners and Alternates

From: Chris Finton, Treatment Plant Manager

Approved: Jason Dow, General Manager

Subject: October 2018 NPDES Permit Compliance, Treatment Process, and Maintenance Activities Report

Recommendation: Accept the October 2018 NPDES Permit Compliance, Treatment Process, and Maintenance Activities Report.

I. NPDES Permit Compliance

Our NPDES permit testing for October showed that the CMSA treatment plant effluent was in compliance with all permit limits. The Monthly Compliance Summary Table shows the results by permitted parameter, the sample's frequency, the sample results, and the permit limit. We successfully passed the October 96-hour flow through bioassay test. CMSA's NPDES permit specifies quarterly monitoring for enterococcus bacteria and for each wet weather blend event, to verify compliance with established effluent limits. The enterococcus geometric mean for October's quarterly monitoring sample was 2.0 MPN, well below our monthly limit of 35 MPN.

II. Influent Flow

October started off wet in San Rafael as the first rain of the season, Monday October 1, delighted and surprised many in the North Bay. The remains of a dying typhoon produced 0.86 inches of rain as recorded by the CMSA rain gauge. The treatment plant did not exceed the maximum secondary capacity of 30 MGD during the month, and reported zero blend events on the Agency's website. The facility's average daily influent flow was 8.8MGD.

The CMSA treatment plant and each satellite collection agency's daily average and total monthly influent flows are shown in the table below:

October Monthly Influent Flows	San Rafael (SRSD)	Ross Valley (SD#1)	San Quentin (SQSP)	Corte Madera (SD#2)	CMSA Plant Total
Average Daily (MGD)	3.6 MGD	3.9 MGD	0.47 MGD	0.90 MGD	8.8 MGD
Total for Month (MG)	110.1 MG	120.1 MG	14.4 MG	27.8 MG	272.4 MG
Percent of Flow	41.0 %	44.0 %	5.0 %	10.0 %	100 %

III. Treatment Process

Annual dry weather preventative maintenance was completed by the beginning of October and all process equipment was tested and is ready for wet weather operations as needed. Operations staff performed two separate effluent flow diversions this past month in which treated wastewater was diverted from the facility's outfall to its effluent holding pond. This was done to ensure NPDES permit compliance while testing the functionality of new electrical system relay switches, improvements required by PG&E as part of the interconnection agreement. The Mixed Liquor Suspended Solids (MLSS) inventory averaged 1,088 mg/l in October, a 10.0% increase in inventory from last month. This aligned with our target biomass concentration range of 1,000 to 1,200 mg/L. A process control decision was made to increase our biomass inventory nearer to 1,100 mg/L, in preparation for the wet weather season and for the testing described above.

Graph No.3 shows the coliform most probable number (MPN), which represents the effectiveness of the disinfection process. All twelve coliform samples collected in October were below our monthly KPI of 30 mg/L, and remained well below our daily permit limit of 10,000 MPN. The total coliform monthly geometric mean for October was 1.7 MPN, well below our permit's monthly limit of 240 MPN.

Graph No.4 shows the Total Suspended Solids (TSS), which is a good indicator of the effluent quality. The TSS monthly average in October was 4.2 mg/l, which is 28.0% of our Key Performance Indicator (KPI) of 15 mg/l, and is 14.0% of our permit's monthly average limit of 30 mg/l.

IV. Maintenance Activities

The cogeneration system was in service the entire month of October and produced 94.9% of the Agency's power needs, and MCE supplied the balance. There were no power demand fluctuations shown on Graph No. 8 as the facility was completely off line on October 8 and again on October 26 for the above mentioned flow diversion.

The majority of October's work activities were spent performing process equipment corrective maintenance. In addition, project work included replacing the recycled water piping on primary clarifier no. 2, completing a project to replace all of the piping on all of the original five primary clarifiers; replacement of a speed sensor and several other components on Centrifuge No. 2; replacement of a Biochemical Oxygen Demand (BOD) incubator in the CMSA laboratory; replacement of the facility's effluent pH monitoring system; replacement of a mixing pump at the Organic Waste Receiving Facility; and assisting Technical Services with completing "punchlist items" on a coatings repair project in areas around the chemical storage building.

Attachment:

- October 2018 NPDES Permit Compliance, Treatment Process, and Maintenance Activities Report

NPDES Permit Compliance, Treatment Process, and Maintenance Activities Report

October 2018

Cooperative work effort - PG&E uses CMSA site for natural gas injection into their distribution system via CMSA's NG piping.

CMSA and PG&E technicians conduct a safety briefing prior to starting natural gas injection operations.

Monthly Compliance Summary Table

Central Marin Sanitation Agency

October, 2018

Final Effluent Monitoring

Parameter	Frequency	Units	Results	Limit
Carbonaceous BOD Highest Weekly Average	Weekly	mg/L	6.3	Maximum 40
Carbonaceous BOD Monthly Average	Monthly	mg/L	5.3	Maximum 25
Carbonaceous BOD Monthly Removal Rate	Monthly	%	98.4	Minimum 85
Total Suspended Solids Highest Weekly Average	Weekly	mg/L	4.6	Maximum 45
Total Suspended Solids Monthly Average	Monthly	mg/L	4.2	Maximum 30
Total Suspended Solids Monthly Removal Rate	Monthly	%	98.9	Minimum 85
Chlorine Residual Instant Limit	Instant	mg/L	ND	Maximum 0.0
Ammonia Monthly Average	Monthly	mg/L	34.9	Maximum 60
Ammonia Maximum Daily	Daily	mg/L	35.0	Maximum 120
pH Lower Limit	Continuous	SU	6.8	Minimum 6
pH Upper Limit	Continuous	SU	8.3	Maximum 9
Bacteriological Analysis				
Total Coliform Monthly Geometric Mean	3 X Week	MPN/100mL	1.7	Maximum 240
Total Coliform Daily Maximum	3 X Week	MPN/100mL	13.0	Maximum 10,000
Enterococcus Quarterly Geometric Mean	Quarterly	MPN/100mL	2.0	Maximum 35
Flow Through Bioassay				
Acute Toxicity 11 Sample 90th Percentile	Monthly	% survival	100	Minimum 70
Acute Toxicity 11 Sample Median	Monthly	% survival	100	Minimum 90
Metals Analysis				
Copper Daily Limit	Monthly	ug/L	6.1	Maximum 85
Copper Monthly Average	Monthly	ug/L	6.1	Maximum 49
Cyanide Daily Limit	Monthly	ug/L	J1.7	Maximum 41
Cyanide Monthly Average	Monthly	ug/L	J1.7	Maximum 21
Mercury Weekly Average	Weekly	ug/L	0.0044	Maximum 0.072
Mercury Monthly Average	Monthly	ug/L	0.0044	Maximum 0.066
Mercury Monthly Loading	Monthly	kg/mo	0.00495	
Mercury Annual Loading (watershed permit)	Jan-Dec	kg/yr	0.04551	Maximum 0.11
Permit Analysis				
Dioxin - Total Equivalents (TEQ) Daily Maximum	1/Permit Cycle	ug/L	*	Maximum 2.8E-08
Dioxin - Total Equivalents (TEQ) Monthly Average	1/Permit Cycle	ug/L	*	Maximum 1.4E-08
Polychlorinated Biphenyls (PCBs) Daily Limit	1/Permit Cycle	ug/L	*	Maximum 0.017
Polychlorinated Biphenyls (PCBs) Monthly Limit	1/Permit Cycle	ug/L	*	Maximum 0.012
Quarterly Analysis				
Oil and Grease Daily Limit	Quarterly	mg/L	*	Maximum 20
Oil and Grease Monthly Average	Quarterly	mg/L	*	Maximum 10
Chronic Bioassay Toxicity	Quarterly	Tuc	5.8	Maximum 20
Chronic Bioassay Toxicity (3 sample median)	Quarterly	Tuc	ND	Maximum 10
Flow Analysis	**Daily Max**	**Hourly Max**	**5 minute Max**	**Monthly Average**
Effluent Flow	9.7	17.2	20.3	7.1
Influent Flow	16.1	55.8	70.8	8.8
# Days Blended				0

* Monitoring Not Required This Month ND = None Detected X = Data not available at report time J = Detected by not Quantified

Glossary of Terms
NPDES Permit Compliance Summary Table

- **Ammonia**: CMSA's NPDES permit requires that we analyze the final effluent for ammonia due to its toxicity to aquatic organisms and potential for providing nutrients to algae in the San Francisco Bay. The permit has a maximum daily limit of 120 mg/L and a monthly average limit of 60 mg/L. The maximum daily limit is the number that cannot be exceeded on any sample and the monthly average applies to all samples collected in any month (although typically we are required to take only one sample).

- **Biochemical Oxygen Demand (BOD)**: The amount of dissolved oxygen needed by microorganisms (biomass) to stabilize organic material in the effluent. The permit limits for our effluent require that removal of 85% influent BOD, and meet a weekly average of less than 40 mg/L and a monthly average of less than 25 mg/L BOD.

- **Chlorine Residual:** The secondary effluent is disinfected with hypochlorite (chlorine "bleach"), and then the residual chlorine is neutralized with sodium bisulfite to protect the Bay environment. The final effluent chlorine residual limit is 0.0 mg/l, which is monitored continuously.

- **Bacteria:** Coliform and enterococcus bacteria are the indicator organisms for the determination of the effectiveness of the disinfection process.

- **Dioxin - Total Equivalents:** These are 17 dioxin-like compounds that we analyze for twice per year which have permit limits.

- **Oils and Grease:** We are required to monitor our effluent for Oils and Grease quarterly.

- **Flow Through Bioassay:** A 96-hour test in which we test the toxicity of our effluent to young rainbow trout (15-30 days old) in a flow-through tank to determine their survivability under continuous exposure to CMSA effluent. The permit requires that we maintain a 90^{th} percentile survival of at least 70% and an 11-sample median survival of at least 90%. In layman's terms, this means that out of the last 11 samples, only one bioassay may fall below 70% survival, and the middle value—when all 11 samples are placed in numerical order—must be at least 90%.

- **Metals Analysis:** Our permit requires that we analyze our effluent for many different metals on a monthly basis. We have permit limits for three of the metals. The limits are stated as a maximum daily limit and a monthly average limit.

- **pH:** pH is a measurement of acidity, with pH 7.0 being neutral and higher pH values being basic and lower pH values being acidic. Our permit effluent pH must stay within the range of 6.0 to 9.0, which we monitor continuously.

- **Total Suspended Solids (TSS):** Measurement of suspended solids in the effluent. Our permit requires that we remove at least 85% of the influent TSS and that the effluent limit is less than 45 mg/L as a weekly average and less than 30 mg/L as a monthly average.

Executive Summary Process Performance Data
October 2018

The removal efficiencies shown are based on the monthly average of the following treatment processes that were in service.

Primary Clarifier Performance

			Expected removal efficiencies as outlined in Metcalf & Eddy Wastewater Engineering Manual
Average Total Suspended Solids (TSS) in:	414.1	mg/l	
Average TSS out:	223.7	mg/l	
Average Percent Removal Achieved:	48.5	%	Design 50-70% Removal
Average Total Carbonaceous Biochemical Oxygen Demand (CBOD) in:	343.4	mg/l	
Average CBOD out:	200.6	mg/l	
Average Percent Removal Achieved:	40.6	%	Design 25-40% Removal
Average Plant Influent Flows:	8.8	MGD	

Biotower Performance

Average TSS out:	98.4	mg/l	
Average CBOD out:	68.0	mg/l	
Average Percent CBOD Removal Achieved:	64.2	%	Design 25-30% Removal

Aeration Tanks/Activated sludge

Dissolved Oxygen set point:	1.9	mg/l
Average MLSS:	1,088	mg/l
Average MCRT:	3.59	Days
Average SVI:	161	

Secondary Clarifiers

Average WAS concentration: 7,060 mg/l

Final Effluent

Average Effluent TSS for the month was:	4.2	mg/l	(Maximum Limit: 30mg/l)
Week #1 weekly average	4.5		(Maximum Limit: 45mg/l)
Week #2 weekly average	4.0		"
Week #3 weekly average	4.6		"
Week #4 weekly average	3.7		
Week #5 weekly average	N/A		"
Monthly average TSS removal efficiency through the plant was:	98.9	%	(Minimum Limit: 85%)
Average Effluent CBOD was:	5.3	mg/l	(Maximum Limit: 25mg/l)
Week #1 weekly average	6.3		(Maximum Limit: 40mg/l)
Week #2 weekly average	5.3		"
Week #3 weekly average	4.0		"
Week #4 weekly average	4.0		
Week #5 weekly average	N/A		"
Monthly average CBOD removal efficiency through the plant was:	98.4	%	(Minimum Limit: 85%)
Disinfection Dosing Rate:	3.9	mg/l	monthly average
Total Coliform Monthly Geometric Mean:	1.7	MPN	(Maximum 240)
The Daily Maximum Total Coliform Count for the month was:	13.0	MPN	(Maximum 10,000)
Enterococcus Monthly Geometric Mean:	2.0	MPN	(Maximum 35 MPN)
Effluent pH for the month was: Min	6.8		(Min 6.0)
Max	8.3		(Max 9.0)

Digester Treatment

Average Thickened Waste Concentration from the RDT was:	6.5	%		
Average percent of Volatile Solids destroyed was:	83.9	%		
Cubic feet of biogas produced was:	7,622,940	(Total)	245,901	(Daily Average)
Average temperature of the digester was:	102.0	degrees Fahrenheit		

Executive Summary Process Performance Data
October 2018

The removal efficiencies shown are based on the monthly average of the following treatment processes that were in service.

Dewatering

Average Centrifuge Feed concentration was:	2.8	%
Average Biosolids concentration was:	26.5	%
Average TSS of the Centrate was:	202	mg/l
Solids capture of the Centrifuge was:	99.4	%
Polymer use per Dry ton of biosolids was:	11.83	#/dry ton
Average polymer feed rate per run was:	3.62	gpm
Average concentration of the polymer batches was:	0.308	%
Average sludge feed rate per run was:	52.1	gpm

Comments:

The TSS removal rate in the primary clarifiers, 48.5%, was lower than our monthly KPI removal rate of 50.0%. This is attributed to an early season storm event that brought a combination of high influent flows and settled solids from the collection systems.

Graph #1:

Depicts the total influent flow (from all collection agencies) entering the treatment plant.
The red graph line represents total influent flows; and the black graph line depicts the CMSA rain gauge recordings for the month.

Graph #2:

Depicts individual collection member agency flows.
The Y-axis is in the dry weather flow range of 0-20 MGD.

Graph #3:

Depicts the coliform most probable number (MPN) results which are an indication of the performance of the disinfection system.
The monthly Total Coliform Geometric Mean was 1.7 MPN through October, which is less than our KPI median of 30 MPN and permit limit of 240 MPN.

Graph #4:

Depicts the total suspended solids in the effluent.
Our monthly average was 4.2 mg/l versus our KPI of 15 mg/l and permit monthly average limit of 30 mg/l.

Graph #5:

Depicts the effluent CBOD which is measuring the oxygen demand of the wastewater.
The October effluent CBOD average was 5.4 mg/l, well below our NPDES limits of 40 mg/l weekly and 25 mg/l for the month.

Graph #6:

Depicts the degree to which the biosolids have been dewatered.
Our biosolids % concentration exceeded our KPI of 25% for 29 days in October. No dewatering operations occurred on October 2 and the lower than normal KPI value on October 14 was due to a faulty sensor on the machine's back-drive unit.

Graph #7:

Depicts the amount of biogas that is produced in the digesters, and then used to produce electricity.
Biogas production in October averaged 245,901 cubic feet per day, which exceeded our monthly KPI of 200,000 cubic feet per day. The lower than normal KPI values as depicted on Graph 7 are the results of receiving fewer organic waste load deliveries.

Graph #8:

This graph depicts the amount of energy produced through cogeneration versus the energy purchased from MCE for Agency operations.
The cogeneration engine was online for the entire month of October producing 94.9% of the facility's power needs. The engine was temporarily removed from service to complete interconnection agreement (IA) task work on October 8 and October 30, and on October 26 to replace a failed thermo-coupler and sparkplug.

Glossary of Terms
Process Performance Data Sheet

- **Aeration Tanks:** A biological process that takes place after the biotowers, where biomass (microorganisms) is mixed with the wastewater to feed on dissolved and suspended organic material. High speed blowers are used to provide compressed air to mix the tank contents.

- **Anaerobic Digesters:** In the anaerobic digestion process, organic material removed in the primary and secondary clarifiers is digested by anaerobic bacteria. The end products are methane, carbon dioxide, water, stabilized organic matter, and some inorganic material.

- **Biosolids:** Anaerobically digested solids that are removed from the two digesters, dewatered, and then beneficially reused. Beneficial reuse may include landfill alternate daily cover (ADC), land application in the summer as a soil amendment and fertilizer, or converted into a liquid fertilizer for agricultural applications.

- **Biotower:** A biological treatment process, occurring after the primary clarifiers and before the aeration tanks, in which the wastewater trickles over a biomass-covered media. The biomass feeds on the dissolved and suspended solids in the wastewater.

- **Centrifuge:** Process equipment used to dewater biosolids prior to beneficial reuse.

- **Cogeneration System:** A system comprised of a dual-fuel engine coupled to an electric generator that is used to produce energy to power the Agency facilities. Fuels the system uses are methane biogas produced in the anaerobic digesters and, when biogas is not available, purchased natural gas. As well as generating electricity, the system supplies heat for plant processes and building heating.

- **Chlorine Contact Tanks (CCTs):** The final treatment process is disinfection and de-chlorination. The CCTs allow contact time for injected chlorine solution to disinfect the wastewater. Sodium bisulfite, the de-chlorination chemical, is introduced at the end of the CCTs to neutralize any residual chlorine to protect the San Francisco Bay environment.

- **Rotary Drum Thickener (RDT):** Waste activated sludge removed from the secondary clarifiers is thickened in rotary drum thickeners before being transported to the anaerobic digesters. Thickening removes some of the sludge's water content, to decrease hydraulic loading to the digesters.

- **Final Effluent:** After all the treatment processes are completed, the final effluent is discharged into to central San Francisco Bay through a 10,000-foot-long deep-water outfall.

- **Mean Cell Residence Time (MCRT):** An expression of the average time that a microorganism will spend in the secondary treatment system.

- **Mixed Liquor Suspended Solids (MLSS):** The liquid in the aeration tanks is called MLSS and is a combination of water, solids, and microbes. Suspended solids in the MLSS measured in milligrams per liter (mg/l).

- **Most Probable Number (MPN):** Concentrations, or number of colonies, of total coliform bacteria are reported as the "most probable number." The MPN is not the absolute count of the bacteria but a statistical estimate of their concentration.

- **Polymer:** Polymer is added to digested sludge prior to dewatering to improve solids coagulation and water separation.

- **Primary Clarifier:** A physical (as opposed to biological) treatment process where solids that settle or float are removed and sent to the digesters for further processing.

- **Return Activated Sludge (RAS):** The purpose of returning activated sludge (biomass) to the aeration tanks is to maintain a sufficient concentration of microbes to consume the wastewater's dissolved solids.

- **Secondary Clarifiers:** Provides settling for the biomass after aeration. Most of the settled biomass is returned to the aeration tank as return activated sludge (RAS) and some is sent to the RDT unit as waste activated sludge.

- **Sludge Volume Index (SVI):** This is a calculation used to indicate the settling ability of the biomass in the secondary clarifiers.

- **Thickened Waste Activated Sludge (TWAS):** Waste activated sludge is thickened in the RDTs, and then the TWAS product is pumped to the digester for processing.

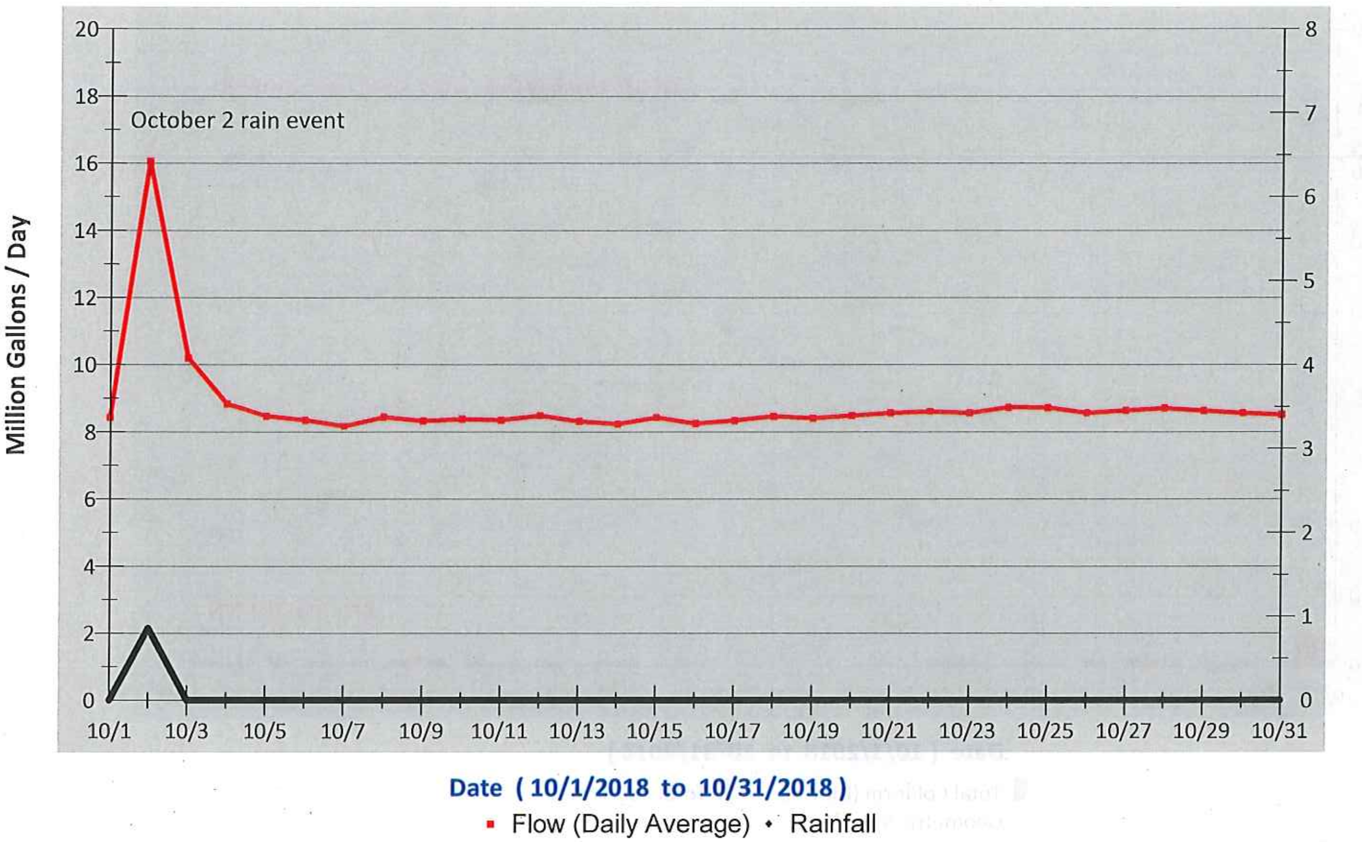
- **Volatile Solids:** Organic content of the wastewater suspended solids.

- **Waste Activated Sludge (WAS):** Biomass that is removed from the secondary clarifiers pumped to the RDTs for thickening.

Units of Measurement

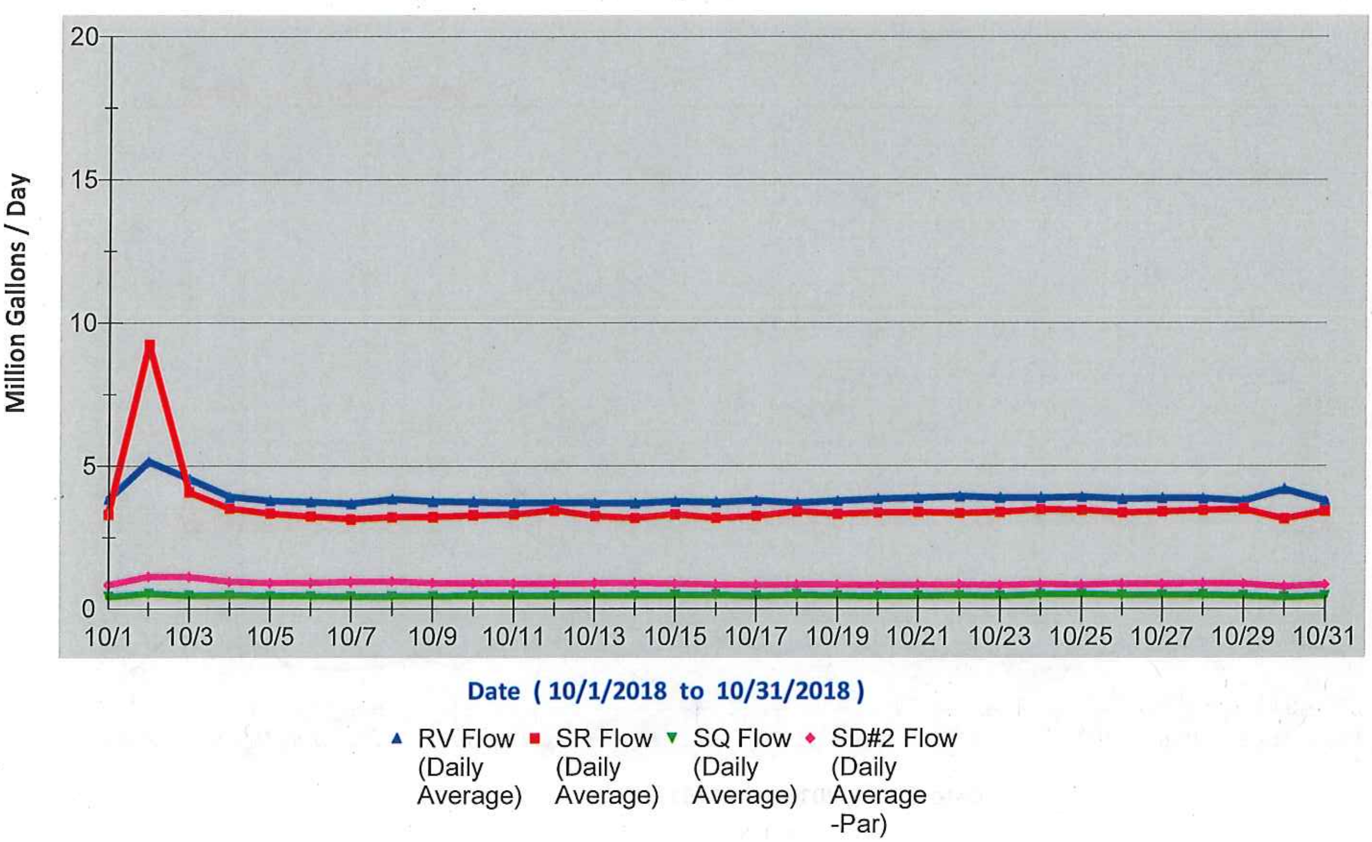
- kg/month (Kilograms per Month): 1 kilogram = 2.205 lbs.
- KPI (Key Performance Indicators): The Agency's process performance goals.
- Kwh (Kilowatt Hours): A unit of electric power equal to using 1 Kw for 1 hour.
- Milligrams per Liter (mg/L): A measure of the concentration by weight of a substance per unit volume. For practical purposes, one mg/L is equal to one part per million (ppm).
- MPN/100mL (Most Probable Number per 100 milliliters): Statistical estimate of a number per 100 milliliters of a given solution.
- Percent by Mass (% by mass): A measure of the combined mass of a solute + solvent.
- Percent by Volume (% by vol): A measure of the volume of a solution.
- ug/L (Micrograms per Liter of Solution): Mass per unit volume.

Graph #1: CMSA Influent Flow



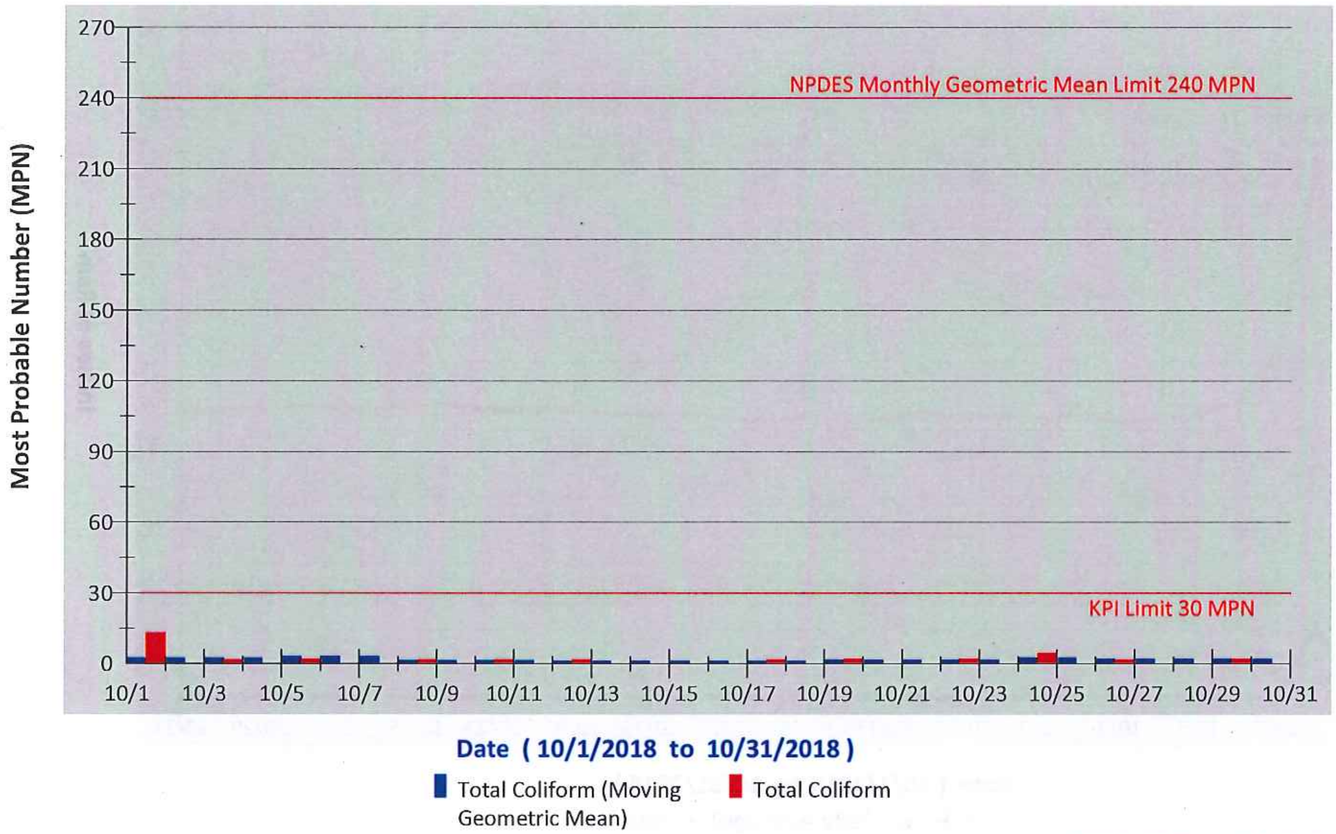
(#1) CMSA Influent Flow

Graph #2: Collection System Influent Flows



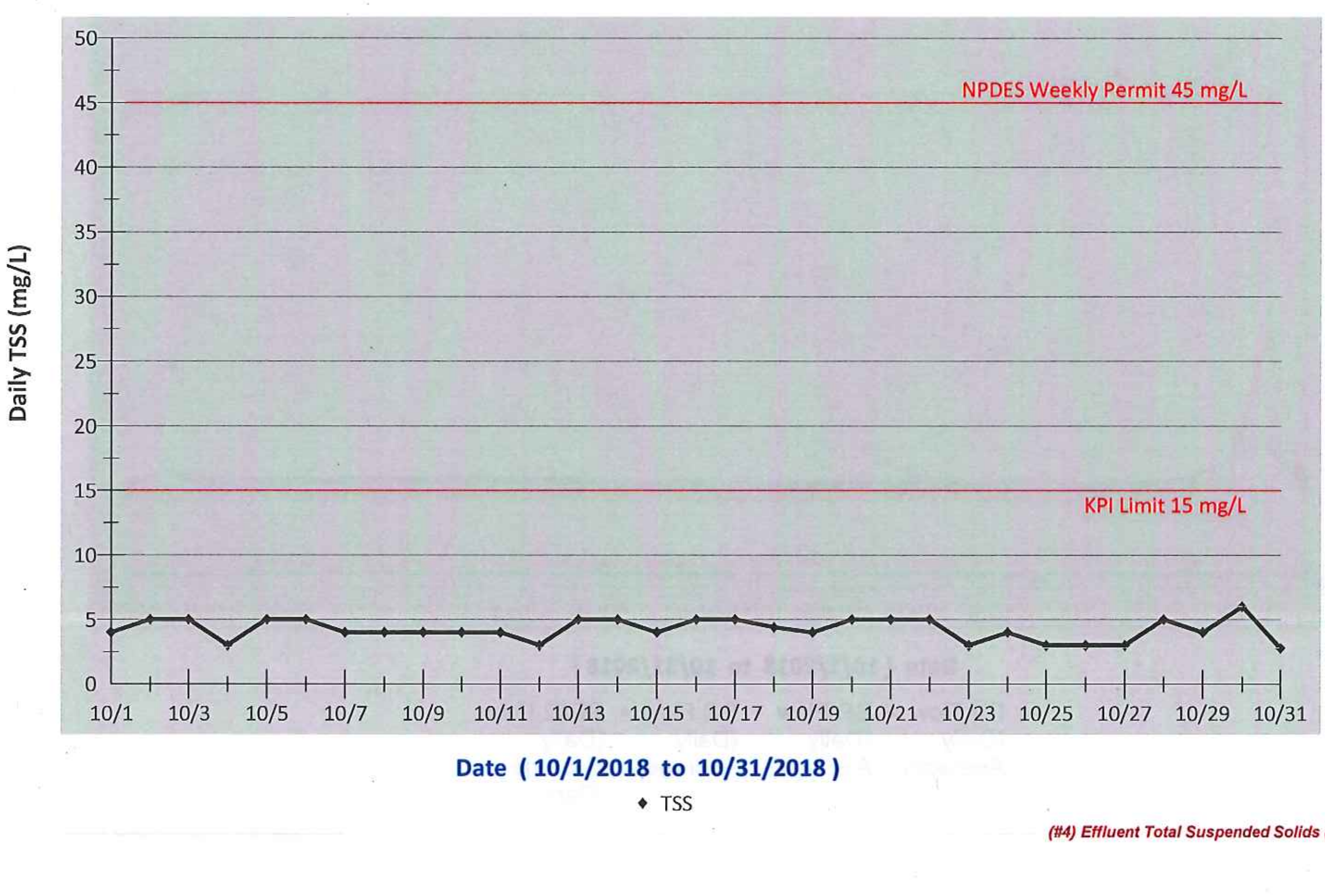
(#2) Collection System Influent Flows

Graph #3: Total Coliform & Monthly Geometric Mean



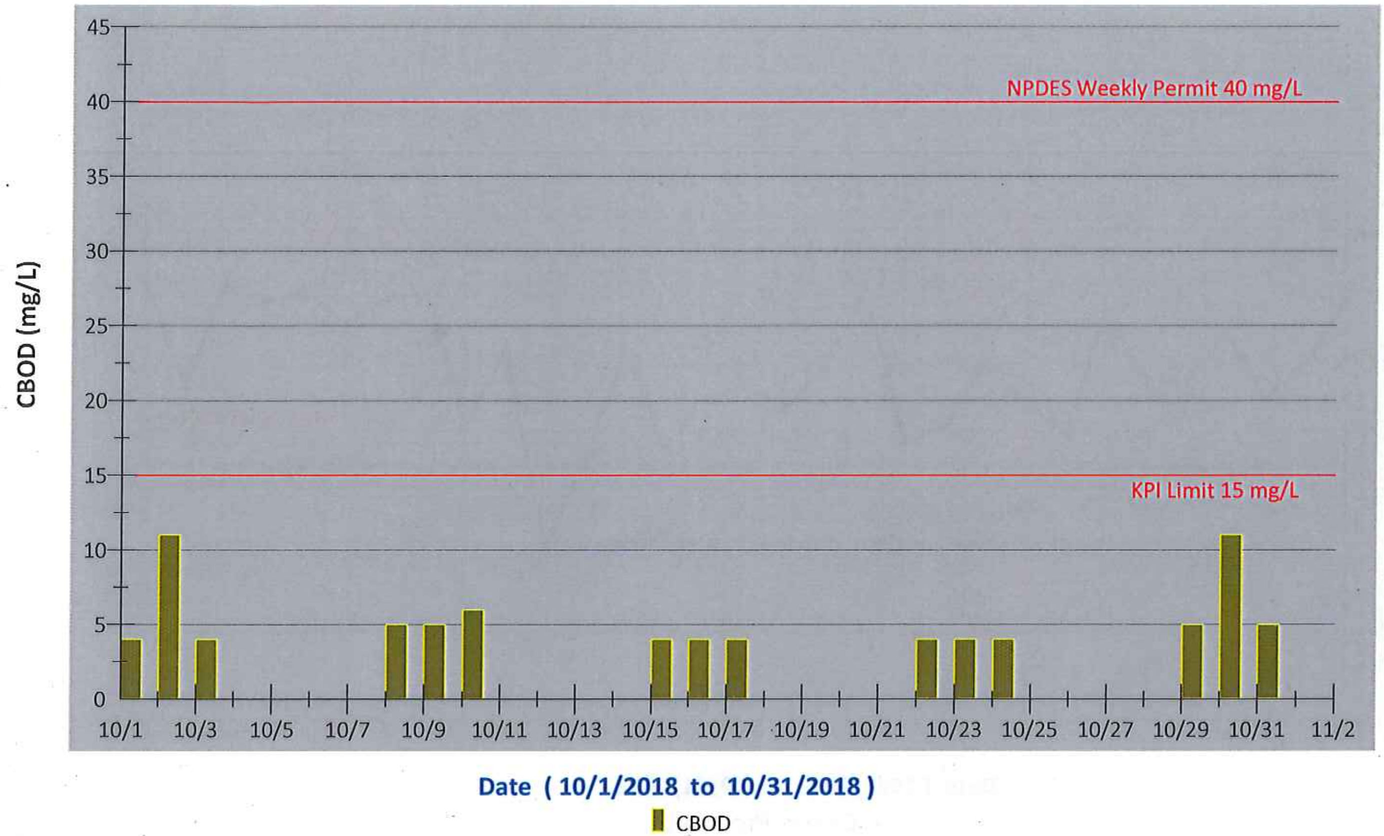
(#3) Total Coliform & Monthly Geometric Mean

Graph #4: Effluent Total Suspended Solids (TSS)



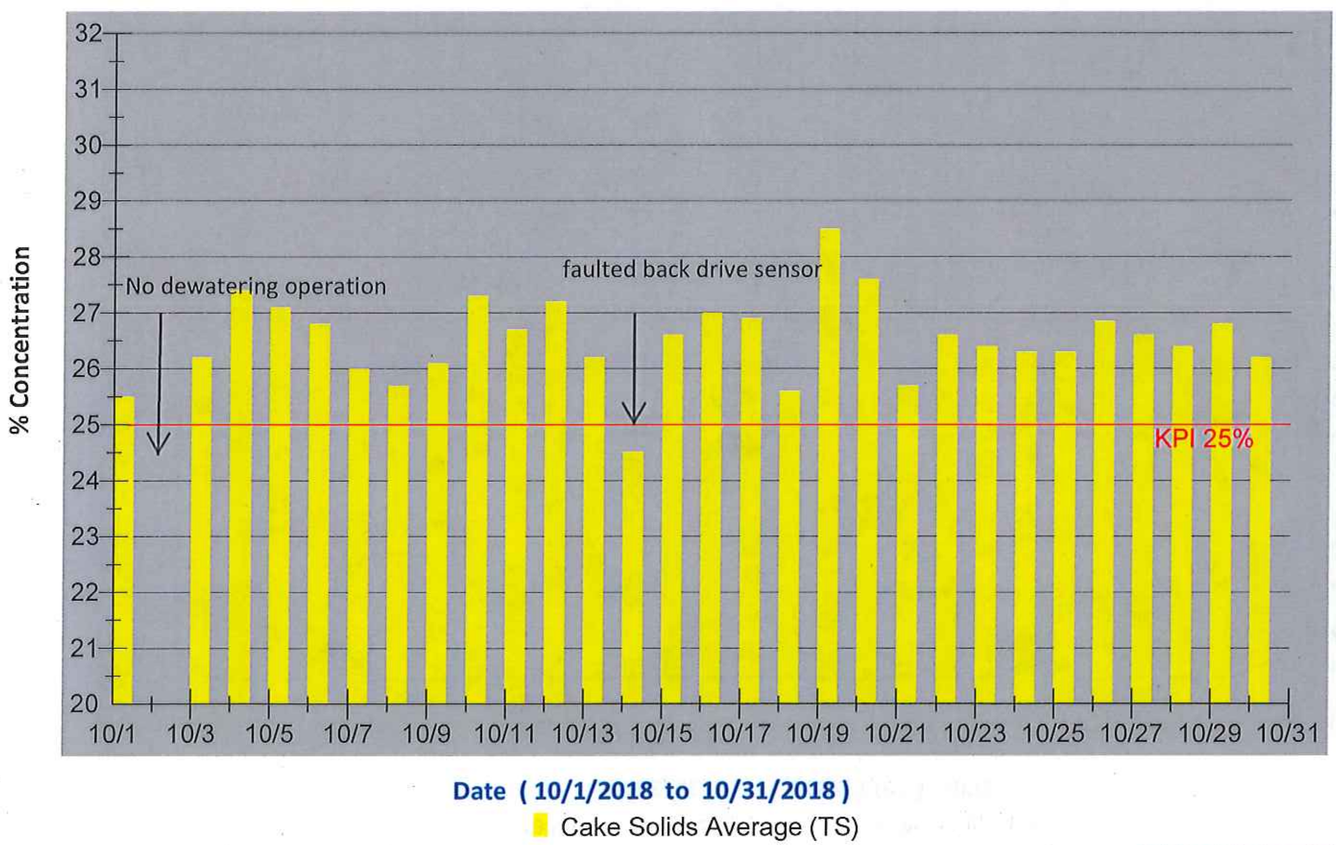
(#4) Effluent Total Suspended Solids (TSS)

Graph #5: Effluent Carbonaceous Biological Oxygen Demand (CBOD)



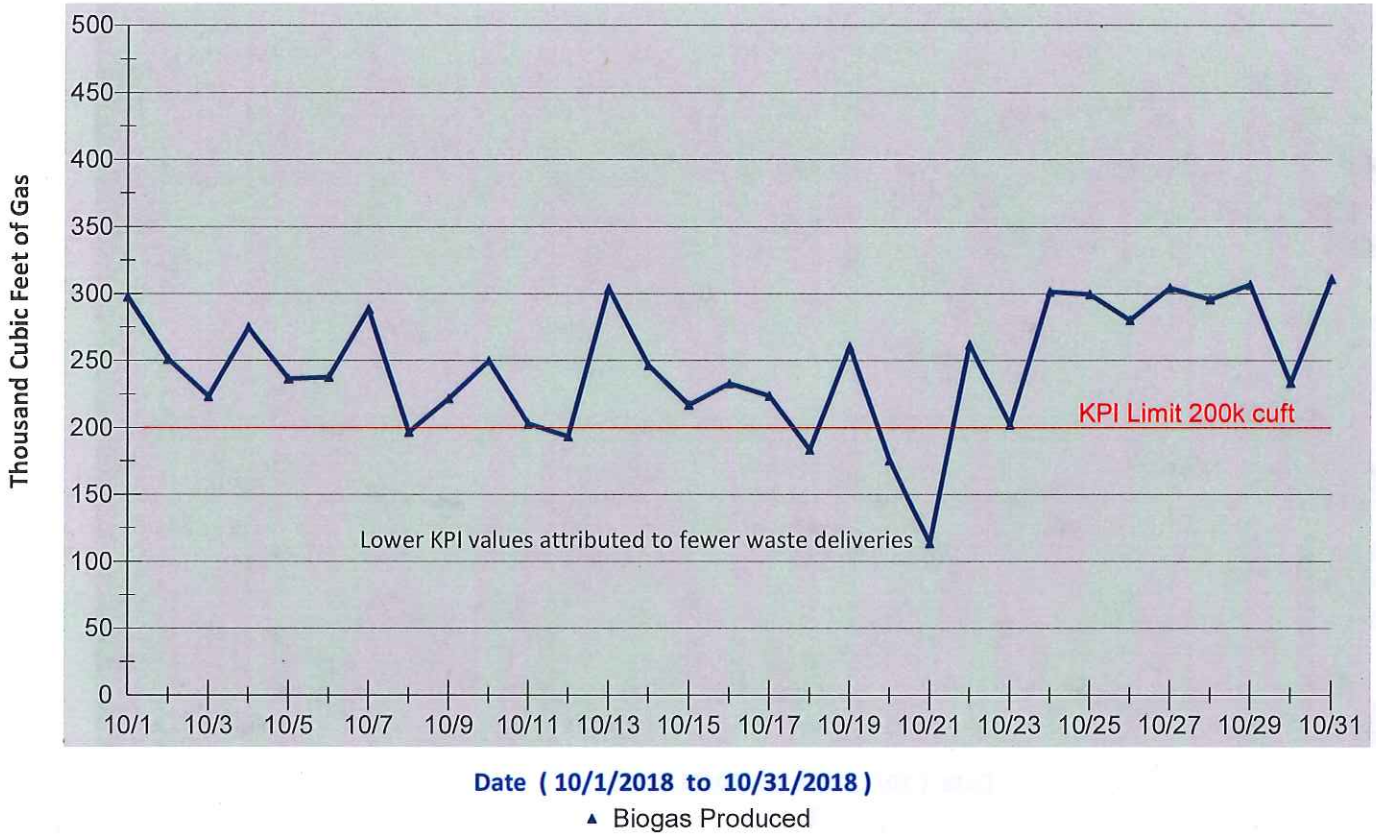
(#5) Effluent Carbonaceous Biological Oxygen Demand (C

Graph #6: Biosolids Concentration



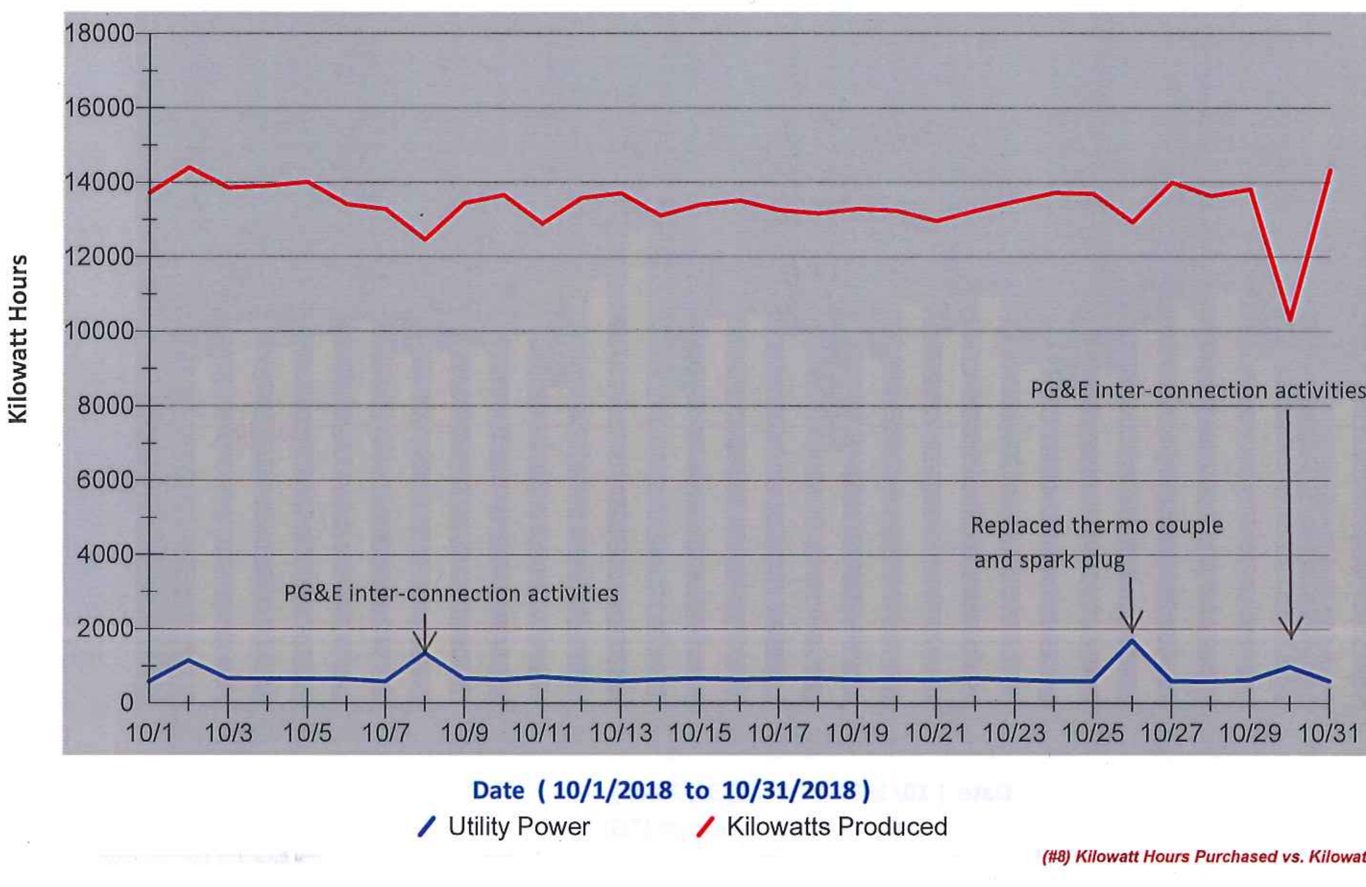
(#6) Biosolids Concentration

Graph #7: Biogas Production



(#7) Biogas Production

Graph #8: Kilowatt Hours Purchased vs. Kilowatts Produced



(#8) Kilowatt Hours Purchased vs. Kilowatts Producec

Central Marin Sanitation Agency

BOARD MEMORANDUM

November 8, 2018

To: CMSA Commissioners and Alternates

From: Jason Dow, General Manager JD

Subject: Performance Metric Report – October 2018

Recommendation: Accept the October 2018 Performance Metric report.

Performance Summary: The Agency's performance in operations and maintenance activities, regulatory and environmental compliance, and public education and outreach met or exceeded our metric goals/targets. Noteworthy metrics or variances are described below.

Table I – Treatment/Process Metrics

Annual preventative maintenance on the Agency's process tanks and systems was completed in October, and the treatment and related facilities are ready for wet weather operations.

Table II – Employee Metrics

Preventative maintenance labor hours, 823.5, exceeded the upper end of our target range, and was primarily due to extended maintenance activities at the Effluent Pump Station and off-site pump stations ensuring equipment was ready for wet weather operations. Corrective maintenance labor hours, 1,579.25, was higher than normal, and primarily due to staff spending significant time troubleshooting and repairing Centrifuge No. 2, replacing both odor control pumps at the San Quentin Odor Control Station, and completing a major project to replace the recycled water piping in five primary clarifiers.

Table III - Environmental and Regulatory Compliance Metrics

There weren't any NPDES permit exceedances in October, and all regulatory reports were submitted on schedule. FOG and source control inspections continue to be fewer than planned due to limited staff resources. Recruitment for an Environmental Services Analyst is nearing completion, and the new employee should start in late-November.

Table IV - Public Outreach

There was one odor alert posted to the website in October for a flow diversion to the effluent storage pond, to accommodate electrical system testing of a ground fault detection bank. The Agency did not receive any public odor complaints during the month.

Monthly public education events may include staff attendance at public outreach events, school classroom and/or juggler show presentations, and Agency tours. Events over the past two months are presented below with the event date and number of attendees.

Public Outreach Events

Date	Event	Attendees
10/27	Scream on the Green in Novato	450

School Events – Juggler Show Presentation

Date	School	Attendees
10/5	Strawberry Point in Mill Valley	330
10/16	Lu Sutton Elementary in Novato	218

CMSA Tours

Date	Group	Attendees
10/16	Dominican University	77
10/18	Dominican University	40
10/23	New Village School from Sausalito	15
10/25	Dominican University	14

Attachment:
- October 2018 Performance Metric Report

CMSA CY18 PERFORMANCE METRICS – October 2018

TABLE I - TREATMENT/PROCESS METRICS

Metric	Definition	Measurement	Range/Target/Goal
1) Wastewater Treated	Volume of wastewater influent treated and disposed, in million gallons (Mg)	272.4 Mg	165 – 820 Mg
2) Biosolids Reuse	Alternate Daily Cover (ADC) at the Redwood Landfill, in wet tons (wt) Fertilizer and soil amendment at land application sites, in wet tons (wt) Bio-Fertilizer production at the Lystek facility, in wet tons (wt)	241.1 wt 87.5 wt 169.1 wt	360 – 665 wt
3) Conventional Pollutant Removal	Removal of the conventional NPDES pollutants - Total Suspended Solids (TSS) and Carbonaceous Biological Oxygen Demand (cBOD) a. tons of TSS removed; % TSS removal b. tons of organics removed (cBOD); % cBOD removal	 494.6 tons; 98.9% 402.8 tons; 98.4%	 > 85% > 85%
4) Priority Pollutants Removal	Diversion of priority NPDES metals from discharge to the S.F. Bay: a. % Mercury b. % Copper	 99.0% 95.9%	 88 – 99% 84 – 98%
5) Biogas Production	Biogas generated in our anaerobic digesters, in million cubic feet (Mft^3) Natural gas (methane) equivalent of the biogas, in million cubic feet (Mft^3)	7.62 Mft^3 4.87 Mft^3	6.0 to 9.5 Mft^3 3.8 to 6.1 Mft^3
6) Energy Produced	Energy produced from cogeneration of generated biogas and purchased natural gas - in kilowatt hours Cogeneration system runtime on biogas, *in hours (hrs.); % time during month* Biogas value (natural gas cost equivalent)	415,529 kWh 609.3 hrs; 82.0% $24,660	380 to 480,000 kWh 540 hrs.; 75% $15,000 to $30,000
7) Efficiency	The cost to operate and maintain the treatment plant per million gallons of wastewater treated, in dollars per million gallons Energy used, kilowatt hours, per million gallons treated	$1,320 /Mg 1,608 kWh/Mg	$451-$1,830/Mg (wet - dry) 670 - 2,400 kWh/Mg

Table II – EMPLOYEE METRICS

Metric	Definition	Measurement	Target/Goal
1) Employee Training	Hours of internal training – safety, web-based, project, vendor, etc. Hours of external training – employment law, technical, regulatory, etc.	Internal = 143.5 External = 99	variable
2) Work Orders	Preventative maintenance (PM) labor hours Planned corrective maintenance (CM) labor hours; % of CM+UCM hrs. Unplanned corrective maintenance (UCM) labor hours; % of CM+PM hrs. Ratio of PM to total corrective maintenance (CM + UCM);	823.25 hrs 1,579.25 hrs (88.0%) 226.25 hrs (22.0%) 0.45	300 – 500 hrs ≥ 70% total CM hrs ≤ 30% total hours ≥ 0.45
3) Overtime Worked	Monthly hours of OT worked; *Year to date hours of OT (YTD)* % of regular hours worked; *% Year to date (YTD)*	67.5 hrs; *(1,218.5 hrs)* 1.0%; *(1.7%)*	< 5%

CMSA CY18 PERFORMANCE METRICS – October 2018

Table III - ENVIRONMENTAL AND REGULATORY COMPLIANCE METRICS

Metric	Definition	Measurement	Range/Target/Goal
1) Permit Exceedances	# of NPDES permit exceedances	0	0
2) Regulatory Analyses	# of analyses by the CMSA laboratory for NPDES, Stormwater, and Biosolids regulatory compliance monitoring and reporting	661	150-750
3) Process Control Analyses	# of analyses by the CMSA laboratory for process control monitoring	810	400-1,250
4) Contract Laboratory Analyses	# of analyses by contract laboratories for regulatory compliance reporting	42	0-50
5) Quality Control Testing	# of CMSA performed laboratory analyses for QA/QC purposes	211	100-300
6) Water Quality Sample Analyses	# of ammonia, coliform (total and fecal), enterococcus, and/or sulfide analyses performed for the CMSA member agencies (SSOs, etc.)	23	as-needed
7) Pollution Prevention Inspections	Inspections of industrial and commercial businesses in the Agency's pretreatment and pollution prevention programs and Novato Sanitary District's Mercury Reduction Program – 255 businesses regulated	2	variable
8) FOG Program Inspections	Inspections of food service establishments (FSEs) in the Almonte, TCSD, SD2, RVSD, SRSD, and LGVSD service areas – approx. 316 FSEs are regulated and 63 FSEs have waivers.	8	20 – 50
9) Permits Issued/Renewed	Permits issued for the pretreatment, pollution prevention, and FOG source control programs, and for groundwater discharge	1	variable

Table IV- PUBLIC OUTREACH

Metric	Definition	Measurement	Target/Goal
1) Public Education Events	Attendance at public education outreach events; # of booth visitors; *(YTD)*	450; *(2,572)*	3,500/year
2) School Events	Participation or sponsorship in school outreach events; attendees; *(YTD)*	677; *(2,470)*	variable
3) Agency Tours	Tours given to students and the public; # of people, *(YTD)*	102; *(302)*	variable
4) Odor Notifications	Number of odor alerts posted to the Agency website	1	1-10
5) Odor Complaints	Number of odor complaints received from the public	0	0

BOARD MEMORANDUM

November 8, 2018

To: CMSA Commissioners and Alternates

From: Kenneth Spray, Administrative Services Manager

Approved: Jason Dow, General Manager JD

Subject: Capacity Charge Schedule for Fiscal Year 2017-18

Recommendation: Approve the FY 2017-18 Capacity Charge Schedule.

Summary: CMSA and the JPA member agencies charge a fee for new connections to the sanitary sewer system. The intent of the fee is to ensure that all new users pay their fair share of the wastewater collection and treatment system costs, and is based on the idea that wastewater services and capacity are available on a first-come-first-serve basis. Each member agency charges a collection system connection fee and CMSA charges a fee for treatment plant capacity. The total fee is collected by the member agencies, with the capacity charge portion of the fee being forwarded to CMSA.

In FY 2017-18, the CMSA residential capacity charge was $5,932.85, commercial facilities was $370.80 per fixture unit, and high strength fixtures were $867.68 per unit. The Agency received $197,753 in capacity charges from its member agencies. There were a total of 11 new connections and 345.5 additional fixtures in the JPA service area: two new residential connections and 345.5 fixture units in San Rafael Sanitation District, eight new residential connections in Ross Valley Sanitary District, and one new residential connection in the Sanitary District No. 2 service area.

The California Government Code requires CMSA to disclose the amount of capacity charges collected within 180 days after each fiscal year end and to identify the public improvements or projects that were funded by the capacity charges. The FY 2017-18 Schedule of Capacity Charges is attached for Board review and approval.

Attachment
- FY 2017-18 Capacity Charge Schedule

Central Marin Sanitation Agency
Schedule of Capacity Charges
Fiscal Year Ended June 30, 2018

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. Central Marin Sanitation Agency's practice is to utilize capacity charges received on a first-in-first-out basis to finance Fiscal Year 2017-18 capital program initiatives. Accordingly, no interest was posted to capacity charges and there was no outstanding balance of capacity charges at fiscal year-end.

Other required disclosures for the fiscal year ended June 30, 2018 are as follows:

- Total amount of capacity charges collected $197,753

- Listing of FY 2017-18 Maintenance and Capital Projects for which capacity charges were applied:

    - Maintenance Facility Modification Project $197,753

Total	$197,753

Central Marin Sanitation Agency

BOARD MEMORANDUM

November 8, 2018

To: CMSA Commissioners and Alternates

From: Kenneth Spray, Administrative Services Manager

Approved: Jason Dow, General Manager JD

Subject: Fiscal Year 2018-19 First Quarter Budget Status Report

Recommendation: Review and accept the FY 19 First Quarter Budget Status Report.

Discussion: We are pleased to present the budget status report for the first quarter ended September 30, 2018. Tables for revenues by source, expenses by function, and CIP by major classes of capital projects are reflected below with summary information for each.

Highlights for the first quarter of FY 19 are as follows:

- Sewer service charges are tracking at 25% for the first quarter.
- Contributions for debt service revenue is approximately 74%.
- Debt service contributions includes 25% revenue coverage for capital program financing.
- Total revenues are tracking well and are near 40% for the first quarter.
- CMSA has received revenues that are state revolving fund loan proceeds.
- Total expenses incurred are tracking well at approximately 27% of budget.

Revenues by Source

Description	FY 19 Budget	YTD Actual	Open Invoices	Total Revenue	Budget Remaining	Actual %	Total %
Sewer Service Charges	11,433,635	2,858,409	-	2,858,409	8,575,226	25.0%	25.0%
Contributions for Debt Service	4,966,508	3,688,355	63,699	3,752,054	1,214,454	74.3%	75.5%
Contract Services	1,108,808	81,456	167,825	249,281	859,527	7.3%	22.5%
Program Revenues	146,030	21,404	-	21,404	124,626	14.7%	14.7%
Haulers, Permits & Inspection Fees	221,450	40,770	40,421	81,191	140,259	18.4%	36.7%
Other Non-Operating Revenues	20,000	182,779	-	182,779	(162,779)	913.9%	913.9%
Interest Income	215,760	94,248	-	94,248	121,512	43.7%	43.7%
Capacity Charges	30,090	-	-	-	-	0.0%	0.0%
TOTAL REVENUE	**18,142,281**	**6,967,421**	**271,945**	**7,239,366**	**10,872,825**	**38.4%**	**39.9%**

Sewer Service Charges: Revenues are billed to JPA members on a quarterly basis and are due upon receipt. Sewer service charges are billed in advance at the beginning of each quarter for operating funding for the quarter. Sewer service charges are the Agency's largest revenue source.

Contributions for Debt Service: Debt service contributions are billed in July and January. Collections are higher in July because the September debt service payment includes principal and interest, while the March payment is interest only.

Contract Services and Program Revenues: These revenues have separate tables and analytical information for each. See below.

Haulers, Permits and Inspection Fees: Revenue from haulers is at approximately 37%, and this revenue type represents septic receiving facility use charges, organic waste disposal tipping fees, industrial waste discharge permit fees, and other services.

Other Non-Operating Revenue: Other non-operating revenues are budgeted at $20K and represents a placeholder for miscellaneous and infrequent items. The Agency is currently receiving state revolving fund loan proceeds for the Renewable Energy Expansion Project agreement.

Interest Income: CAMP posts interest monthly currently at 2.27% and LAIF posts interest quarterly at 2.063% of applicable accounts balances, respectively.

Capacity Charges: Budgeted capacity charges are a placeholder for one residential new connection from SRSD, RVSD, and SD2. Actual capacity charges received represent a mix of residential, commercial, and high strength connections.

Contract Services: The Agency provides services to local agencies for wastewater treatment, collection system operations and maintenance, pump station maintenance, and source control program services. Contract service revenues in total are at 22.5% of budget consistent with amounts for the first quarter ended September 30, 2018. San Quentin Village revenues are for the collection system repair and maintenance services. FOG inspections occurred during the first quarter that generated billings for the quarter.

Contract service revenues are billed to participating entities for the direct costs of materials, total compensation for employee staff time, plus overhead rates for the use of Agency equipment and supplies. Overhead rates are in accordance with standard cost principles for government agencies and range from 10%-22% depending upon the service contract provisions. Wastewater services for San Quentin State Prison (SQSP) consist of wastewater treatment and operations & maintenance (services on the San Quentin pump station and forcemain. Wastewater treatment fee is based on SQSP flow and strength consistent with other JPA members and does not include overhead.

Contract Services Revenues

Contract Services	FY 19 Budget	YTD Actual	Open Invoices	Total Revenue	Actual Expenses	Invoice Frequency
SQSP Wastewater Services	522,405	43,534	87,068	130,602	130,602	Monthly
SQ Village Wastewater Services	45,297	999	2,150	3,149	2,614	Monthly
SQSP Pump Station Maintenance	111,570	9,298	18,595	27,893	24,659	Monthly
SD#2 Pump Stations	394,536	27,626	51,297	78,923	66,286	Monthly
LGVSD - FOG & Pollution Prevention	10,000	-	1,622	1,622	1,338	Quarterly
RVSD – FOG	8,000	-	2,170	2,170	1,953	Quarterly
SRSD – FOG	10,000	-	2,072	2,072	1,865	Quarterly
TCSD – FOG	1,500	-	-	-	-	Quarterly
SD #2 – FOG	2,500	-	2,852	2,852	2,225	Quarterly
Almonte SD-FOG	1,500	-	-	-	-	Quarterly
NSD - Dental Amalgam	1,500	-	-	-	-	Quarterly
TOTAL CONTRACT SERVICES REVENUE	**1,108,808**	**81,456**	**167,825**	**249,281**	**231,541**	

Program Revenues: The Agency administers joint venture programs for Health & Safety (H&S) with the Novato Sanitary District and Countywide Education (CWP) with five participating wastewater agencies. The Agency invoices the Novato Sanitary District (NSD) for its share of the H&S salary and benefit costs at the beginning of each quarter and invoices incidental program expenses and outside safety training costs the month following each quarter. CWP program participants are invoiced annually at the beginning of the fiscal year in accordance with program participant agreements and given credit at the end of each fiscal year for monies unapplied. The Agency invoiced the FY 19 CWP budgets in full as deferred revenue and will recognize amounts as revenue as expenses occur for the purchase of program materials generally in the Spring.

Program Revenues

Program Name	FY 19 Budget	YTD Actual	Open Invoices	Total Revenue	Actual Expenses	Invoice Frequency
Revenue for Health & Safety Program	86,600	8,022	-	8,022	7,287	Quarterly
Countywide Education Program	59,430	13,382	-	13,382	11,375	Recognized quarterly
TOTAL PROGRAM REVENUE	**146,030**	**21,404**	-	**21,404**	**18,662**	

Operating Expenses by Function

Description	FY19 Budget	Budget Transfers	Adjusted FY19 Budget	Budget (25%)	Actual	Budget Remaining	% Spent
Salaries & Wages	5,555,200	(40,000)	5,515,200	1,373,800	1,180,925	4,334,275	21.4%
Benefits	2,758,700	-	2,758,700	689,675	1,022,511	1,736,189	37.1%
Chemicals & Fuel	1,126,900	-	1,126,900	281,725	219,285	907,615	19.5%
Biosolids Management	400,300	-	400,300	100,075	79,176	321,124	19.8%
Permit Testing & Monitoring	148,800	-	148,800	37,200	35,721	113,079	24.0%
Repairs & Maintenance	363,500	-	363,500	90,875	64,360	299,140	17.7%
Insurance	250,800	-	250,800	62,700	220,555	30,245	87.9%
Utilities	317,800	-	317,800	79,450	117,348	200,452	36.9%
General & Administration	900,000	40,000	940,000	235,000	208,661	731,339	22.2%
TOTAL EXPENSES	**11,822,000**	-	**11,822,000**	**2,955,500**	**3,148,542**	**8,673,458**	**26.6%**

Expenses by Department

Description	FY 19 Budget	Budget Transfers	Adjusted FY19 Budget	Budget (25%)	Actual	Budget Remaining	% Spent
Administration	4,734,400	-	4,734,400	1,183,600	1,658,322	3,076,078	35.0%
Maintenance	1,918,900	-	1,918,900	479,725	424,229	1,494,671	22.1%
Operations	3,243,100	-	3,243,100	810,775	697,755	2,545,345	21.5%
Technical Services	1,925,600	-	1,925,600	481,400	368,236	1,557,364	19.1%
TOTAL EXPENSES	**11,822,000**	**-**	**11,822,000**	**2,955,500**	**3,148,542**	**8,673,458**	**26.6%**

Salary & Wages and Benefits: Salary expense includes 6 of 26 payrolls and is a little low at first quarter at approximately 21% due to savings from unfilled positions. Benefit expenses were slightly higher at approximately 37% due to a lump sum payment of the CalPERS unfunded liability employer cost in the first quarter of the year that will balance out as of fiscal year end. The lump sum payment option saved the Agency approximately $18K when compared to the monthly remittance option.

General Purchasing: Expenses and capital disbursements follow purchasing procedures established by policy to ensure protection of public assets, fairness in the purchasing process, and transparency to the public. Purchases are recognized as expenses or additions to capital projects when the goods are received or the services performed.

General & Administrative (G&A): Expenditures are tracking well at approximately 22% of budget. The G&A expense category includes professional services (legal, financial, regulatory, Labor relations, etc.), operating permits, memberships in local, state, and national wastewater organizations, employee certifications, conferences, training, telephone, and office expenses.

Expenses by Department – Continued

Insurance: Insurance is at approximately 88% spent for the first quarter reflecting premiums that are largely paid at the beginning of the fiscal year. General liability is the only premium that is paid on a calendar year basis. The below schedule provides the payment status for insurance coverage. Insurance premiums are paid when policies are renewed and the expenses are prorated between fiscal years based on the policy's coverage time period.

Description	FY 19 Premium	Status
Property Insurance	60,464	FY 19 paid in full
General Liability & Auto	18,246	FY 19 paid through December 2018
Pollution Liability	1,843	FY 19 paid in full
Employee/Commissioners Bond	1,167	FY 19 paid in full
Workers Compensation	135,302	FY 19 paid in full

Repairs & Maintenance: Expenditures for repairs and maintenance are at approximately 18%. Expenditures alone are not necessarily a good indicator of the repair and maintenance activities that are taking place. For example, periods of high expenditures reflect the purchasing of materials and supplies to prepare for upcoming planned maintenance, while periods of low expenditures can relate to staff performing planned maintenance utilizing available parts inventory. Parts inventory is significant at approximately $1.5M total value.

Chemicals & Fuel: Chemicals and fuel are tracking well at approximately 20% of budget. Chemicals are generally used equally throughout the year with certain chemicals used during differing weather conditions. The most chemical deliveries received for the first quarter include calcium nitrate at 8 deliveries and sodium hypochlorite at 10 deliveries. Fuel is used generally equally throughout the year for Agency vehicles and monthly emergency generator testing.

Chemicals	Expenditures as % of Budget	Comments
Ferric Chloride	20%	3 deliveries through August 2018
Polymer-Cationic	0%	No deliveries
Odor Control	42%	2 deliveries through September 2018
Nitrate	37%	8 deliveries through September 2018
Hydrogen Peroxide	19%	6 deliveries through September 2018
Sodium Hypochlorite	17%	10 deliveries through September 2018
Sodium Bisulfite	14%	5 deliveries through September 2018

Biosolids Management: Expenditures were at approximately 20% of budget for the first quarter. Management expenses vary, and are primarily dependent upon seasonal weather-related circumstances: 1) land application during the months of May to November results in lower reuse tipping fee costs when compared to alternate daily cover at the Redwood Landfill, and 2) the volume for disposal is lower during the warmer weather spring and summer months.

Permit Testing & Monitoring: Expenditures are tracking well at approximately 24% of budget for NPDES permit sampling and other contract laboratory analyses costs. Expenditures for this category vary; sampling costs can range widely from $150 to $3,000 each based on the type and frequency of analyses performed. Billing delays often occur during the wet weather season when it takes longer to receive test analyses due to a work back-log at the contracting labs. When the outside laboratory does not provide test analyses in the timeframe specified in the contract, a fee reduction is received for the tests performed.

Utilities: Expenditures for utilities are at approximately 37% of budget for electricity (purchased from MCE through PG&E), natural gas, water, and solid waste through November 2017. The higher utility costs are for using more purchased power than generating power due to construction of the interconnection power project.

Debt Service

Program Name	FY 19 Budget	YTD Actual	Open Invoices (SQSP)	Total Revenue	Actual Expenses	Invoice Frequency
Principal	2,330,000	2,165,639	29,884	2,195,523	2,330,000	JPA: Annual SQSP: Monthly
Interest	1,643,206	785,045	21,075	806,121	839,078	JPA: Biannual SQSP: Monthly
Debt Service Coverage	993,301	737,671	12,740	750,411		JPA: Biannual SQSP: Monthly
TOTAL DEBT SERVICE	**4,966,507**	**3,688,355**	**63,699**	**3,752,054**	**3,169,078**	

The debt service payment for principal and interest shown above represents the standard scheduled payment per the 2015 refunding revenue bonds amortization schedule. Debt service coverage is billed at 25% of the debt service payment to be made. The larger payment to be made consisting of principal and interest is due September 1 of each year, and the smaller payment due March 1 of each year is interest-only.

Capital Improvement Program

Description	FY 19 Budget	Transfers	Adjusted Budget	Actual	Budget Remaining	% Spent
Salaries & Benefits	185,200	-	185,200	-	185,200	0.0%
Facility Improvements	557,500	-	557,500	185,432	372,068	33.3%
General Equipment	474,600	Net -0-	474,600	146,549	328,051	30.9%
Liquids Treatment Equipment & Systems	1,220,200	-	1,220,200	81,725	1,138,475	6.7%
Solids Treatment & Energy Generation Equipment & Systems	445,000	-	445,000	58,278	386,722	13.1%
TOTAL	**2,862,500**	**-**	**2,882,500**	**471,984**	**2,410,516**	**16.4%**

Capital Improvement Program – Continued

Total capital program expenditures amount to approximately $472K as of the first quarter. There are payments made for numerous projects with each of the capital improvement program categories of (1) Facility Improvements, (2) General Equipment, (3) Liquids, Treatment Equipment and Systems, and (4) Solids, Treatment and Energy Generation Equipment and Systems. Specific projects and their status can be viewed at the Monthly Budget to Actual Project Report, attached. Salaries and benefits for in-house staff are generally charged at year-end and allocated between certain projects on the basis of the proportion of project expenditures in relation to the total of applicable project expenditures.

Central Marin Sanitation Agency
Capital Improvement Program

Monthly Budget to Actual Project Report
For Period 03 Ending September 30, 2019 25% of FY 2018-19

Current Year

Project Title	PM	Annual Budget Amount	Adjusted Annual Budget	YTD Project Payments	Annual (Over) Under	Annual % Spent	Comments
Facility Improvements							
Effluent Strg Pond Rehab TSM	**TSM**	**-**	**-**	**-**	**-**	**-**	No planned activities and funds for this project in FY19
Agency Facilities Master Plan	**TSM**	**30,000**	**30,000**	**20,902**	**9,098**	**69.67%**	Carollo completed and published the final master plan.
Industrial Coat/Concrete ReHab	TSM	215,000	215,000	119,697	95,303	55.67%	Construction is in close-out phase.
Outfall Inspection/Repairs TSM	TSM	33,000	33,000	1,291	31,709	3.91%	No planned activities this quarter
Maintenance Fclty Modification	**TSM**	**-**	**-**	**-**	**-**	**-**	No planned activities and funds for this project in FY19
Facility Improvements TSM	TSM	44,000	44,000	19,908	24,092	45.24%	Awaiting installation on Anex #2 roll-up doors
Facility Paving/Site Work TSM	TSM	200,000	200,000	6,818	193,182	3.41%	Construction work completed in late September.
Hillside Slope Stabilization	**TSM**	**35,500**	**35,500**	**16,816**	**18,684**	**47.37%**	Bid documents preparation in progress. Repair will be funded by FEMA.
Facility Roofs Rehab TSM	**TSM**	**-**	**-**	**-**	**-**	**-**	No planned activities and funds for this project in FY19
SHB Elevator Control Replacmnt	**TSM**	**-**	**-**	**-**	**-**	**-**	No planned activities and funds for this project in FY19
Facility Structures Seismic	**TSM**	**-**	**-**	**-**	**-**	**-**	No planned activities and funds for this project in FY19
		$ 557,500	**$ 557,500**	**$ 185,432**	**$ 372,068**	**33.26%**	
General Equipment							
Process Control ISA	ISA	30,000	30,000	-	30,000	0.00%	
Security/Fire Systems TSM/ISA	TSM	25,000	25,000	6,446	18,554	25.79%	Annual and 5-year inspections are complete.
Fuel Storage Tanks MS/TSM	TSM	-	-	-	-	-	An additional alarm feature will be added per County Inspector's request. Staff is obtaining quotes for the work.
IT Hrdwr/Communication Eqp ISA	ISA	66,200	66,200	29,357	36,843	44.35%	Purchased business computer and installation is underway.
Agency Vehicle Replacement MS	MS	95,400	95,400	23,692	71,708	24.83%	GM vehicle has been procured , Pump station rounds vehicle to be delivered 11/08/18
Laboratory Equipment LD	LD	85,000	105,000	50,752	54,248	48.33%	Budget transfer from 7420-701-00 for composite samplers and additional refridgerator expense. BOD system scheduled for November installation. Samplers have been purchased. Refridgerator has been purchased and installed.
Electrical Equipment MS	MS	100,000	100,000	14,992	85,008	14.99%	General parts procurement
Plant Lighting MS	MS	22,000	22,000	12,205	9,795	55.48%	Staff awaiting delivery of lighting and supplies for annual installation
Process Instrumentation MS	MS	31,000	31,000	9,105	21,895	29.37%	Final effluent PH Meter replaced.
Electrical Distribution Rehab	MS	-	-	-	-	-	No planned activities and funds for this project in FY19
		$ 454,600	**$ 474,600**	**$ 146,549**	**$ 328,051**	**30.88%**	
Liquids Treatment Equipment and Systems							
Bio-Tower Rotary Dstrb Rplcmnt	**TSM**	**-**	**-**	**-**	**-**	**-**	No planned activities and funds for this project in FY19
Plant Pumps MS	MS	63,300	63,300	48,935	14,365	77.31%	Digested sludge heating recirculation pumps are on order.
Chemical Pumps MS	MS	80,600	80,600	1,006	79,594	1.25%	Comments have been given to vendor on submittal package, awaiting return comments.
Gates Rehabilitation MS	**MS**	**436,400**	**436,400**	**-**	**436,400**	**0.00%**	Equipment sole source approval being submitted to Commission at December meeting.
Headworks Equipment MS	**MS**	**27,400**	**27,400**	**7,105**	**20,295**	**25.93%**	Grit screw replacement order received.
Odor Control System Improvemnt	**TSM**	**-**	**-**	**-**	**-**	**-**	No planned activities and funds for this project in FY19
Process Tank Maintenance MS	MS	70,000	70,000	19,633	50,367	28.05%	Acess gates and materials have arrived, installation in spring 2019.
Primary Clarifier Improvement	**MS**	**40,000**	**40,000**	**-**	**40,000**	**0.00%**	In submittal phase.
Secondary Clarifiers Rehab MS	**TSM**	**150,000**	**150,000**	**-**	**150,000**	**0.00%**	In pre-design phase.
RAS/WAS Pump Replacement TSM	**TSM**	**-**	**-**	**-**	**-**	**-**	No planned activities and funds for this project in FY19
Aeration System Rehabilitation	TPM	20,000	20,000	-	20,000	0.00%	staff working to source new channel diffusers
Process Pipe Inspect'n/Repairs	**TSM**	**190,000**	**190,000**	**-**	**190,000**	**0.00%**	staff is working on consultant RFP on this project.
Chemical Tanks MS	MS	45,000	45,000	-	45,000	0.00%	In submittal phase.
Piping-Valves-Operators MS	MS	72,500	72,500	5,046	67,454	6.96%	staff awaiting delivery of Sodium bisulfate tank discarge valves and actuators for replacement
CCT Valve Rehabilitation TSM	**TSM**	**-**	**-**	**-**	**-**	**-**	No planned activities and funds for this project in FY19
Influent Flow Meter Replacemnt	MS	25,000	25,000	-	25,000	0.00%	staff is working on consultant RFP on this project.
		$ 1,220,200	**$ 1,220,200**	**$ 81,725**	**$ 1,138,475**	**6.70%**	

Central Marin Sanitation Agency
Capital Improvement Program

Monthly Budget to Actual Project Report
For Period 03 Ending September 30, 2019 25% of FY 2018-19

Project Title	PM	Current Year: Annual Budget Amount	Adjusted Annual Budget	YTD Project Payments	Annual (Over) Under	Annual % Spent	Comments
Solids Treatment and Energy Generation Equipment and Systems							
Emergency Generator Improvemnt	TSM	-	-	-	-	-	No planned activities and funds for this project in FY19
Digester Insp & Cleaning OS	EM	-	-	-	-	-	No planned activities and funds for this project in FY19
Centrifuge Maintenance TSM/MS	**MS**	**40,000**	**40,000**	**-**	**40,000**	**0.00%**	Equipment is out for refurbishment.
Cogeneration Maintenance	**MS**	**145,000**	**145,000**	**31,671**	**113,329**	**21.84%**	Work scheduled to begin in December.
Hot Water Systems MS	MS	14,900	14,900	-	14,900	0.00%	Awaiting quotes for insulation replacement
Digester Mixing Pump Study TSM	**TSM**	**-**	**-**	**-**	**-**	**-**	No planned activities and funds for this project in FY19
Boilers Rehab or Replace	MS	74,500	74,500	-	74,500	0.00%	Major cleaning and testing scheduled for 11/14/18.
Sludge Recirc Pump Grinders MS	MS	18,900	18,900	-	18,900	0.00%	Awaiting quote for replacement grinder
Biosolids Hoppers-Maintenance	MS	-	-	-	-	-	No planned activities and funds for this project in FY19
Organic Waste Facility Equip	**MS**	**51,700**	**51,700**	**16,388**	**35,312**	**31.70%**	Replacement rock trap grinder is on order expected to arrive end of November.
PG&E Inter-Connection TSM	TSM	100,000	100,000	10,219	89,781	10.22%	
		$ 445,000	**$ 445,000**	**$ 58,278**	**$ 386,722**	**13.10%**	
TOTAL CIP COST (excluding staff costs)		**$ 2,677,300**	**$ 2,697,300**	**471,984**	**$ 2,225,316**	**17.50%**	

Central Marin Sanitation Agency

BOARD MEMORANDUM

November 8, 2018

To: CMSA Commissioners and Alternates

From: Kevin Lewis, Assistant Maintenance Supervisor

Approved: Jason Dow, General Manager JD

Subject: FY 2019 Asset Management Program – 1st Quarter Report

Recommendation: Informational, provide comments or direction to the General Manager, as appropriate.

Summary: Staff publishes quarterly Asset Management (AM) reports in October, January, and April, and the annual report is presented in July. CMSA's first quarter report is below.

<u>First Quarter Highlights</u>

1. <u>Influent Channel Isolation Gate Replacement Project</u> – There are 12 channel isolation gates on the Primary Clarifier Influent Deck. These gates are configured to provide several different options for conveying wastewater to the primary clarifiers, based on the process's requirements at a given time. The activity of replacing these gates began in 2014 after physical gate assessments determined that all fourteen gates were at or nearing the end of their useful lifecycles. For the past four years, staff has been removing and replacing these gates systematically, based on their condition and criticality. The final four gates were replaced this past quarter, and required flow diversions for staff to safely access their work areas. One night in July, a confined space entry (CSE) was performed to install a temporary "coffer" dam which would allow staff safe access to these gates on one side of the dam and allow primary treatment to continue normally on the other. Once work on one side was completed, the process was switched to the other side. Another midnight flow diversion and CSE were performed in August to remove the temporary dam. Staff also took advantage of the opportunity to rehabilitate the gate's actuators and base plates, which were also subject to years of outdoor exposure.

2. <u>Triangle Pit Isolation Gate Replacement</u> – The triangle pit is a multi-use drain sump that is used when process diversions are required for maintenance activities, or more importantly, to convey blended effluent to the Agency's 7.1 million-gallon storage pond during wet weather events, to meet an NPDES permit requirement to reduce blended effluent discharges to San Francisco Bay. Technicians recently replaced the originally

installed manually-operated cast iron gate, which separates the secondary effluent channel from the effluent storage pond, with an automated stainless steel upgrade. The original gate required the attention of two staff members, one to open the gate and the other to observe wastewater flow conditions, often during inclement weather. The new automated gate has been programmed to operate based on input signals from the treatment plant's blend channel gate and liquid-level indicating equipment, which have been calibrated with the effluent pond's holding capacity. Automating this process allows on-site staff to concentrate on other duties during wet weather events while ensuring permit compliance.

3. Reclaimed Water Piping Replacement Project – There are seven primary clarifiers in the treatment plant, five of which were originally constructed in 1985. These five original clarifiers contain several hundred feet of recycled water piping that supply the individual process tanks and the general area with recycled water. Most of this piping was originally installed with the clarifiers and is slowly deteriorating, having been subjected to more than 30 years of UV radiation and various weather conditions. Several years of maintenance data indicated that unscheduled corrective maintenance in this area was increasing. As these process tanks were removed from service for annual maintenance, technicians removed and replaced the existing recycled water piping, isolation valves, and hose spigots. Technicians improved the system by rerouting the new piping under the tank walkways to limit UV exposure, and used a new generation of chlorine resistant PVC cement to limit leaks at joint connections.

4. Cogeneration System Generator Repair Project – The Agency's cogeneration system typically produces 95% of the electricity needed to power the Agency. In August, in the middle of the peak power demand season, the system's Kato generator experienced a failure which required a complete rewiring of the unit. To limit down time, staff designed and built a cart to remove the 7,500 pound generator. Agency electricians carefully disconnected, marked, and noted electrical lead positions for reference in the reinstallation. The generator was then carted onto a truck for delivery to the repair facility. The rewiring of the generator and shop testing took approximately two and a half weeks to complete. The generator was delivered back to the Agency on a Thursday morning, and staff expertly coupled the generator to the cogeneration engine, electricians completed the wiring, and CMSA was back to producing green power on Friday afternoon.

Asset Inventory

The Asset Parts Inventory is comprised of critical spare parts for Agency equipment, and consumable items designated for CMSA's contract collection agencies–Sanitary District No. 2 (Corte Madera), San Quentin State Prison, and San Quentin Village Sewer Maintenance District. Spare parts for CMSA and San Quentin Village are kept at CMSA site-specific parts rooms, Sanitary District No. 2 parts and equipment are stored at Paradise pump station, and San Quentin State Prison parts and equipment are stored at the San Quentin pump station.

Staff conducted a review of Agency assets tracked within the computerized maintenance management systems (CMMS) asset tree. This quarterly exercise is performed to verify active assets within the system. As Agency-managed projects or regularly scheduled maintenance work is completed, both new and old assets must be accounted for in an asset inventory count. Along with entering new and removing obsolete assets from the asset tree, staff removed improperly grouped or classified assets, and removed additional non-critical assets valued under $5,000, the Agency's established tracking limit for assets within the CMMS system. In all, 94 items were entered, reclassified, or removed from the CMMS asset tree this past Quarter.

Asset Locations	Total Assets
CMSA	2,428
Sanitary District #2	362
San Quentin Prison	30
San Quentin Village	5

Parts Inventory	Parts Quantity	Total Value
CMSA	26,344	$1,488,446
Sanitary District #2	283	$162,141
San Quentin Prison	36	$47,354
San Quentin Village	2	$1,124

<u>Asset Improvements, Repairs, and Refurbishment Work</u>

1) CMSA Capital Improvement Project Work

Projects in the table below are capital projects that were completed or were in progress over the past quarter. For some of the projects, CMSA staff performed the work alongside contractors.

Project Name	CMSA Staff Cost	Total Cost	Status
Triangle Pit Isolation Gate	$2,061	$27,726	Complete
Process Return Pumps and Bases.	$4,677	$23,714	Complete
Primary #5 Weir Replacement	$6,632	$11,989	Complete
Chemical Storage Facilities Coating	$1,112	$117,800	Complete
Facility Paving	$0	$60,629	In Process

2) CMSA Asset Management Improvements

Projects in the table below are considered routine, recurring, and usual maintenance work for the preservation and protection of Agency assets. CMSA labor and materials costs are included to determine the overall cost to perform a specific task.

Area	Equipment	Improvement	Total Cost	Comments
Headworks	Influent Channel Isolation Gates	Installed new gates	$33,674	Installed four new aluminum gates, repaired concrete, and refurbished and coated the gate's actuators and pedestals.
Headworks	Site Sump	Rebuilt a submersible sump pump	$13,036	Replaced impeller, volute, cutter bar, back plate, and power cord.
Primary Clarifiers	Primary Scum Pump	Installed new pump	$14,028	New progressive cavity pump and hardware was installed along with a new stainless pump base and supports.
Primary Clarifiers	Sludge collector drive chains	Replaced chains	$4,929	Replaced non-metallic chain and installed new chain tensioners where needed.
Aeration	Isolation Sluice Gates	Replaced gate actuator mounting plates	$12,236	Replaced existing mounting plates, repaired failed concrete in the influent splitter box, and calibrated the actuators.
Secondary Clarifiers	All Four Process Tanks	Annual preventative maintenance	$5,896	Replaced lubricants, wear parts, and inspected drive motors and gear boxes.
Chlorine Contact Tanks	Head Analyzer Composite Sampler	Installed new sampler	$7,430	Installed refrigerated sampler, stilling well, drain line, and configured piping.
Solids Handling	Process Return Pumps	Installed new pumps and base plates	$23,714	Replaced both pumps and installed new stainless steel base plates. Painted all new pumps.
Solids Handling	TWAS Pump Nos. 1 and 2	Annual preventative maintenance	$7,950	Replaced lobes, wear plates, cartridge seals, housings, and lubricants.

Area	Equipment	Improvement	Total Cost	Comments
Energy Generation	Cogenerator	Generator refurbishment	$50,797	Rewound stator, cleaned and tested rotor, and installed new front and rear bearings.
Energy Generation	Cogenerator	2,000 hour maintenance procedure	$5,939	Replaced oil and air filters, and lubricants. Adjusted intake and exhaust valves.
Gallery A	Isolation Valves	Installed new plug valves	$2,678	Replaced three 4" eccentric plug valves.
Gallery C	Sump Pumps	Installed new pumps	$1,173	Replaced both pumps, installed new drip trays, and replaced piping as needed.
Gallery G	Sump Pumps	Installed new pump	$3,095	Replaced one pump, installed a new drip tray, and replaced piping as needed.
Outfall	Effluent Chlorine Residual Sampler	Stilling well and pH meter improvements	$3,204	Replaced base with stainless steel, fabricated new motor mounts, removed old basket strainer and piping, and installed a new effluent sample supply line to the pump.
Organic Waste Receiving Facility	Digester Feed Pump	Installed new hose	$1,527	Replaced EPDM hose and hose lubricant.
RV Peroxide Station–Odor Control	Metering Pumps	Installed two new pumps	$10,476	Installed gear pumps with new wiring, VFD's, and PLC controls. Integrated controls into SCADA.

3) CMSA Maintained Assets (San Quentin Prison, Sanitary District #2, San Quentin Village)

Maintenance work performed over the year on collection agency assets by CMSA staff, an approved contractor, or service provider.

Asset Owner	Asset	Improvement	Total Cost	Comment
SD2	Paradise Pump Station Transfer Switch	Annual service and repair	$5,941	Repaired leaking gear rack, replaced failed HMI, and replaced broken contacts.
San Quentin Prison	Effluent Pumps	Motor relocation	$56,764	Converted three shaft-driven pumps to direct-coupled pumps.

Work Orders – First Quarter FY 2019

A work order is a written request that a preventive, corrective, or unplanned corrective maintenance task or project be performed. Work orders are typically generated and sent internally from one department to another. Shown in the table below are the types of work orders prepared by staff, the annual work orders completed, and the total labor hours, by type, to complete the work orders.

Work Order Type	# of WO's	% of Total WO's	Labor Hrs.	% of Total Hrs.
Preventative Maintenance (PM)	200	42.19%	685.50	8.19%
Corrective-Planned	128	27.00%	1,285.50	15.36%
Corrective-Unplanned	53	11.18%	466.25	5.57%
Improvement Project Work	2	0.42%	227.50	2.72%
Coating Projects	9	1.9%	141.00	1.68%
Safety	15	3.16%	88.50	1.06%
Professional Development/Staff Meetings	21	4.43%	282.00	3.37%
Facilities Administration/Housekeeping	30	6.33%	1,130.00	13.50%
Process Control and Facility Operations	16	3.38%	4,063.40	48.55%
Total	**474**	**100%**	**8,396.65**	**100%**

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Central Marin Sanitation Agency

BOARD MEMORANDUM

November 8, 2018

To: CMSA Commissioners and Alternates

From: Jason Dow, General Manager JD

Subject: Maintenance Department Reorganization

Recommendation: Approve the reorganization of the Maintenance Department.

Discussion: On June 30, 2018, the Agency's long-time Assistant Electrical Maintenance Supervisor, Kit Groves, retired, and his supervisory position was replaced with a electrical/instrumentation (E/I) technician classification. After Mr. Groves' retirement, the Assistant Maintenance Supervisor began to directly supervise the department's three E/I technicians. Since then, staff has scoped out and discussed a few alternative methods to improve the effectiveness of the supervisory structure in the Maintenance Department.

The attached Maintenance Department Organizational Chart shows the current structure and a proposed structure. The first step to implement the proposed structure was development of a new first-line supervisor classification to oversee the work of the department's mechanical technicians. The new classification, a Lead Mechanical Technician, was accepted by SEIU 1021 and then approved by the Board at its October meeting. Staff now proposes to reorganize the department structure as shown on the attached chart, and if approved by the Board, staff will conduct an internal recruitment for the new Lead position. A brief summary of the department's supervisory positions with their work focus, prepared by the Treatment Plant Manager, is presented below.

(1) <u>Maintenance Supervisor (MS)</u>– This position will focus less on working Supervisor duties and more on higher level managerial skill sets, and has three direct reports – Assistant Maintenance Supervisor, Lead Mechanical Technician, and Maintenance Lead Worker.

The MS focus is on personnel management, CIP and department budgeting development and oversight, managing the collection system agreement work activities, asset management/CMMS, material and supply procurement, department-wide planning and scheduling, work assignment QA/QC, and delivering special projects.

(2) <u>Assistant Maintenance Supervisor (AMS)</u> – This position will be a working supervisor position with three E/I technicians direct reports, and indirectly oversees the Lead Mechanical Technician and Maintenance Lead Worker.

The AMS focus is to directly back up the MS, personnel management of direct reports, asset management/CMMS, work order tracking and processing, purchasing, all work associated with the emergency and cogeneration systems, assisting with CIP and department budgeting, work assignment QA/QC, and delivering special projects an assignments.

(3) Lead Mechanical Technician (LMT) – This is a working "first line" supervisor position with the responsibility of scheduling mechanical technician work assignments with oversight from the MS. This position also ensures parts and materials are available and staged for all preventative maintenance and project work.

The LMT focus is planning and scheduling work for the mechanical technicians, asset management/CMMS, work order processing, purchasing, inventory control, completing assigned field work, maintenance technician work assignment QA/QC, assisting with the development of work plans, providing feedback on the mechanical technicians' annual personnel evaluations, and backs up the AMS or MS as necessary.

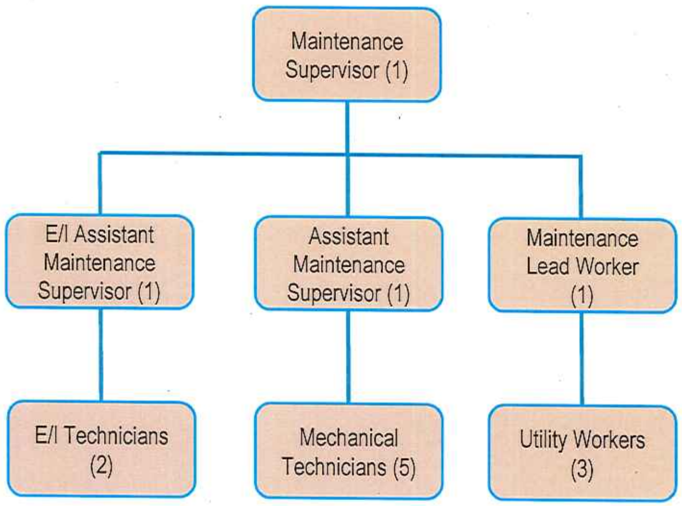
(4) Maintenance Lead Worker (MLW) – This is a working "first line" supervisor position with the responsibility of scheduling utility worker work assignments with oversight from the MS. It also ensures parts, materials, and all consumables are available and staged for all utility projects and custodial work.

The MLW focus is planning and scheduling the work activities for the utility workers, asset Management/CMMS, utility worker work order processing, purchasing, inventory control, completing assigned field work, utility worker assignment QA/QC, assisting with the development of the utility workers' work plans, providing feedback on the utility workers' annual personnel evaluations, and backs up AMS and MS as necessary.

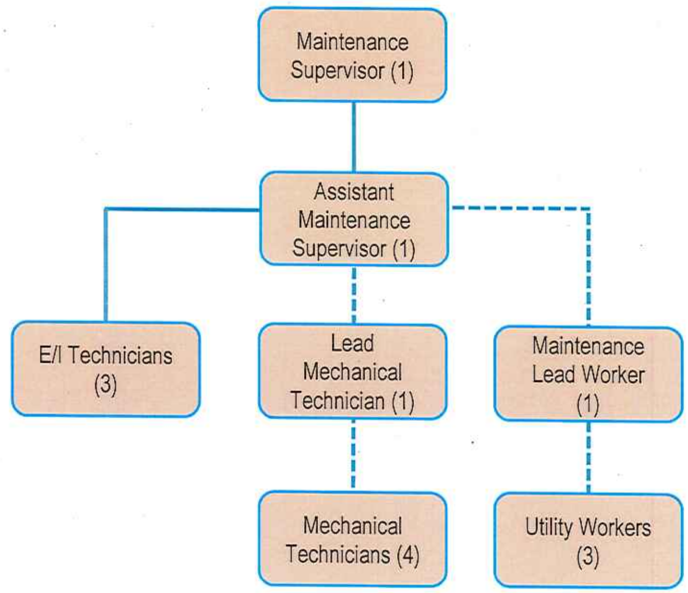
Attachment:
- Maintenance Department Organizational Chart: November 2018

Maintenance Department
Organizational Chart
November 2018

CURRENT



PROPOSED



Central Marin Sanitation Agency

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BOARD MEMORANDUM

November 8, 2018

To: CMSA Commissioners and Alternates

From: Jacky Wong, Assistant Engineer
Jason Dow, General Manager JD

Subject: **Sole Source Authorization to Specify Motorized Actuators for Use in the Primary Gates Rehabilitation Project**

Recommendations: Approve sole source authorization to specify Rotork motorized actuators for the Primary Gates Rehabilitation Project.

Summary: The upcoming Primary Gates Rehabilitation Project (Project) includes replacing ten primary clarifier gates' hydraulic actuators with electric motorized actuators, and installation of new electrical distribution and control system for the gates. Engineering staff is preparing the construction contract documents, and is seeking authorization to sole source specify Rotork motorized actuators in the contract's technical specifications.

Discussion: Throughout the treatment plant there is an extensive system of valves and gates to direct the flow of water and sludge. The existing actuators on five of the treatment plant's primary clarifiers are 30 years old and can only be controlled locally. Over the past ten years, beginning with the Wet Weather Improvement Project, CMSA has standardized on the use of Rotork motorized actuators in order to minimize spare parts inventory, simplify maintenance work and training, and integrate their operation with the process control system for remote control. Approximately fifty Rotork motorized actuators have been installed at the Agency to date, most recently to provide remote control of the effluent storage pond slide gates during wastewater blending events.

Public Contract Code (PCC) Section 3400 allows sole sourcing equipment in contract specifications if they are "to match existing products in use on the particular public work." Since the Agency has been exclusively procuring and installing Rotork actuators on numerous gates and valves, staff recommends the Board authorize Rotork to be specified as the manufacturer in the actuator specifications in the Project. Staff intends to bring the Project's contract documents to the January 2019 meeting for Board acceptance and authorization for public bidding. Contract award to the lowest responsive responsible bidder is planned for March 2019.

Project Budget: The Agency's FY 19 Capital Improvement Program has $436,400 allocated for the Project, which includes procurement of the ten Rotork motorized actuators by the Project's low bidder.

Alignment with Strategic Plan: This activity supports Goal 1 – Objective 1.4 in the Agency's FY19 Business Plan as shown below.

Goal One:	*CMSA will continue to operate and maintain its wastewater facilities to produce high quality effluent and biosolids, within a changing regulatory environment*
Objective 1.4:	*Deliver Projects from the Agency Facilities Master Plan*
Action:	*Replace the Primary Clarifier hydraulic gate units*

Central Marin Sanitation Agency

BOARD MEMORANDUM

November 8, 2018

To: CMSA Commissioners and Alternates

From: Jason Dow, General Manager JD

Subject: Proposed Revisions to the Agency's Sewer Use Ordinance – First Reading

Recommendation: Review the proposed revisions to the Agency's Sewer Use Ordinance, and set the public hearing for the Ordinance at the December Board meeting.

Summary: Staff has reviewed and made numerous revisions to the Agency's 2013 Sewer Use Ordinance (SUO), to comply with US Environmental Protection Agency (EPA) audit recommendations, add useful provisions from the EPA SUO model, incorporate certain provisions from the federal pretreatment regulations and streamlining rules, and make editorial revisions to improve readability. Since the number of changes is significant, staff is presenting the SUO changes at the November Board meeting, and recommends scheduling the public hearing at the December meeting. Prior to the hearing, staff will publish a summary of the proposed SUO in the Marin Independent Journal newspaper.

The proposed SUO, 2018-2, is enclosed and is posted on the Agency's website.

Discussion: Every several years, the EPA audits our pretreatment program, which involves an EPA representative reading the Agency's SOU, reviewing our pretreatment and pollution prevention program files and records, and accompanying staff to inspect an industrial discharger. On March 3, 2017, the EPA performed an audit and issued an audit report on February 20, 2018 that required several SUO revisions to comply with federal pretreatment standards that had changed since their last audit in 2013. Staff responded to the audit letter on April 17, 2018, and informed the Regional Water Board and EPA that the Agency will update its SUO by the end of calendar year 2018.

In addition to revising the SUO to comply with the audit recommendations, staff took this opportunity to perform a careful and thorough review of the entire SUO to identify other changes and edits to improve the document, as that level of review had not been performed since the current version of the SUO was developed and adopted in 1995.

Staff incorporated the EPA Pretreatment Audit recommended and required changes in the SUO, which are shown below and include the specific section reference in the Code of Federal Regulations.

- Added the definition of a New Source to Section 4.2 to mirror the definition found in 40 CFR 403.3(m).

- Added to Section 4.3 the authority to incorporate best management practices (BMPs) in individual wastewater discharge permits pursuant to 40 CFR 403.3(e), 403.5(c)(4), 403.8(f), and 403.12(b), (e), and (h).

- Specific sampling requirements that were cross referencing 40 CFR 403.12(g)(3) and (4) have been incorporated directly into Section 4.4.

- Section 4.5 has a new optional streamlining provision to forego the sampling of a pollutant regulated by a categorical pretreatment standard if the industrial user has demonstrated that the pollutant is neither present nor expected to be present in the discharge as detailed at 40 CFR 403.8(f)(2)(v) and 403.12(e).

Additional proposed revisions are detailed in Attachment 1, prepared by Lab Director Mark Koekemoer, by SUO section and subsection. Many of the changes reference specific sections in the Code of Federal Regulations (CFR) and the EPA model SUO.

Attachment:
1) Sewer Use Ordinance Proposed Changes

Attachment 1 – Sewer Use Ordinance Proposed Changes

Section 1

Subsection C – Administration

- Added section to provide legal authority requirement outlined by 40 CFR 403.8(f)

A POTW pretreatment program must be based on the following legal authority and include the following procedures. These authorities and procedures shall at all times be fully and effectively exercised and implemented.

(1)Legal authority. The POTW shall operate pursuant to legal authority enforceable in federal, state or local courts, which authorizes or enables the POTW to apply and to enforce the requirements of sections 307 (b) and (c), and 402(b)(8) of the Act and any regulations implementing those sections. Such authority may be contained in a statute, ordinance, or series of contracts or joint powers agreements which the POTW is authorized to enact, enter into or implement, and which are authorized by state law. At a minimum, this legal authority shall enable the POTW to:

Subsection D – Analytical and Sampling Methodology and Procedures

- Removed and reassigned to Section 7 – Inspection and Sampling.

Section 2

Subsection A – Definitions and Abbreviations

- Added seventeen new definitions to align with the EPA recommended Sewer Use Ordinance Model.

Section 3

Subsection B – Specific Prohibitions

- Specific prohibition section was updated to include storm water, truck or hauled pollutants, sludge screenings and medical waste. These prohibitions are permitted with CMSA authorization.
- Streamlined and removed repetitive language.

Subsection D – Local Limits

- Local limits updated with new limits identified within the 2018 Local Limit Evaluation submitted to the Regional Water Quality Control Board in July 2018.

Section 4

- Minor editorial changes throughout.

Section 5

Subsection C (3) – Permit Requirements

- Language provided outlining major sections required within individual or general wastewater permits provided by the US EPA Industrial User Permitting Guidance Manual (833-R-12-001A). These are included in the SUO Attachment.

Subsection C (5) – Permit Limitations

- Language provided to align with 40 CFR 403, summarizing length of permit term and provide legal discretion of term by CMSA.

Subsection C (8) – Permit Suspension

- Language inserted to provide examples of legal argument for permit suspension or denial. Section aligned with the recommended EPA Sewer Use Ordinance Model.

Subsection D (3) – Administrative

- Language provided to recoup administrative fees associated with CMSA and/or Legal enforcement. Section aligned with the recommended EPA Sewer Use Ordinance Model.

Subsection F – Certification Statements

- Section inserted to align with 40 CFR 403 requirements and the recommended EPA Sewer Use Ordinance Model. Model certification statements are shown in the SUO Attachment.

Section 6

Subsection A (4) – Bypass Notification

- Language provided specific prohibition and considerations for bypass approval to align with 40 CFR 403 requirements and the recommended EPA Sewer Use Ordinance Model.

Subsection A (6) – Monitoring Waivers

- Language provided to allow agency flexibility under EPA streamlining rule to provide monitoring waiver for Users under consistent documented compliance. The section is aligned with 40 CFR 403 requirements and the recommended in the EPA Sewer Use Ordinance Model. Waiver conditions are shown in the SUO attachment.

Subsection B (1) – Baseline Monitoring Report

- Language added to provide specific documentation and requirements outlined with 40 CFR 403 and in the recommended EPA Sewer Use Ordinance Model. The SUO attachment includes the required report information.

Subsection B (3) – Compliance Schedule Progress Reports

- Language added to provide specific requirements outlined with 40 CFR 403 requirements and in the recommended EPA Sewer Use Ordinance Model.

Subsection G – Date of Receipt of Reports

- Language added to provide direction to reporting requirements recommended within the EPA Sewer Use Ordinance Model as to when reporting will be considered late relative to reporting due dates.

<u>Section 7</u>

Subsection A (5) – Inspection Procedure

- Language added to require Users to install flow monitoring equipment at the determination of CMSA. Language was added to align with 40 CFR 403 requirements and in the recommended EPA Sewer Use Ordinance Model.

Subsection C – Sampling

- Language added to outline appropriate Good Laboratory Practices (GLP) sampling mechanisms not outlined in 40 CFR 136, but outlined in 40 CFR 403 requirements and in the recommended EPA Sewer Use Ordinance Model.

<u>Section 10</u>

Subsection A – Enforcement

- Language added to provide descriptive outline of enforcement procedures for NOV's, Compliance Orders, Cease & Desist Orders, Suspension of Service, Administrative Civil Penalties, etc. Language was added to align with 40 CFR 403 requirements and in the recommended EPA Sewer Use Ordinance Model.

<u>Section 14</u>

Effect of Adoption of Ordinance 2018-2 on Ordinance 2013-1

- Legal language added to provide regulatory update flexibility to CMSA to allow for future EPA 40 CFR updates without full Ordinance review and update.

Central Marin Sanitation Agency

6

BOARD MEMORANDUM

November 8, 2018

To: CMSA Commissioners and Alternates

From: Kenneth Spray, Administrative Services Manager

Approved: Jason Dow, General Manager JD

Subject: Fiscal Year 2017-18 Audited Financial Statements

Recommendation: Accept the Agency's FY 18 audited financial statements, and provide comments or direction to the General Manager, as appropriate.

Summary: The Agency's audited financial statements for the FY 18 are enclosed for your review. The report contains four sections, Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, and the Independent Auditor's Report on Internal Control and Compliance with Other Matters. The auditor, Mr. John Cropper of Cropper Accountancy Corporation, will provide a brief overview of the audit report and its contents and answer any questions you may have. The report is also available on the Agency's website at http://www.cmsa.us/finance. The audit received a clean opinion and there were no management letter comments or findings.

Discussion: The annual audit consists of two parts. The first is preliminary fieldwork with emphasis on internal controls, and the second is known as final work with emphasis on analysis of account balances. Both portions of the audit went well, were smooth, and were timely. The Agency received a clean opinion and there were no findings of items not in conformance with policy or procedures. The audited financial statements will be incorporated into the Agency's Comprehensive Annual Financial Report (CAFR) and it will be submitted to the Government Finance Officers Association (GFOA) for an award. Information from the audited financial statement will be summarized and included in the Popular Annual Financial Report (PAFR), which will also to be submitted to the GFOA for an award.

As described in the Management's Discussion and Analysis (MD&A) section of the audit report, there was a decrease in the FY 18 net position in the amount of ($399,727) that consists of a current year decrease in net position of ($23,907), a correction of fixed assets accumulated depreciation in the amount of ($268,080), addition of inventory on the books for materiality in the amount of $1,789,119, and implementation of GASB No. 75 for Other Post-Employment Benefits (OPEB) for ($1,896, 859). The current year net decrease in net position for ($23,907) is after depreciation and amortization of $3,995,080, non-cash, and reflects near break-even for the fiscal year 2017-18. Accumulated depreciation had previously been accounted for on a spreadsheet and is now accounted for within the accounting software. The unfunded liability for OPEB in the amount of ($1,896,859) was brought onto the books with implementation of GASB No. 75. Future year's changes will be small in relation to first year implementation. Footnote disclosure for GASB No. 75 is similar to that of pension, GASB 68, and is four pages in length for such things as a description of the plan, actuarial assumptions used, a description of the assets, changes in the liability in relation to the measurement data, and additional required supplementary information.

Operating income was up overall in the amount of approximately $283,000 due to a scheduled service charge increase of 4%, a scheduled capital fee increase of $100,000, interest income doubling for an additional approximate $100,000, and FEMA proceeds for the landslide repair project. Contract maintenance and other operating revenues were down due to less flow/strength derived revenue from from San Quentin State Prison and less FOG (Fats, Oil, & Grease) program revenues.

Operating expenses overall were down due to vacant positions reducing salaries and benefits costs, less revenue bond interest expense due to a declining principal balance, and well-managed operating expense accounts. There were no claim liabilities arising during FY 18 or unusual expenses.

There were a number of projects completed in FY 18, including the Maintenance Facility Modifications and other building projects ($1,727,716), various pump refurbishments and replacements ($94,687), various machinery and equipment procurement ($372,506), various hardware, software, and lab equipment purchased ($228, 606), and replacement of several vehicles ($41,573).

Cash increased approximately $574,000 during the fiscal year and there were approximately $198,000 in capacity charges collected. As of the fiscal year end June 30, 2018, the Agency had a strong cash position in the amount of approximately $15,600,000.

Attachments:
1) FY18 Audit Presentation from Cropper Accountancy
2) Cropper Accountancy Corporation letter to the Board of Commissioners, dated October 19, 2018

Financial Statements as of June 30, 2018

CENTRAL MARIN SANITATION AGENCY

Cropper Accountancy Corporation

ATTACHMENT 1

Items worthy of discussion

- Unmodified Opinion (page 1)

- Communication with Those Charged with Governance (SAS 114)
  - Sensitive estimates
  - Sensitive disclosures
  - No disagreements with management
  - No material weaknesses

Net Pension Liability (GASB 68)

	2018	2017	Change
Deferred Outflows	$4,771,949	$3,506,354	$ 1,265,595
Pension Liability	(11,275,371)	(9,709,971)	(1,565,400)
Deferred Inflows	(2,001,808)	(1,260,848)	(740,960)
Pension Expense	2,008,424	2,132,303	(123,879)

Other Post Employment Benefits (OPEB GASB 75)

	2018	2017	Change
Deferred Outflows	$292,033	$0	$292,033
OPEB Liability	(2,119,424)	0	(2,119,424)
Deferred Inflows	(55,165)	0	(55,165)
OPEB Expense	253,171	222,565	30,606
Prior Period Adjustment	1,869,859	0	1,869,859

Prior Period Adjustments (Note 11)

NOTE 11 – PRIOR PERIOD ADJUSTMENT

As a result of implementing GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB), the Agency is restating beginning net position in the Statement of Net Position, effectively decreasing the net position by $1,896,859 as of July 1, 2017. The decrease resulted from recognizing the net other postemployment benefits liability, a noncurrent liability. See Note 10 for additional disclosures regarding this presentation.

At June 30, 2018, the Agency did a full retroactive inventory count and cost analysis. As a result, the value of inventory was increased. This resulted in an increase to beginning net position of $1,789,119 for items which had previously been expensed but are now presented on the Statement of Net Position.

Upon review of the capital asset report, it was discovered that some assets were over-depreciated while others were under-depreciated. The Agency reviewed the beginning accumulated depreciation asset by asset basis and increased it by a net $268,080.

The net impact of these adjustments was a decrease to net position in the amount of $375,820 as follows:

Beginning net position, as previously stated	$ 42,619,360
Prior period adjustments:	
Implementation of GASB No. 75	(1,896,859)
Inventory	1,789,119
Fixed assets	(268,080)
Total prior period adjustments	(375,820)
Beginning net position, as restated	$ 42,243,540

BALANCE SHEET
JUNE 30, 2018

	2018
Current Assets	$ 17,715,171
Non-Current Assets	81,376,114
Total Assets	**99,091,285**
Deferred Outflows	7,332,920
Total Assets & Deferred Outflows	**106,424,205**
Current Liabilities	(3,780,431)
Non-Current Liabilities	(58,367,168)
Total Liabilities	**(62,147,599)**
Deferred Inflows	(2,056,973)
Total Liabilities & Def. Inflows	**(64,204,572)**
Total Net Position	**$ 42,219,633**

INCOME STATEMENT
FISCAL 2018

Operating Revenues	$ 17,353,966
Non-Operating Revenues	303,728
Total Revenues	**17,657,694**
Operating Expenses	(16,351,993)
Non-Operating Expenses	(1,527,361)
Capital Contributions	197,753
Change in Net Position	(23,907)
Beginning Net Position, before restatement	42,619,360
Prior Period Adjustment	(375,820)
Ending Net Position, as restated	$ 42,219,633

NET POSITION STATEMENT ANALYSIS

Table 1 – Summary of Net Position

Description	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Amount Increase (Decrease)	Percent Increase (Decrease)
Current and other assets	$17,753,712	$15,685,241	$2,068,471	13.2%
Capital assets – net	81,337,573	83,554,374	(2,216,801)	(2.7)
Total assets	99,091,285	99,239,615	(148,330)	(0.1)
Deferred outflows of resources	7,332,920	5,961,780	1,371,140	23.0
Current liabilities	4,072,318	4,227,638	(155,320)	(3.7)
Noncurrent liabilities	58,075,281	57,093,549	981,732	1.7
Total liabilities	62,147,599	61,321,187	826,412	1.3
Deferred inflows of resources	2,056,973	1,260,848	796,125	63.1
Net position –				
Net investment in capital assets	36,596,025	36,400,782	195,243	0.5
Unrestricted	5,623,608	6,218,578	(594,970)	(9.6)
Total net position	$42,219,633	$42,619,360	$(399,727)	(0.9)%

REVENUES, EXPENSES, AND CHANGE IN NET POSITION STATEMENT ANALYSIS

Table 2 – Change in Net Position

Description	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Amount Increase (Decrease)	Percent Increase (Decrease)
Service charges	$15,845,548	$15,355,475	$490,073	3.2%
Contract maintenance revenues	1,114,680	1,442,550	(327,870)	(22.7)
Other operating revenues	393,738	437,246	(43,508)	(10.0)
Interest and investment income	218,516	113,085	105,431	93.2
Other non-operating revenues	85,212	26,003	59,209	227.7
Total revenues	17,657,694	17,374,359	283,335	1.6
Salaries and benefits	8,877,307	9,079,369	(202,062)	(2.2)
Operations supplies and services	1,366,871	1,496,774	(129,903)	(8.7)
Repairs and maintenance	886,312	947,285	(60,973)	(6.4)
Permit testing and monitoring	149,815	110,973	38,842	35.0
Depreciation and amortization	3,995,080	4,045,357	(50,277)	(1.2)
Insurance	95,517	97,095	(1,578)	(1.6)
Utilities and telephone	311,191	318,900	(7,709)	(2.4)
General and administrative	669,900	697,499	(27,599)	(4.0)
Interest expense	1,527,361	1,752,699	(225,338)	(12.9)
Total expenses	17,879,354	18,545,951	(666,597)	(3.6)
Income (loss) before cap contrib	(221,660)	(1,171,592)	1,240,983	105.9
Add: capacity fee revenue	197,753	330,079	(132,326)	(40.1)
Increase (decrease) in net position	(23,907)	(841,513)	1,108,657	131.7
Net position – beg as restated	42,619,360	43,460,873	(841,513)	(2.0)
Prior period adjustments - net	(375,820)	-	(375,820)	-
Net position – beg as restated	42,243,540	43,460,873	(1,217,333)	(2.8)
Net position – end	$42,219,633	$42,619,360	$(399,727)	(0.9)%

CROPPER
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October 19, 2018

Board of Commissioners
Central Marin Sanitation Agency
1301 Anderson Drive
San Rafael, California

We have audited the financial statements of the business-type activities of Central Marin Sanitation Agency for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 4, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Central Marin Sanitation Agency are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, Central Marin Sanitation Agency changed accounting policies related to Other Postemployment Benefits (OPEB) by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Revenues, Expenses, and Changes in Net Position.

We noted no transactions entered into by Central Marin Sanitation Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the pension related deferred inflows, deferred outflows, net pension liability, and pension expense is based on actuarial valuation and the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.* We evaluated the key factors and assumptions used to develop the pension related estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the OPEB related deferred inflows, deferred outflows, net OPEB liability, and OPEB expense is based on actuarial valuation and the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We evaluated the key factors and assumptions used to develop the OPEB related estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the depreciation expense and accumulated depreciation is based on the estimated useful lives of the underlying assets. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the value of inventory on hand is based on the cost of the inventory. We evaluated the key factors and assumptions used to develop the inventory valuation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The prior period adjustment disclosure in Note 11. There were 3 prior period adjustments for the year ended June 30, 2018, resulting in a decrease in beginning net position of $375,820:

    - An adjustment of $1,896,859, which *decreased* beginning net position. This was the result of the implementation of GASBS. No. 75
    - Management evaluated all inventory of spare parts on hand at June 30, 2018 and retroactively to 2017. As a result, a prior period adjustment *increasing* beginning net position in the amount of $1,789,119 was booked.
    - During the course of the audit, it was discovered that beginning accumulated depreciation balances were not correct. Senior finance staff went through the assets line by line and booked a prior period adjustment of $268,080, which *decreased* beginning net position by increasing the beginning balance of accumulated depreciation.

  The Defined Benefit Pension Plan disclosure in Note 9 to the financial statements, including disclosures regarding deferred inflows, deferred outflows, net pension liability, and pension expense.

  Note 10 to the financial statements regarding Other Post-Employment Benefits (OPEB), which describes the District's postretirement benefit policies.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. See the attached adjusting journal entry listing.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 19, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Central Marin Sanitation Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Central Marin Sanitation Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedule of Proportionate Share of Net Pension Liability, Schedule of the Agency's Pension Plan Contributions, Schedule of Change in the Net OPEB Liability, and the Schedule of the Agency's OPEB Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the introductory or statistical sections of the Comprehensive Annual Financial Report (CAFR), which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the Board of Commissioners and management of Central Marin Sanitation Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California

Client: *JPA - Central Marin Sanitation Agency*
Engagement: *Central Marin Sanitation Agency*
Period Ending: *6/30/2018*
Trial Balance: *TB 00 - Trial Balance*
Workpaper: *TB 02 - Combined Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1		TB		
Client entry 1 - Book depreciation				
6885-000-00	Depreciation/amort - grant		1,036,014.43	
6885-000-00	Depreciation/amort - grant		303,614.56	
6885-000-00	Depreciation/amort - grant		93,892.10	
6886-000-00	Depreciation/amort - nongrant		2,561,999.07	
6886-000-00	Depreciation/amort - nongrant		38,190.69	
6886-000-00	Depreciation/amort - nongrant		144,654.09	
1535-000-00	Accum dep - sewage trmt fac			3,600,013.50
1545-000-00	Accum dep - sewage disp fac			341,805.25
1555-000-00	Accum dep - gen,plant,admin			238,546.19
Total			4,180,364.94	4,180,364.94
Adjusting Journal Entries JE # 2		TB 10		
Client entry 2 - Pension				
1800-000-00	GASB 68 Deferred Outflow		1,265,595.00	
5020-025-01	GASB 68 Pension Expense		1,040,765.00	
2800-000-00	GASB 68 Deferred Inflows			740,960.00
2810-000-00	GASB 68 Net Pension Liability			1,565,400.00
Total			2,306,360.00	2,306,360.00
Adjusting Journal Entries JE # 3		TB 10		
Client entry 3 - OPEB				
1801-000-00	GASB 75 Deferred Outflow		292,033.16	
2241-000-00	Net OPEB Obligation-Audit AJEs		24,559.30	
3010-000-00	Retained earnings - unreserved		1,896,858.70	
2801-000-00	GASB 75 Deferred Inflows			55,165.00
2811-000-00	Net OPEB Liability			2,119,424.00
5030-021-01	EE Benefits - Retired OPEB ARC			38,862.16
Total			2,213,451.16	2,213,451.16
Adjusting Journal Entries JE # 4		TB 10		
Client entry 4 - Inventory				
1250-000-00	Inventory - Spare Parts		1,789,118.97	
6510-050-00	R&M - Inventory Change		204,073.84	
1250-000-00	Inventory - Spare Parts			204,073.84
3010-000-00	Retained earnings - unreserved			1,789,118.97
Total			1,993,192.81	1,993,192.81
Adjusting Journal Entries JE # 5		TB 10.1		
Client entry - correct depreciation from PY				
1535-000-00	Accum dep - sewage trmt fac		3,600,013.50	
1545-000-00	Accum dep - sewage disp fac		341,805.25	
1555-000-00	Accum dep - gen,plant,admin		238,546.19	
1555-000-00	Accum dep - gen,plant,admin		44,441.35	
3010-000-00	Retained earnings - unreserved		268,080.10	
1535-000-00	Accum dep - sewage trmt fac			300,715.73
1545-000-00	Accum dep - sewage disp fac			11,805.72
6885-000-00	Depreciation/amort - grant			1,435,521.09
6886-000-00	Depreciation/amort - nongrant			2,744,843.85
Total			4,492,886.39	4,492,886.39
Adjusting Journal Entries JE # 6		TB 10.2		
Client entry - correct depreciation CY				
6885-000-00	Depreciation/amort - grant		283,340.01	
6885-000-00	Depreciation/amort - grant		87,147.27	
6885-000-00	Depreciation/amort - grant		963,961.92	
6886-000-00	Depreciation/amort - nongrant		148,080.74	
6886-000-00	Depreciation/amort - nongrant		37,588.11	
6886-000-00	Depreciation/amort - nongrant		2,471,794.33	
1535-000-00	Accum dep - sewage trmt fac			3,435,756.25
1545-000-00	Accum dep - sewage disp fac			320,928.12
1555-000-00	Accum dep - gen,plant,admin			235,228.01
Total			3,991,912.38	3,991,912.38
	Total Adjusting Journal Entries		19,178,167.68	19,178,167.68
	Total All Journal Entries		19,178,167.68	19,178,167.68

Central Marin Sanitation Agency

BOARD MEMORANDUM

November 8, 2018

To: CMSA Commissioners and Alternates

From: Jason Dow, General Manger JD

Subject: Revised CMSA Financial Policies Manual

Recommendations: Adopt the revised CMSA Financial Policies Manual, and provide direction to the General Manager as appropriate.

Summary: Staff periodically reviews and revises the Agency's financial policies, and the last set of revisions was adopted by the Board in July 2015. Over the past few months, the senior management team has performed and completed a scheduled financial policy manual review, and the proposed revisions are ready for presentation to the Board and consideration of adoption.

Discussion: CMSA has Safety, Administrative, Personnel, and Financial Policy Manuals, and each are regularly reviewed by staff. Last fiscal year, the Board approved selected administrative policies, this year the revised financial policies are ready for presentation and consideration of approval, and staff intends to bring revised personnel policies to the Board early next fiscal year. Safety policies are updated through the CMSA/NSD Joint Health and Safety Program to comply with best practices and changes in Cal-OSHA regulations.

Most revisions and updates to the 2015 financial policies were primarily minor or editorial. Staff is not proposing any changes to *Policy #531 – Investments* as it is annually reviewed and adopted by the Board to comply with state law, and was last adopted in March 2018. Attached to this staff report is the proposed 2018 Financial Policy Manual showing specific policy revisions in red text. Staff did not include the redline/strikeout version of the Manual with the staff report, due to amount of edits resulting from the reorganization of the policy, purpose, and procedure sections of each policy. Presented below are the noteworthy general and policy specific revisions.

1) A relevant and concise Policy statement was added to each policy.

2) Previous Purpose statements were refined and integrated into the Procedure sections.

3) Department and some classification titles were updated in various policies.

4) References to the discontinued Merit Award Program were removed from a few policies.

5) Sanitary District #1 was changed to Ross Valley Sanitary District in a few locations.

6) Referenced financial and administrative policy names were kept but policy numbers were removed, as they may change in the future.

7) Policy #520 – General Revenue Management: Debt service charge allocation was changed from reported annual EDU counts for each JPA agency to the methodology in the 9/21/16 Memorandum of Understanding.

8) Policy #541 – Business Expense Reimbursements: 2015 Per Diem amounts were changed to the current calendar year 2018 amounts.

9) Policy #550 – Annual Budget: Budget Transfer language was removed from the Budget Amendment section of the policy and added to its own new section.

10) Policy #553 – Debt Financing and Management: New Terms of Debt Issuance section was added, and a few provisions from the Conditions of Debt Issuance Financing were added to the new section.

11) Policy #562 – Purchasing: Uniform Public Construction Cost Accounting Act bid limits were increased in recently enacted legislation, and are effective January 1, 2019.

12) Policy #562 – Purchasing: New Lead Mechanical Technician classification replaces the discontinued Assistant Electrical Maintenance Supervisor classification in Attachment A.

13) Policy # 570 – General Asset Management: Surplus asset disposal amount was aligned with the amount in the Board adopted Asset Disposal Administrative Procedure.

14) Policy #571 – Assets Accounting: Asset life for capitalization was increased from 2 years to 5 years.

Alignment with Strategic Plan: This activity supports Goal 2 – Objective 2.1 in the Agency's FY19 Business Plan as shown below.

Goal Two: CMSA will continually improve financial practices to ensure transparency, financial sustainability, and sound fiscal practices.

Objective 1.3: Regularly evaluate existing financial practices and develop new procedures as necessary.

Attachment:

- Revised CMSA Financial Policy Manual, November 2018

Central Marin Sanitation Agency

Financial Policies Manual

Issue Date
November 2018

Central Marin Sanitation Agency

FINANCIAL POLICIES MANUAL

TABLE OF CONTENTS

POLICY #:	501
SECTION:	FINANCIAL – FINANCIAL POLICIES
SUBJECT:	Policy Framework
DATE:	~~07/22/2015~~ 11/13/18

PURPOSE

Financial policies are key components to sound fiscal management and direct proactive steps toward effectively managing and conducting financial operations. This Policy's Framework provides guidance and direction for developing financial policies. The development of these policies aligns with the Agency's Value statement "CMSA values sound financial practices to safeguard the Agency's assets".

The CMSA Financial Policy Manual guides the Board of Commissioners, General Manager, and Agency staff (i.e., all stakeholders) in shaping financial decisions and actions. These policies give directions for making informed choices regarding important aspects of quality public services, and on effectively handling and safeguarding financial and physical assets. They define, promote, control, and ensure participation by each stakeholder on his/her roles, responsibilities, and relationships with respect to financial matters and administration. It is accepted as standard business practice to have financial policies in place. They are also used as good training tools for new employees and for refreshing ongoing financial skills and operations.

POLICIES VS. PROCEDURES

Financial policies provide concise and comprehensive direction from the Board with respect to the proper actions to take in managing and conducting the Agency's financial affairs. Each policy is organized to provide succinct, explicit, and current direction to designated stakeholders. These policies are linked to and complement financial procedures. Procedures are separately detailed with specific directions and steps for implementing the policies. Generally, policies tend to be less specific than procedures. Policies should pass the test of time, while procedures, keeping with the intent of the policies, may change more frequently to adapt to changes in operational needs and technology. Financial procedures are maintained by the Finance/Administration Department.

POLICY FRAMEWORK

Agency staff shall develop, and the Board shall approve, financial policies that promote accountability, stability, and continuity. The policy development process also encourages active participation by specific stakeholders who have a vested interest in the Agency's financial planning, management, and operations.

Financial policies shall be actionable and shall set controls to be used for prudent financial decision-making, and shall standardize financial operations by defining roles and responsibilities. They shall define and outline appropriate financial management and behavior. All Agency employees may be subject to disciplinary actions under Personnel Policy #405, *Progressive Discipline* for violation of any financial policies. In their intent, they shall promote and incorporate long-term perspectives and strategic thinking by framing overall operational policies, goals, and objectives. They shall establish links to these broad organizational goals and objectives, while focusing on fiscal results and outcomes for the Agency.

Agency staff shall periodically bring the financial policies to the Board for review and consideration of making recommended changes.

POLICY #:	502
SECTION:	FINANCIAL – INTERNAL CONTROLS
SUBJECT:	Internal Controls and Fraud Prevention
DATE:	11/13/18

POLICY

The Agency shall maintain a system of internal controls to safeguard assets, to manage assets efficiently and effectively, and to ensure reliable data.

PROCEDURES

This policy provides direction on managing the Agency's internal accounting methods and practices and to prevent fraudulent activities and misuse of Agency funds in accordance with California Government Code Section 6500, et seq.

I. Internal Controls

Agency staff shall establish and maintain procedures, documents and systems of internal control to safeguard financial assets, to manage financial assets in an accountable, secure, efficient, and effective manner, and to ensure accurate financial data. The Administrative Services Manager shall be responsible for this function.

II. Internal Accounting Practices

Agency staff shall perform internal accounting practices in accordance with *Generally Accepted Accounting Principles (GAAP)* for government agencies, including applicable *Financial Accounting Standards Board (FASB)* pronouncements, and all relevant *Governmental Accounting Standards Board (GASB)* pronouncements.

Agency staff shall ensure that:

A. Each employee understands his/her role, responsibility, and accountability when conducting financial transactions for the Agency;

B. All transactions are properly authorized;

C. Accounting records and documentation are properly maintained;

D. Access to both assets and records are effectively controlled; and

E. General ledger accounts are periodically reviewed for their reasonableness, and for the validity and accuracy of the underlying items they represent.

If any of these practices are found to be improperly implemented or maintained, Agency staff shall take immediate remedial action to improve and/or change the practice.

III. Internal Review and Recommendations

The Administrative Services Manager shall perform a periodic review of all financial policies, procedures, and practices, and make recommendations for changes and updates to the General Manager. As appropriate, the General Manager shall make policy change recommendations to the Board of Commissioners for its review and approval, and/or direct Agency staff to make appropriate procedural changes.

IV. Public Fiduciary Liability

The General Manager shall recommend, for Board review and approval, methods for reducing and mitigating risks associated with potential public fiduciary liabilities such as claims made against the Agency for any alleged wrongful fiduciary act and/or breach of fiduciary duties for which the Agency might be responsible. The General Manager shall consult with the California Sanitation Risk Management Authority and other respected resources to make recommendations regarding the procurement of public official bonds, fiduciary liability insurance, and establishing other mechanisms for reducing and mitigating such risks.

V. Audits

Internal control and financial audits shall be performed annually by an independent firm of certified public accountants and coordinated by the Administrative Services Manager in accordance with *Generally Accepted Auditing Standards*, the Agency's Joint Powers Agreement, and applicable State laws. The Administrative Services Manager shall incorporate the financial audit results into the financial section of the Comprehensive Annual Finance Report (CAFR). Agency staff shall implement auditor recommendations for improved internal controls. The Board shall annually review and approve the audits and accept the CAFR. In addition, based on the recommendation of the General Manager from an evaluative process, the Board shall periodically review and approve the selection of the independent auditor to perform the annual financial audit.

VI. Segregation of Duties

In implementing this policy and related procedures, Agency staff shall segregate financial transaction roles, responsibilities, and duties to the extent possible to safeguard assets against the risk of loss, mishandling, misuse, and fraud.

VII. Operating Fund Account

The Board shall approve the selection of a federally insured banking institution that would be entrusted to securely handle and transact, at Agency staff direction, any funds deposited in the Agency's Operating Fund Account. The General Manager shall periodically recommend to the Board the selection through an evaluative process of a new banking institution due to changes in current banking institution performance, banking market conditions, or for other benefits or advantages to the Agency. The evaluation shall include, but is not limited to, qualifications associated with banking services provided, fees charged, and financial and administrative benefits for the Agency. The Administrative Services Manager shall develop procedures to manage the daily and routine operations of the Account and its cash balances

VIII. Authorized Check Signers

Agency staff shall require that all checks disbursed from the Agency's operating account have two signatures and be for valid, documented, and approved expenses of the Agency. At no time or occasion shall blank checks be signed. The Board shall designate authorized check signers who may include the General Manager, Board members, and Agency staff. The General Manager shall seek Board authorization to update authorized check signers whenever a previously designated check signer is no longer affiliated with the Agency.

IX. Wire Transfers

The Agency utilizes an operating account and several investment accounts to properly manage its funds. The General Manager, Administrative Services Manager, and Agency staff appointed by the General Manager shall be authorized to transfer funds between these accounts. Agency staff shall accept wire transfer payments to its operating account for services rendered after review and approval by the Administrative Services Manager.

X. Vault Security

Agency staff shall store vital Agency financial and administrative records, all cash, blank check stock, processed and voided checks, and spare door keys and access cards in the vault, which is a fire-resistant locked closet located in the front office area of the Administration building. The General Manager shall designate which Administration and Finance staff shall be given possession of the key to the vault.

XI. Payments to Agency and Bank Deposits

Agency staff shall deposit in the bank all payments to the Agency on a weekly basis based on appropriate financial procedures. Deposit of cash receipts shall be performed by designated staff and verified by the Personnel and Accounting Technician. Prior to the time in which the receipts are processed for bank deposit, Agency staff shall store checks and cash in the Agency vault.

XII. Petty Cash

Agency staff shall securely maintain petty cash funds for small cash transaction purposes. Disbursements from petty cash shall be pursuant to the *Purchasing Policy,* and associated procedures. At no time or occasion shall checks be cashed out of petty cash currency, or petty cash funds borrowed for any purpose. Agency staff shall keep petty cash in a locked box in the Agency vault.

XIII. RV Disposal Receipts

Agency staff shall securely maintain funds to conduct payment transactions for Recreational Vehicle (RV) customers utilizing the Agency facilities to offload wastewater. RV cash receipts will be reconciled ~~semi-annually~~ to the sales/money receipts book monthly or at the same time as petty cash replenishment. At no time or occasion shall checks be cashed out or funds borrowed from held currency. Agency staff shall keep these RV funds in the Agency vault.

POLICY #:	503
SECTION:	FINANCIAL – INTERNAL CONTROLS
SUBJECT:	Ethics
DATE:	11/13/18

POLICY

The Agency shall follow ethical standards in its financial matters to avoid abusive practices that could occur in both fact and appearance.

PROCEDURES

The Board of Commissioners, General Manager, and Agency staff shall serve as stewards of the public's resources, trust, and confidence, and thus shall be held to the high standards of ethical fiscal conduct in the public's interest as opposed to personal interests.

I. General

The Board shall establish and maintain financial policies for standards of ethical responsibility. Commissioners and Agency staff should understand that improper financial and contractual activities could damage the reputation of, and confidence in, the Agency and its employees, and could result in serious adverse financial and legal consequences for the Agency.

Each Board member and Agency staff shall conduct their official business dealings in practice and appearance according to ethical fiscal standards, regulatory requirements, and the public trust. Agency staff shall develop and implement methods and controls for preventing, avoiding, and reducing potential ethical fiscal improprieties, conflicts, and fraudulent behavior, and to ensure procedures and structures are in place to properly implement this Policy. The General Manager, as necessary, will periodically schedule appropriate ethics training for Commissioners and designated Agency staff as required by the California Government Code.

II. Violation of this Policy and Related Financial Policies

The General Manager or designee shall investigate any allegation and/or observation of improprieties that would violate this Policy and other financial policies. If a violation is determined to have occurred, the General Manager shall handle the matter under the Agency's Personnel Policies, which may result in disciplinary action.

III. Reporting Unethical and Fraudulent Behavior

Agency staff shall report any observation in practice or appearance of a violation of the Agency's financial policies, procedures, ~~and resolutions~~ including this Policy to their supervisor or the General Manager, who will investigate the matter. A verbal or written report will be considered a personnel matter and will be handled with strict confidentiality under the Agency's Personnel Policies. If the suspect employee is the General Manager, Agency staff have a responsibility to contact the Chairperson of the Board of Commissioners.

IV. Whistleblower Provision

Agency staff who report unethical or fraudulent behavior are protected by the provisions in the California Government Code Sections 8547-8547.12, Article 3, known as the "California Whistleblower Protection Act."

V. Use of Public Funds

Agency staff shall make expenditures of Agency funds only after the transaction has been properly reviewed, approved and authorized as established by *Internal Controls, Expenditure Management, Financial Planning, Procurement Management*, and *Asset Management* Policies, and related procedures. Agency staff shall only receive funds for authorized and approved Agency activities as established by *Internal Controls, Revenue Management*, and *Financial Planning* policies (501, 520, and 550, et seq.), and related procedures. Agency staff shall not spend or receive public funds for any "public purposes" they choose; all funds of the Agency shall be utilized solely for Board adopted purposes (California Government Code section 8314).

Agency staff shall be prohibited from the practice and appearance of potentially fraudulent activities that could involve, and are not limited to, the following activities: borrowing Agency funds, accounting or recordkeeping that results in borrowing schemes, contract or bid rigging, pilfering or petty theft, unapproved reimbursement of funds, unauthorized disposal or taking possession of surplus or unused Agency property and supplies, double accounting or making double payments, false claims, payroll and benefit fraud, and false programming or hacking of electronic and automated financial systems and transactions.

Each Board member shall comply with Agency Board of Commissioners' *Reimbursement Policy for Travel/Expenses for Agency Officials*.

VI. Conflict of Interest

Government Code section 87300 requires every state and local government agency to adopt a Conflict of Interest Code to prohibit and prevent financial conflicts of interest. In addition to this Ethics Policy, the Board has also adopted a Resolution and a Personnel Policy that address conflicts of interest.

Commissioners and Agency staff shall not make, participate in making, or in any way attempt to use their official positions to influence an Agency decision in which they know or have reason to know that they have a financial interest (California Government Code section 87100, et seq.). In addition, Commissioners and Agency staff shall not be financially interested in contracts they approve on behalf of the Agency. Commissioners and Agency staff shall avoid contractual improprieties that could occur both in practice and appearance (California Government Code section 1090, et seq.).

Commissioners and Agency staff shall not engage in any employment or enterprise for compensation that is inconsistent, incompatible, or in conflict with their official duties and responsibilities associated with the Agency (California Government Code section 1126). Each Commissioner and designated Agency staff, as stated in the Agency's Conflict of Interest Code, shall file Form 700: Statement of Economic Interests with the Marin County Office of Elections. The General Manager shall make the statements available for public inspection and reproduction (California Government Code section 81008).

VII. Bribery and Extortion

Federal and California law both prohibit bribery and extortion of or involving public officials and employees. Commissioners and Agency staff shall not ask, receive, or agree to receive a bribe, and shall not demand or extort money in return for the performance of their official duties. A bribe involves asking for, giving, receiving, and accepting anything of value for gaining present or prospective advantage, performance, and/or influence in any affairs of the Agency (California Penal Code sections 7(6) and 68).

VIII. Extra Compensation

Commissioners and Agency staff shall explicitly uphold the California Constitution, Article XI, section 10 that prohibits *"extra compensation"*:

> *"...A local government body may not grant extra compensation or extra allowance to a public officer, public employee, or contractor after service has been rendered or a contract has been entered into and performed in whole or in part, or pay a claim under an agreement made without authority of law."*

IX. Gifts to Employees and Officials

Commissioners and Agency staff shall explicitly follow the California Political Reform Act (Government Code sections 86203, 89503, and 89506) and relevant U.S. Internal Revenue Service codes and pronouncements that set forth the rules and provisions that must be followed by public employees and officials related to the receipt of gifts and applicable taxes. These state laws limit the value of gifts that may be accepted by the Board and Agency employees. These government codes cover a broad subject area regarding gifts including, but not limited to, the maximum amount of gifts that public employees and officials may receive (amounts are set by the California Fair Political Practices Commission), lobbyist limitations, special rules for gifts of travel, exceptions to the gift limitations, and other regulations regarding gifts. See website www.fppc.ca.gov for more information.

X. Honoraria Ban

Commissioners and Agency staff shall explicitly follow California Government Code 89502, which prohibits public officials from accepting honoraria. Honoraria is defined as any payment made in consideration for any speech given, article published, or attendance at any public or private conference, convention, meeting, social event, meal, or like gathering.

XI. Gifts of Public Funds

Commissioners and Agency staff shall explicitly uphold California Constitution, Article XVI, section 6 that prohibits public agencies from making gifts of public funds:

> *"... shall have no power... to make any gift or authorize the making of any gift of any public money or thing of value to any individual, municipal or other corporation whatever the purpose..."*

XII. Receiving Private Donated Funds

The Board shall receive donated funds and/or property of value from private individuals, corporations, and organizations on behalf of the Agency when such funds or property are directly related to the mission, public purpose, and operations of the Agency. The Board shall not receive such donations in exchange for compensation, services, and/or any item of value that would benefit the donator in fact, practice, or appearance, other than those derived from tax-exempt donations prescribed in federal and state tax laws. The General Manager shall review, approve, and accept items of de minimus value on behalf of the Agency. The Board shall review and consider accepting all other donations.

POLICY #:	**510**
SECTION:	**FINANCIAL – FINANCIAL REPORTING**
SUBJECT:	**General**
DATE:	**11/13/18**

POLICY

The Agency shall issue a Comprehensive Annual Financial Report prepared in accordance with Generally Accepted Accounting Principles, and it shall be reviewed by the Agency's independent financial auditor for consistency.

PROCEDURES

I. Comprehensive and Popular Annual Financial Reports

The Comprehensive Annual Financial Report (CAFR) shall be prepared in accordance with *Generally Accepted Accounting Principles (GAAP)* for government agencies and relevant Government Accounting Standards Board (GASB) statements. It shall be produced in three sections: introductory, financial, and statistical. The financial section shall include the Agency's audited financial report that was prepared by an independent firm of certified public accountants in accordance with *Generally Accepted Auditing Standards*.

The Agency will also prepare a Popular Annual Financial Report (PAFR) as a companion to the CAFR. The CAFR and PAFR will be submitted to the Government Finance Officers Association (GFOA) for evaluation and consideration of the Certificate of Achievement for Excellence in Financial Reporting and the Award for Outstanding Achievement in Popular Annual Financial Reporting, respectively.

The Board of Commissioners shall review and accept the CAFR by no earlier than the date of the auditor's opinion letter to the Agency, and no later than December 31st of the fiscal year end for which the report is prepared.

II. External Filings and Reporting

Agency staff shall comply with the required external filings and reports as listed in the table below.

Report Category/Report	Frequency
Financial Reporting:	
CAFR with audited financial statements	Annual
PAFR	Annual
State Controller's Special Districts Financial Transactions Report	Annual
Payroll Reporting:	
Federal and State Tax Withholding Deposits	Bi-weekly
Forms 941 (Federal) / DE 6 (State)	Quarterly

Forms W2 (Federal) / W3 (Federal) / DE 7 (State)	Annual
State Controller's Government Compensation of California Report	Annual

Report Category/Report	Frequency
Debt Reporting (see Policy #511):	
Audited Financial Statements from CMSA and each JPA member agency (MSRB)	Annual
Disclosures to bondholders and other interested parties (MSRB)	Event Driven
Other Reporting:	
Diesel fuel taxes (State)	Annual
Forms 1099 (Federal) / 1096 (Federal)	Annual

POLICY#:	**511**
SECTION:	**FINANCIAL – FINANCIAL REPORTING**
SUBJECT:	**Continuing Disclosure Procedures for Agency Issued Debt**
DATE:	**11/13/18**

POLICY

The Agency shall comply with all debt-related continuing disclosure requirements by supplying certain financial information to credit rating agencies and other interested parties.

PROCEDURES

Each debt issued by the Central Marin Sanitation Agency (Agency) will have its own specific set of Continuing Disclosure Undertakings. This policy ensures that the Agency satisfies all debt-related disclosure requirements and identifies the responsible Agency staff.

The continuing disclosure procedures ("Continuing Disclosure Procedures" or "Procedures") of the Agency, presented below, are intended to (a) ensure that the Agency's Continuing Disclosure Documents (as defined below) are accurate and comply with all applicable federal and state securities laws, and (b) promote best practices regarding the preparation of the Agency's Continuing Disclosure Documents.

I. DEFINITIONS

"Continuing Disclosure Documents" means any documents filed with the Municipal Securities Rulemaking Board ("MSRB") pursuant to Continuing Disclosure Undertakings or otherwise, including: (a) annual continuing disclosure reports filed with the MSRB and (b) event notices and any other filings with the MSRB.

"Continuing Disclosure Undertakings" means any continuing disclosure agreements or certificates entered into by the Agency in order to assist an underwriter for the Agency's bonds or other evidences of indebtedness in complying with Rule 15c2-12 of the Securities Exchange Act of 1934, as amended.

"Official Statements" means preliminary and final official statements, private placement memoranda and remarketing memoranda relating to the Agency's securities, together with any supplements, for which a continuing disclosure obligation is required.

II. DISCLOSURE COORDINATOR

A. *Appointment*. The Administrative Services Manager shall serve as the Disclosure Coordinator for the Agency. The Administrative Services Manager, with the approval of the General Manager, may designate another member of the Agency staff to serve as the Disclosure Coordinator.

B. *Responsibilities.* The Disclosure Coordinator is responsible for:

1) Preparing and filing the Continuing Disclosure Documents, to the extent such filings are not prepared and filed by the Disclosure Consultant. The Disclosure Consultant may be the Agency's Bond Counsel, Financial Advisor, or Trustee;

2) In anticipation of preparing Continuing Disclosure Documents, soliciting audited financial statements from CMSA's JPA member agencies and other "material" information (as defined in Securities and Exchange Rule 10b-5) from Agency departments;

3) Following up with others, including management of outside consultants assisting the Agency (if any), in the preparation and dissemination of Continuing Disclosure Documents to make sure that assigned tasks have been completed on a timely basis and making sure that the filings are made on a timely basis and are accurate;

4) Ensuring the timely filing of the Agency's Continuing Disclosure Undertakings with the MSRB by the Disclosure Coordinator, Consultant or other party;

5) Serving as a "point person" for personnel to communicate issues or information that should be or may need to be included in any Continuing Disclosure Document;

6) Monitoring compliance by the Agency with these Continuing Disclosure Procedures, including timely dissemination of the annual report and event filings as described in the Agency's Continuing Disclosure Undertakings;

7) Recommending changes to these Continuing Disclosure Procedures to the General Manager as necessary or appropriate;

8) Maintaining records documenting the Agency's compliance with these Continuing Disclosure Procedures.

9) Reviewing compliance with and providing appropriate certifications in connection with the various covenants in bond documents, such as maintenance of revenues and coverage tests. The Disclosure Coordinator shall review the bond documents to determine which covenants require an annual or regular certification and maintain a list.

III. CONTINUING DISCLOSURE FILINGS

A. Overview of Continuing Disclosure Filings

Under the Continuing Disclosure Undertakings, the Agency is required to file annual reports for the Agency and each JPA member agency with the MSRB's Electronic Municipal Market Access ("EMMA") system in accordance with such agreements in each year. Such annual reports are required to include certain updated financial and operating information (or may refer to a publicly-available document), which varies among the different obligations issued by the Agency, and the Agency's audited financial statements.

The Agency is also required under the continuing disclosure undertakings to file notices of certain events with EMMA.

B. Annual Reports

The Disclosure Coordinator shall ensure that the preparation of the Agency's annual reports shall commence as required under each specific continuing disclosure obligation. Before the Agency's annual report is submitted to EMMA, the Disclosure Coordinator shall verify its content and accuracy. Prior to each filing, the Disclosure Coordinator will discuss any questions or concerns regarding the annual report with the General Manager and outside consultants as described in IV. D. below.

C. Event Filings

If any of the Disclosure Coordinator, General Manager or Administrative Services Manager becomes aware of any of the material events listed in any of the Continuing Disclosure Undertakings, such person shall notify the others and discuss the event to determine whether a filing is required or is otherwise desirable. The Disclosure Coordinator may contact outside consultants with any questions as described in IV. D. below.

D. Uncertainty

The Disclosure Coordinator may, after consultation with the General Manager and Administrative Services Manager, direct questions regarding this Policy or disclosure to the disclosure counsel, bond counsel or Agency counsel or such other counsel or consultant he/she deems appropriate.

IV. DOCUMENTS TO BE RETAINED

The Disclosure Coordinator shall be responsible for retaining records demonstrating compliance with these Continuing Disclosure Procedures. The Disclosure Coordinator shall retain an electronic or paper file ("Disclosure File") for each continuing disclosure annual report that the Agency completes. Each Disclosure File shall include final versions of Continuing Disclosure Documents; written confirmations, certifications, letters and legal opinions described herein; and copies of these Continuing Disclosure Procedures and a list of individuals to whom they have been distributed and the dates of such distributions. The Disclosure File shall be maintained by the Agency for a period of five years from the later of the date of delivery of the securities referenced in the Continuing Disclosure Document, or the date the Continuing Disclosure Document is published, posted, or otherwise made publicly available, as applicable.

V. EDUCATION

The General Manager and the Administrative Services Manager shall ensure that the Disclosure Coordinator is properly trained to understand and perform his/her responsibilities. Such training may include training sessions conducted by consultants with expertise in municipal securities disclosure, attendance at conferences, or other appropriate methods identified by the General Manager or the Administrative Services Manager.

VI. AMENDMENTS

Any provision of these Continuing Disclosure Procedures may be waived or amended at any time by written confirmation of the General Manager upon consultation with the Administrative Services Manager.

POLICY #:	**520**
SECTION:	**FINANCIAL – REVENUE MANAGEMENT**
SUBJECT:	**General**
DATE:	**11/13/18**

POLICY

The Board shall establish a multi-year revenue program to fund its operating, debt service, and capital improvement program needs.

PURPOSE

To provide staff direction on the management of Agency's revenues with respect to its organizational budget, strategic plan, and Board direction.

BACKGROUND

JPA Member Agencies and San Quentin State Prison (satellite collection agencies) collect and transport wastewater to CMSA for treatment and disposal. Section 14 of the JPA binds the JPA members to pay the CMSA Regional Charges and specifies the manner in which CMSA determines the allocation of the Regional Charge.

The manner in which each Member Agency determines the CMSA Regional Charge for the property owners and businesses within its respective district is solely the purview of the Member.

The Agency's ability to receive revenues for non-regional charges is derived from the Agency's Sewer Use and Fee Ordinances and by contractual arrangements.

REVENUE SOURCES

CMSA's service charge is established by the Board of Commissioners based on the Agency's total funding requirements. These requirements take into account the Agency's necessary operational and capital expenses, other revenue sources, the use and level of reserve cash, debt service requirements, and long-term financial forecasts, among other considerations, when determining and approving the service charges.

I. Service Charges (Regional Charge)

The majority of the Agency revenues are from Regional Service Charges collected from its JPA Member Agencies and contract revenues for CMSA wastewater services provided to San Quentin State Prison. In accordance with the JPA, the Board can base these charges on the number of equivalent dwelling units (EDUs), measured flow volume, or measured flow volume and wastewater quality (strength).

EDUs are calculated by each Member Agency for each property in its service area. An EDU is an estimation of an average wastewater flow discharged from one single-family household.

Businesses may contain multiple EDUs depending upon the volume of wastewater discharged, while industrial dischargers' EDU is based on flow and strength. Each Member Agency provides the total EDU count for its service area to CMSA.

Collection agency flows are continuously measured by flow meters and recorded by the CMSA process control system, and can be totalized for any period of time. Flow measurements from existing flow meters on influent forcemains are used to quantify each collection agency's influent volumes. Flows are continuously measured for San Rafael Sanitation District, Ross Valley interceptor, Sanitary District No. 2 of Marin County, and San Quentin State Prison, and calculated for ~~Sanitary District No. 1 (~~Ross Valley Sanitary District~~)~~.

II. All Other Revenues

Other Agency revenues consist of capacity charges, contract service revenues, investment interest income, environmental compliance permit and inspection fees, septic hauler disposal fees, organic waste tipping fees, program expense reimbursements to CMSA, and miscellaneous charges for other services.

PROCEDURES

I. Service Charges

Service charges shall be billed ~~and collected quarterly from~~to the Member Agencies at the beginning of each quarter, set at one fourth of the annual budgeted amount. A service charge adjustment will be made with the fourth quarter invoice to reflect any changes between the service charge allocation amounts used to develop the budget and the actual amounts for each member agency, as described in each allocation procedure below.

The Board and its Finance Committee will review the Regional Charge allocations during the development of the Agency's annual budget. The annual budgeted service charge amount will be set to equal the net revenue needed to fund the Agency's annual operations and the current and future capital improvement program activities. Net revenue is defined to be total Agency budgeted revenues less estimated revenues for contract services, program services, interest income, fees from haulers, permits and inspections, and other operating revenues. Budgeted service charge revenues do not include revenues for debt service and capacity charges.

A. Service Charge Allocation using Equivalent Dwelling Units (EDU)

Member Agency service charge payments to CMSA may be based on each member's previous year's actual EDU count that is reported to CMSA. The Board shall set the exact EDU rate for the Agency's service charge during the annual budget process for the upcoming fiscal year.

During the development of the annual budget, CMSA will use the prior year's reported actual EDU count to develop the revenue budget. By March 15th, the Member Agencies report their actual count of EDUs to CMSA for that fiscal year. Member Agencies will provide supporting documentation to substantiate their reported counts. These documents must include:

1) Reports from the Marin County Auditor-Controller that summarizes the number of EDU (sanitary units) that each district has placed on the property tax roll.

2) Listing of EDUs for governmental or other entities that each district bills directly for sewer services charges. Typically, these are entities that are not on the County's property tax rolls.

3) Any variances between the reported actual EDU and the sum of EDU count from items 1 and 2. These could be EDU adjustments that the district granted to its ratepayers after the sanitary units were placed on the property tax rolls.

Staff will analyze the EDU count and supporting information received from each Member Agency and consult with each Member Agency as appropriate. The EDU data reported by the Member Agencies will be used to prepare the revenue presentation for the Third Quarter Budget Report that is provided to the Board in May. In the event complete EDU information is not available, staff will seek Board direction on how to calculate the fourth quarter invoices.

Once Agency staff has verified the reported actual EDU counts in the supporting documents, Finance staff will reconcile the EDU counts used in the budget with the actual reported EDU counts, and invoice each Member Agency accordingly.

B. Service Charge Allocation using Flow Volumes

The Board will establish the measurement period for using flow volumes to determine the service charge allocation. The minimum measurement period will be 12 months and the maximum period will be 36 months. The measurement period will be in 12-month increments.

1) <u>Allocation of Regional Charges by Flow Volume</u>

Once the upcoming revenue budget has been developed, the Finance staff prepares an allocation of the service charges based on the prior flow volumes in 12-month increments. Each satellite collection agency's allocation for the upcoming fiscal year will be included in the draft and adopted Agency budgets.

Percentage allocations are based only on volumetric flow measurements as recorded by CMSA flow meter data. The allocations are determined using the equations below:

$$Volume_{Total} = Volume_{SRSD} + Volume_{SD1} + Volume_{SD2}$$

$$\%\,Allocation_{Agency} = \frac{Volume_{Agency}}{Volume_{Total}}$$

$$Regional\ Charge\ Allocation_{Agency} = \%\,Allocation_{Agency}\ x\ CMSA\ Net\ Revenue_{Total}$$

2) <u>Collection of Regional Charge</u>

Once the Agency's budget has been adopted, the Agency will invoice each satellite collection agency for its respective portion of the regional charge on a quarterly basis starting on July 1 of each fiscal year. Each quarterly invoice will represent one-fourth of the allocated annual regional charge.

Prior to the issuance of the fourth quarterly invoice, the Administrative Services Manager (ASM) will recalculate the current fiscal year's regional charge allocation based on the flow volumes for the most current April 1 to March 31 measurement period. The adjustment between the budgeted and current regional charge allocation will be reflected on the invoice for the fourth quarter.

C. Service Charge Allocation using Volume/Quality (Flow/Strength)

1) <u>Calculation of annual volume of the wastewater generated from each satellite collection entity</u>.

Each April, the Technical Services (TS) staff will provide Finance staff with the annual volume of wastewater generated from each satellite collection entity for the previous April 1 to March 31 period or prior 36-month period.

2) <u>Calculation of annual wastewater quality (strength) from each satellite collection entity</u>.

Quality is defined as the amount (lbs) of Total Suspended Solids (TSS) and Biological Oxygen Demand (BOD) in a collection agency's wastewater transported to CMSA. Quality samples will be periodically collected by Technical Services staff and analyzed in the CMSA laboratory. Each April, the TS department will provide Finance staff with the wastewater quality information for each satellite collection entity.

3) <u>Allocation of regional charges by flow volume and quality</u>.

Once the upcoming revenue budget has been developed, the Finance staff will prepare an allocation of the regional charges based on the selected April 1 to March 31 time period. Each satellite collection agency's allocation for the upcoming fiscal year will be included in the draft and adopted Agency budgets.

The Agency's Annual Net Revenues will be assigned to flow, BOD and TSS based on the allocations developed in 2013 (Bartle Wells) and accepted by the Board in April 2013: Flow – 50.6%, BOD – 24.7%, and TSS – 24.7%

Using the percentage allocations listed above and influent flow and quality data, unit costs (i.e., $/1,000 gallons of flow, $/lb of BOD and $/lb of TSS) are then used to allocate CMSA's Regional Charge to each collection agency based on its respective flow, BOD and TSS costs, using the following equations:

$$Net\ Revenue_{Total} = Revenue_{Flow} + Revenue_{BOD} + Revenue_{TSS}$$

$$Unit\ Cost_{Flow} = \frac{Revenue_{Flow}}{Total\ Gallons}$$

$$Unit\ Cost_{BOD} = \frac{Revenue_{BOD}}{Total\ Pounds\ BOD}$$

$$Unit\ Cost_{TSS} = \frac{Revenue_{TSS}}{Total\ Pounds\ TSS}$$

$$\begin{aligned} Regional\ Charge\ Allocation_{Agency} \\ &= Unit\ Cost_{Flow}\ x\ Flow_{Agency} + Unit\ Cost_{BOD}\ x\ BOD_{Agency} \\ &+ Unit\ Cost\ x\ TSS_{Agency} \end{aligned}$$

4) Collection of regional charge.

Once the Agency's budget has been adopted, the Agency will invoice each satellite collection agency for its respective portion of the regional charge on a quarterly basis starting on July 1 of each fiscal year. Each quarterly invoice will represent one-fourth of the allocated annual regional charge.

Prior to the issuance of the fourth quarterly invoice, Finance staff will recalculate the current fiscal year's regional charge allocation based on the flow volumes and quality for the most current April 1 to March 31 period. The adjustment between the budgeted and current regional charge allocation will be reflected on the invoice for the fourth quarter.

II. Debt Service Charge

Per the Payment Agreements for Treatment Services (debt service agreements) between CMSA and the Member Agencies, each Member Agency's proportional EDU share of the debt service shall be billed and collected semi-annually during each fiscal year. The payment shall be based on the EDU counts referenced in the Memorandum of Understanding, dated September 21, 2016, that uses the 10-year average fixed EDU counts per member for debt service cost allocation purposes. Each Member Agency's semi-annual payment share shall be calculated to include the actual debt service amount and bond coverage requirements. An adjustment will be made in the subsequent fiscal year's debt service payment for the recalculation of the prior year's debt service payment based on the actual EDU count information.

III. Capacity Charge

A one-time capacity charge shall be collected by the appropriate Member Agency for an initial connection to the wastewater collection system in the CMSA service area. This charge shall be set by the Board by ordinance. Each member agency shall collect both the CMSA capacity charge and the Member Agency's connection fee. After collection, the Member Agency shall remit the capacity charge portion to CMSA.

The number of connections that occur each fiscal year is unpredictable because connections vary due to new construction or other activities that would trigger a connection fee. Thus, the Board shall consider various economic factors when budgeting capacity charge revenue for the fiscal year. The Board shall approve through the annual budget process and Agency staff shall account for use of capacity charges to fund capital projects per California Government Code Section 66006.

IV. Permit and Inspection Fees

The Board shall set by ordinance specific fees that Agency staff will collect for services related to environmental, public health, and regulatory responsibilities under the Agency's jurisdiction - see the Sewer Use Ordinance and Fee Ordinance. When setting a fee, the timeframe in which the fee is valid shall be set and the fee will be calculated to recover the full cost of the services as described below under "Fees for Service."

V. Fees for Service

Fees charged to outside agencies for Agency provided services under contract shall be based on mutually agreed-to terms, under which the Agency recovers the full cost of providing such services. The principles of cost accounting shall apply for recovery of direct materials, direct labor, and administrative overhead. Labor charges shall be recovered using the weighted labor rate that includes the cost of salaries and benefits and other considerations. Contract revenues shall be billed monthly, while program revenues are billed periodically pursuant to each specific agreement.

VI. Accounts Receivable

According to *Generally Accepted Accounting Principles* (GAAP), Agency staff shall record a receivable for sewer service charges, capacity charges, permit and inspection fees, and other fees for service when the revenue is due to the Agency. The Finance department will conduct a monthly reconciliation of accounts receivable and identify outstanding payments due to CMSA. Accounts receivable shall be accrued to the proper accounting period based upon the date the services were performed.

POLICY #:	**521**
SECTION:	**FINANCIAL – REVENUE MANAGEMENT**
SUBJECT:	**Agency Service Contracts**
DATE:	**11/13/18**

POLICY

All Agency service contracts shall sufficiently to recover the full cost of providing such service.

PROCEDURE

The General Manager will receive all written requests from public entities for CMSA services and will ask the appropriate Department Manager to conduct a feasibility review for the provision of the requested services. The General Manager will then determine if the Agency has the existing resources, staff expertise, and capacity to provide the services being requested. The Agency will recover the full costs for all services provided including staff compensation and benefits, and Agency overhead. If a mutually beneficial contract is feasible, a draft proposal will be brought to the Board of Commissioners for review, discussion, and consideration of authorization to negotiate an agreement with the public entity requesting CMSA's services.

The General Manager will present the negotiated agreement to the CMSA Board for consideration of approval. Once approved by the Board, the agreement will be executed by CMSA after ~~the governing board or~~the designated official of the entity requesting CMSA services has ~~also approved and~~ executed the agreement.

POLICY #:	530
SECTION:	FINANCIAL – TREASURY
SUBJECT:	General
DATE:	11/13/18

POLICY

The Board shall appoint a Treasurer to oversee the management and reporting of controllable financial assets in accordance with Agency policy and California law.

PROCEDURES

This Policy provides direction for managing the Agency's treasury and investments, and to ensure fiduciary responsibility and prudent review, planning, and approval of treasury transactions.

I. Treasurer Appointment

Based on the General Manager's recommendation, the Board of Commissioners shall appoint a Treasurer to manage, secure, control, account, audit, report, and develop effective procedures for controlling and handling financial assets and investments to the benefit of the Agency in accordance with the ~~1979~~ CMSA Joint Exercise of Powers Agreement and Government Code 6505.5, et seq.

II. Treasurer Report

Agency staff shall prepare monthly Treasurer Reports containing summary information for each operating account in use by the Agency. The reports shall contain information with respect to Agency cash receipts, cash disbursements, and account balances. The reports also include an Operating Account Disbursement Register Report that lists and describes all operating account cash disbursements during the reporting month. The Board shall review and accept the Treasurer Report.

III. Schedule of Investments

Agency staff shall prepare a monthly Schedule of Investments report containing a summary of the Agency's investment accounts activity including each individual investment. The Board shall review and approve the Schedule of Investments.

IV. Bank Reconciliation

Agency staff shall perform a monthly reconciliation of the Agency's operating bank account, investment accounts, and bond fund accounts. The Agency staff person preparing the accounts payable shall not perform the bank reconciliation.

POLICY #:	**531**
SECTION:	**FINANCIAL – TREASURY**
SUBJECT:	**Investments**
DATE:	**11/13/18**

POLICY

Every spring, the General Manager and Treasurer shall submit to the Board of Commissioners this Investment Policy, where the Board shall review any changes in the policy and approve it at a public meeting.

PURPOSE

The Investment Policy provides guidelines for prudent investment of the Agency's cash. This Policy covers all funds and investment activities under the direction of the Agency in accordance with California Government Code Sections 53600, et seq.

OBJECTIVES

The Agency shall design and manage investments with a high degree of professionalism worthy of the public trust. The primary objectives, in order of priority of the Agency's investment activities, shall be:

I. Safety

Safety of principal is the foremost objective. All investments of the Agency shall be made in a manner that seeks to ensure preservation of capital.

II. Liquidity

The investment portfolio shall remain sufficiently liquid to enable the Agency to meet any cash flow requirements which might be reasonably anticipated.

III. Yield

Investment return becomes a consideration only after the basic measurements of safety and liquidity have been met.

PRUDENCE

The Agency shall follow Section 53600.3 of the California Government Code that identifies as trustees those entities, i.e. California Asset Management Program (CAMP) and Local Agency Investment Fund (LAIF), authorized to make investment decisions on behalf of a local agency. Trustees are fiduciaries and are therefore subject to the prudent investor standard when making investment decisions on behalf of the Agency. Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency.

DELEGATION OF AUTHORITY

The Board of Commissioners shall delegate authority to invest the Agency's funds for a one-year period to the Treasurer, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. Subject to review, the Board may renew the delegation of authority each year. No person may engage in an investment transaction except as provided under the limits of this Policy.

The Treasurer may delegate day-to-day investment decision-making and execution authority to an Investment Advisor. The Advisor shall follow this Policy and such other written instructions as are provided.

The Treasurer and the delegated staff acting in accordance with this Policy and associated procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

INTERNAL CONTROLS

The Treasurer shall establish a system of controls to regulate the activities of internal staff and any external investment advisors, and be responsible for all transactions undertaken by these persons. No person may engage in an investment transaction except as provided under the terms of this Policy, other Treasury and Internal Controls policies, and the associated procedures established by the Treasurer and General Manager.

ETHICS AND CONFLICTS OF INTEREST

All participants in the investment process shall seek to act responsibly as custodians of the public trust according to this Policy and Policy # 503, *Ethics*. Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment recommendations and decisions.

TYPES OF AGENCY INVESTMENTS

The Agency shall be governed by California Government Code Sections 53600, et seq. Within the investments permitted by the Government Code, the Agency seeks to further restrict eligible investments to those listed below. In the event an apparent discrepancy is found between this Policy and the Government Code, the more restrictive parameters shall take precedence.

The Agency's portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase.

I. United States Treasury Issues

United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest. There is no limitation as to the percentage of the portfolio that may be invested in this category.

II. Federal Agency Obligations

Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There is no limitation as to the percentage of the portfolio that may be invested in this category; however, not more than 30 percent of the portfolio shall be placed in any one Agency. Furthermore, purchases of callable Federal Agency obligations are limited to a maximum of 20 percent of the portfolio. In addition, purchases of Federal Agency mortgage-backed securities issued by or fully guaranteed as to principal and interest by government agencies are limited to a maximum of 20 percent of the portfolio.

III. Medium-Term Notes

Medium-term notes, defined as all corporate and depository institution securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or depository institutions licensed by the United States or any state and operating within the United States. Eligible investment shall be rated A by one or more nationally recognized rating service. A maximum of 30 percent of the portfolio may be invested in this category. The amount invested in medium-term notes with any one issuer in combination with any other investments from that financial institution or issuer shall not exceed 20 percent of the portfolio.

IV. Municipal Securities

Bonds, notes, warrants, or other evidences of indebtedness issued by the State of California or any California local agency. Securities eligible for purchase shall be rated A, as rated by one or more nationally recognized statistical-rating organization. A maximum of 30 percent of the Agency's portfolio may be invested in this category.

V. Negotiable Certificates of Deposit

Negotiable certificates of deposit (NCD) issued by a nationally or state chartered bank, a savings association or a federal association, a state or federal credit union, or a state-licensed branch of a foreign bank. No investments shall be made in a bank or credit union if a member of the Board, or any person with investment decision making authority also serves on the board of directors, or any committee appointed by the board of directors of the bank or credit union issuing the NCD. Purchases are limited to institutions which have long-term debt rated A or higher with a nationally recognized rating service; and/or have short-term debt rated at least A with a nationally recognized rating service. NCD may not exceed two years in maturity. A maximum of 30 percent of the portfolio may be invested in this category. The amount invested in NCD with any one financial institution in combination with any other investments from that financial institution or issuer shall not exceed 20 percent of the portfolio.

VI. Banker's Acceptances

Banker's Acceptances, otherwise known as bills of exchange or time drafts, are those which are drawn on and accepted by a commercial bank. Purchasers are limited to issuers whose short-term debt is rated A-1/P-1. Banker's Acceptances cannot exceed a maturity of 180 days. A maximum of 25 percent of the portfolio may be invested in this category. Furthermore, the amount invested in Banker's Acceptances with any one financial institution in combination with any other investments from that financial institution or issuer shall not exceed 20 percent of the portfolio.

VII. Commercial Paper

Commercial paper of prime quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (A) or paragraph (B):

A. The entity meets the following criteria:

1) Is organized and operating in the United States as a general corporation.

2) Has total assets in excess of five hundred million dollars ($500,000,000).

3) Has debt other than commercial paper, if any, that is rated AA or higher by a nationally recognized statistical-rating organization.

B. The entity meets the following criteria:

1) Is organized within the United States as a special purpose corporation, trust, or limited liability company.

2) Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.

3) Has commercial paper that is rated AA-1 or higher, or the equivalent, by a nationally recognized statistical-rating organization.

Eligible commercial paper shall have a maximum maturity of 270 days or less and not represent more than 10 percent of the outstanding paper of an issuing corporation. A maximum of 25 percent of the portfolio may be invested in this category. Furthermore, the amount invested in commercial paper with any one issuer in combination with any other investments from that financial institution or issuer shall not exceed 20 percent of the portfolio.

VIII. Repurchase Agreements

A. Repurchase agreements are to be used solely as short-term investments not to exceed 30 days. The Agency may enter into repurchase agreements with primary government securities dealers rated AA or better by two nationally recognized rating services. Counterparties should also have:

1) A short-term credit rating of at least A-1/P-1;

2) Minimum assets and capital size of $25 billion in assets and $350 million in capital;

3) Five years of acceptable audited financial results; and

4) A strong reputation among market participants.

B. The following collateral restrictions shall be observed:

1) Only U.S. Treasury securities or Federal Agency securities are acceptable collateral. All securities underlying repurchase agreements shall be delivered to the Agency's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement.

2) The total market value of all collateral for each repurchase agreement shall equal or exceed 102 percent of the total dollar value of the money invested by the Agency for the term of the investment.

3) For any repurchase agreement with a term of more than one day, the value of the underlying securities shall be reviewed on an on-going basis according to market conditions. Market value shall be calculated each time there is a substitution of collateral.

4) The Agency or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to repurchase agreement. The Agency shall have properly executed a Public Securities Association agreement with each counter party with which it enters into repurchase agreements. A maximum of 25 percent of the portfolio may be invested in this category.

IX. Time Certificates of Deposit

Time Certificates of Deposit (TCDs) placed with commercial banks and savings and loans. The purchase of TCDs from out-of-state banks or savings and loans is prohibited. The amount on deposit shall not exceed the shareholder's equity of the financial institution. To be eligible for purchase, the financial institution shall have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided Government Code Section 53635.2. TCDs are required to be collateralized as specified under Government Code Section 53630, et seq.

The Agency, at its discretion, may waive the collateralization requirements for any portion that is covered by federal insurance. The Agency shall have a signed agreement with the depository per Government Code Section 53649. TCDs may not exceed one year in maturity. A maximum of 20 percent of the portfolio may be invested in this category. Furthermore, the amount invested in TCDs with any one financial institution in combination with any other investments from that financial institution or issuer shall not exceed 20 percent of the portfolio.

X. Passbook Savings Accounts

Passbook savings accounts placed with commercial banks and savings and loans. To be eligible to receive deposits, the financial institution shall have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided Government Code Section 53635.2. Passbook savings accounts are required to be collateralized as specified under Government Code Section 53630 et. seq.

The Agency, at its discretion, may waive the collateralization requirements for any portion that is covered by federal insurance. The Agency shall have a signed agreement with the depository per Government Code Section 53649. A maximum of 20 percent of the portfolio may be invested in this category. Furthermore, the amount invested in passbook savings accounts with any one financial institution in combination with any other investments from that financial institution or issuer shall not exceed 20 percent of the portfolio.

XI. Money Market Funds

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.).

A. The company shall have met either of the following criteria:

1) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

2) Retained an investment adviser registered or exempt from registration

with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000).

A maximum of 10 percent of the portfolio may be invested in this category.

XII. California Asset Management Program (CAMP)

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (n), inclusive of to Government Code Section 53601. There is no limitation as to the percentage of the portfolio that may be invested in this category.

XIII. State of California Local Agency Investment Fund (LAIF)

There is no limitation as to the percentage of the portfolio that may be invested in this category. However, the amount invested may not exceed the maximum allowed by LAIF.

Authorized Investments

The Treasurer and/or the authorized Investment Advisor shall have the authority to invest the Agency's financial resources as shown in the table below.

Investment Type	Authorized for the Investment Advisor	Authorized for the Agency Treasurer
United States Treasury Issues	X	X
Federal Agency Obligations	X	X
Medium-Term Notes	X	
Municipal Securities	X	X[1]
Negotiable Certificates of Deposit	X	X[2]
Banker's Acceptances	X	
Commercial Paper	X	
Repurchase Agreements	X	
Time Certificates of Deposit	X	X
Passbook Savings Accounts	X	X
Money Market Funds	X	X
CAMP	X	X
LAIF	X	X

(1) Municipal Securities must have an AAA rating.

(2) Negotiable Certificates of Deposit must have a minimum AA rating for long-term notes and AA-1 for short term notes.

TERM OF INVESTMENTS

It is the objective of the Agency to accurately monitor and forecast revenues and expenditures so that the Agency can invest funds to the fullest extent possible. Funds of the Agency shall be invested in accordance with sound treasury management principles.

Where this Policy does not specify a maximum remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase agreement, that at the time of the investment has a term remaining to maturity in excess of five years, unless the Board has granted express authority to make that investment either specifically or as a part of an investment program approved by the Board no less than three months prior to the investment.

PROHIBITED INVESTMENTS

Any investment in a security not specifically listed above, but otherwise permitted by the California Government Code, is prohibited. Section 53601.6 of the Government Code specifically disallows investments in invoice floaters, range notes, or interest-only strips that are derived from a pool of mortgages. In addition to the limitations in Government Code Section 53601.6, this Policy further restricts investments as follows:

I. No investment shall be made that has either (a) an embedded option or characteristic which could result in a loss of principal if the investment is held to maturity, or (b) an embedded option or characteristic which could seriously limit accrual rates or which could result in zero accrual periods.

II. No investment shall be made that could cause the portfolio to be leveraged.

III. Any security that could result in zero interest accrual if held to maturity shall not be made.

BANKS AND SECURITIES DEALERS

The Treasurer, with the concurrence of the General Manager, is authorized to make investments based on the recommendations of the Board approved investment advisor. For investments made by an investment advisor, the Board authorizes the investment advisor to use broker/dealers and financial institutions that the investment advisor has reviewed and approved for investment purposes. The investment advisor's approved list shall be made available to the Agency upon request.

PURCHASE, PAYMENT, DELIVERY, AND SAFEKEEPING

A competitive bid process shall be used to place all investment transactions. All security transactions entered into by or on behalf of the Agency shall be conducted on a delivery vs.

payment basis. All securities shall be held in the Agency's name by a third party custodian designated by the Treasurer.

The only exception to the foregoing shall be depository accounts and securities purchases made with:

I. Local government investment pools;

II. Time certificates of deposit, and,

III. Money market mutual funds, since the purchased securities are not deliverable.

Evidence of each of these investments shall be held by the Treasurer.

PERFORMANCE

The Agency seeks to attain market rates of return on its investments throughout economic cycles, consistent with constraints imposed by its safety objectives and cash flow consideration. The Treasurer shall continually monitor and evaluate the portfolio's performance.

REPORTING

The Treasurer shall submit a monthly investment report to the Board. The report shall include the following information for each individual investment: description of investment instrument, issuer name, maturity date, credit rating, yield to maturity, purchase price, par value, current market value and the source of the valuation.

The report also shall:

I. State compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance,

II. Include a description of any of the Agency's funds, investments or programs that are under the management of contracted parties, including lending programs, and

III. Include a statement denoting the ability of the Agency to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money may not be available.

The report shall include a list of monthly investment transactions. This monthly report shall be submitted with the Board's monthly meeting agenda for public review.

POLICY #:	**532**
SECTION:	**FINANCIAL – TREASURY**
SUBJECT:	**Reserve**
DATE:	**11/13/18**

POLICY

To maintain liquidity, stabilize rates, provide for contingencies, and prevent a deficit cash position, the Agency shall maintain operating, capital, emergency, and insurance reserves in accordance with the procedure below. The Agency shall report reserve balances by designation in its monthly investment report to the Board.

PROCEDURES

Establishment of reserves ensure that the Agency has sufficient funding available to meet its operating and capital obligations, and provides better alignment of the Agency's resources identified in long-term financial plans to the funding requirements for the 10-Year Capital Improvement Plan. Adequate reserves promote the Agency's bond ratings in the capital markets; provide financing flexibility; avoid potential restrictive debt covenants; mitigate current and future risk; and ensure the JPA Member Agencies stable service charges.

I. General

The Agency's reserves shall be held in the Agency's Local Agency Investment Fund (LAIF) or California Asset Management Program (CAMP) accounts, either as short- or long-term investments in accordance with the Agency's Investment policy (Policy #531).

II. Reserve Fund Designations

Reserve designations better links the Agency's available cash resources, as reported in the Agency's Financial Statements, to the Annual Budget and Capital Improvement Program. The integration of reserve designations makes the annual budget a more comprehensive document because it accounts for the accumulation and usage of all available resources instead of just the anticipated revenues and expenditures for that fiscal year. This expanded budget view can be used to explain future sewer service charges or capital borrowing to all interested stakeholders. The establishment of cash reserve designations also enhances long-term planning and management of the Agency's financial resources.

III. Development, Management, Oversight, and Reporting of Reserves

The development, management, and oversight of Agency reserves is intended to be aligned with the development, management, and oversight of the Agency budget. During the annual budget development process, the Treasurer develops an initial projection of the Agency expenses and revenues for the upcoming year. The General

Manager and Treasurer will propose allocations to and from the reserves based on this reserve policy, Agency priorities, and/or direction from the Board. The accumulation and uses of the reserves are a component of the annual budget and are subject to Board review and approval. The annual budget will also report the final status of the reserves for the prior year based on the audited financial statements.

Consistent with established policy on the budget (Policy #550), the General Manager, with approval from the Chair of the Board, is authorized to expend up to $100,000 directly from any of the unrestricted reserve accounts in the event of an emergency situation that would directly and critically affect the Agency's operations. The General Manager shall report to the Board the circumstances requiring the expenditures at its next meeting. Otherwise, Board approval is required prior to any transfer or expenditures of reserve funds that were not previously budgeted.

Board authorization is required to establish any new reserve designations.

IV. Reserve Types

Two major categories of reserve funds have been established: Restricted Reserves and Unrestricted Reserves.

A. Restricted Reserves

These reserves represent assets that are legally or contractually obligated for a specific purpose. Typically, the Board does not have the authority to modify or remove these restrictions or reserves.

B. Unrestricted Reserves

These reserves represent assets for future spending plans. The Board does have the authority to establish, modify, or remove these reserves.

Deductions (i.e., payments) from either reserve type shall follow documented Agency administrative and procurement policies and procedures. Any addition of new or removal of existing reserve types will require an update to this policy and subsequent Board approval.

V. Designations for Reserves

The Agency has established the following designations for the restricted and unrestricted reserves.

A. Designations for Restricted Reserves

1) Capacity Charges ~~– (Sewer) Connection Fee~~: The CA Government Code requires separate accounting of capacity charges and the application of interest to outstanding balances. The Agency shall use capacity charges on a first-in-first-out basis to finance current year capital projects. In the event that the amount collected in any given year exceeds capital project

expenses, the Agency would have to hold the excess funds for future use. Should this situation occur, the excess funds will be placed in this Capacity Charge Reserve. Staff would then recommend these funds as a proposed funding source for the following fiscal year's Capital Improvement Program.

2) Coverage from Debt Service: This is a contractually obligated requirement from revenue bond rate covenants and represents 25% of the debt service payment that is collected from the JPA Member Agencies semi-annually. The expenditure of these funds is solely for the Capital Improvement Program.

Funds are added to this reserve after each debt service contribution from the Member Agencies. Funds received in the fiscal period collected cannot be expended in that same fiscal year. Funds remain in this reserve until budgeted; these funds are preferentially used to fund approved projects from the Capital Improvement Program.

The distinction between this restricted reserve and the unrestricted Capital Improvement Program Reserve is in the source of funding. The Reserve for Coverage for Debt Service is considered to be restrictive due to Bond Indenture requirements that limit its usage to capital expenditures. The Capital Improvement Program Reserve is considered to be unrestrictive because its source is from service charges and/or other general purpose revenues and thus could be available to fund non-Capital expenses.

B. Designations for Unrestricted Reserves

The source of funds for these reserves is from service charges and/or other general purpose revenues. When funds are available for unrestricted reserves, they should be allocated to maintain the reserve requirements in the following preferential order. All allocations to reserves are subject to Board review and approval.

1) Operating Reserve for Economic Uncertainties: This reserve represents three months funding for general Agency operations. Funding will be adjusted annually to maintain three months of operational funding.

2) Capital Improvement Program: This Reserve funds projects and initiatives from the Capital Improvement Program. The target funding level will be determined in conjunction with the Agency's 10-Year Capital Improvement Program and financial model.

The distinction between this reserve and the Coverage from Debt Service Reserve is the source of funding. This reserve is considered to be unrestricted because its source is from service charges and/or other general purpose revenues and thus could be available to fund non-Capital expenses at the Board's discretion. The Coverage from Debt Service Reserve is considered to be restricted due to Bond Indenture requirements that limit its usage to capital expenditures.

3) Self-Insurance Reserve and Deductibles: This reserve represents the deductible portion for the various insurance policies carried by the Agency. The Agency funds insurance premiums from the operating budget; however the operating budget would not be able to absorb the deductible portion for insurance claims that are filed. The funding level is \$100,000 and should be adjusted if there are changes to policy coverages or deductibles.

4) Contingency, Emergency, and Future Designations: This reserve serves as a contingency for unforeseen or unanticipated emergencies and other to-be-determined items. The funding level is \$250,000.

POLICY #:	**540**
SECTION:	**FINANCIAL – EXPENDITURE MANAGEMENT**
SUBJECT:	**General**
DATE:	**11/13/18**

POLICY

The Agency shall provide for authorized transactions only in accordance with expense categories adopted in the annual budget.

PROCEDURES

The budget adopted by the CMSA board serves as the policy document governing Agency expenditures. Operating expenditures are managed and categorized as Agency-wide, by department, and by major or special funding sources as shown in the Adopted Budget.

I. Employee Compensation and Benefits

Agency staff shall follow applicable federal and state laws and regulations for administering the Agency's employee compensation and benefits. The specifics of Agency compensation and benefits are defined in Agency documents, such as:

A. Personnel Policies and Procedures manual;

B. Memorandums of Understanding and other agreements with employee groups;

C. Agreements with CalPERS for health and retirement benefits; and

D. Agreements with other benefits providers.

Agency staff shall perform payroll processing on a bi-weekly basis covering a two-week period beginning on Sunday, ending on Saturday, with payment on the following Friday. Other types of payroll transactions such ~~as merit award pay and~~ leave cash-out will also be processed in conjunction with the bi-weekly payroll schedule. All payroll changes shall require a completed personnel action form with authorization by the appropriate managers and employees, where applicable, prior to any changes being made in the payroll system.

II. Accounts Payable

Agency staff shall adhere to the following policies when conducting Agency procurement and expenditure activities - *Policy Framework, Signature Authority, Contracting, and Purchasing*.

All expenditures will include the appropriate support documentation (e.g., purchase order, invoice, account statement, receipt, and packing slip) and shall be approved by the Department Manager and/or General Manager. According to Generally Accepted

Accounting Principles (GAAP), Finance staff shall review and record in a timely manner all accounts payable to ensure the proper recognition of expenses and liabilities. Finance staff shall charge payables to the proper accounting period based upon the date the services were provided and perform a monthly reconciliation of accounts payable.

III. Petty Cash

Agency staff shall maintain a petty cash account that can be used for cash transactions. Disbursements from petty cash shall be pursuant to the *Purchasing Policy*.

POLICY #:	**541**
SECTION:	**FINANCIAL – EXPENDITURE MANAGEMENT**
SUBJECT:	**Travel, Training, and Other Business Expense Reimbursements**
DATE:	**11/13/18**

POLICY

The Agency shall reimburse employees for authorized business-related expenses for travel, training, and other business purposes using authorized amounts.

PROCEDURES

This policy defines the authorization, payment, and reimbursement of travel, training, and other business expenses incurred by Agency staff while conducting Agency business.

I. GENERAL

The General Manager shall establish procedures for authorizing, paying, restricting, and reimbursing employees for travel, training, and other business-related expenses. Travel per diem rates shall be adjusted at the beginning of each calendar year based on the change in the Consumer Price Index-Urban/San Francisco-Oakland-San Jose for the prior February-to-February period, rounded up to the nearest $0.50. The Board shall review and approve the per diem rates when they exceed 120% of the February 2015 rates.

The per diem rates for meals, gratuities, and incidentals as of February 1, 2018 are as follows:

TRAVEL PERIOD	FEBRUARY 1, 2018 PER DIEM	MAXIMUM PER DIEM RATE (120% of FEB. 2015)
Overnight Travel per 24-hour period	$91.00	$101.00
Travel between 12 and 24 hours	$68.00 or 75% of Overnight Travel Rate	$76.00
Daily travel less than 12 hours	Breakfast $13.00 Lunch $17.00 Dinner $26.00	Breakfast $14.50 Lunch $18.00 Dinner $29.00

An employee who has been issued a State of California Purchase Card (Agency credit card) shall also comply with the *Purchasing* *Policy*~~.~~, when using the purchase card for travel and training related expenses. Each employee is responsible for the expenses that he/she incurs while traveling on Agency business. The employee is encouraged to consult with their supervisor should they have any questions about travel related expenses.

II. Required Authorization

Agency staff shall obtain supervisory, department manager, and/or General Manager approval, as prescribed in the established procedures, prior to incurring any Agency expenses related to travel or other business functions. When alternatives are available, the Agency will pay for the least cost alternative.

All Agency staff shall provide a full accounting for all meeting and travel related expenses, with receipts, regardless of whether the expense was advanced or prepaid by the Agency or incurred directly by the employee. The accounting will be submitted to the employee's supervisor, department manager, Administrative Services Manager, and/or General Manager for approval. The Administrative Services Manager will review the accounting and determine the reimbursement to the employee or the repayment for advances to the Agency, whichever is applicable.

The decision of the General Manager shall be final in situations where there are conflicts of opinion regarding the appropriateness of reimbursements.

III. Federal Income Tax Withholding (FITW)

This Policy and related procedures shall comply with the IRS definition of reimbursements and accountable expenditures per *IRS Publication 463*. Advances or reimbursements made to employees for purposes specified in this Policy are generally not subject to FITW, and thus not reported as other compensation on the employee's annual W2-Wage and Tax Statement. Any employee who does not follow this Policy when requesting an advance and/or reimbursement will be solely responsible for any federal and state tax liabilities that result from the receipts of Agency funds.

POLICY #:	**550**
SECTION:	**FINANCIAL – FINANCIAL PLANNING**
SUBJECT:	**Annual Budget**
DATE:	**11/13/18**

POLICY

The Board of Commissioners shall adopt a comprehensive balanced annual budget for the Agency prior to the start of each fiscal year (July 1 to June 30).

PROCEDURE

The annual budget is a document specifying the allocation of Agency resources for the priorities approved by the Board of Commissioners for the fiscal year. The adoption of a fiscal year budget by the CMSA Board is a statutory requirement for California public agencies, and is also specified in the Agency's Joint Powers Agreement.

The annual budget that is presented to the Board for adoption shall include the following components:

- Departmental budgets with three-year budget comparisons: prior fiscal year, current fiscal year approved budget and projected expenditures, and proposed budget for the upcoming fiscal year;
- Descriptions and explanations of specific revenues and expenditure categories and line-items;
- Funding for the Agency's annual OPEB (retiree medical expenses) contribution
- Identification of Agency staff responsible for routinely monitoring, tracking, and making transaction decisions with respect to specific budget categories and/or line-items within each department budget;
- Allocation of Regional/Sewer Service Charges to JPA Members and San Quentin;
- Allocation of Debt Service Charges to JPA Members and San Quentin;
- 10-Year Capital Improvement Program with budget allocations for capital projects and initiatives;
- Proposed accumulations and uses for Agency reserves; and
- 10-Year Financial Forecast.

I. Budget Development

The annual budget represents the Agency's financial blueprint to maintain effective wastewater operations that comply with the Agency's various operating permit requirements. The budget describes the funding requirements and operating costs associated with providing wastewater services, and the maintenance, replacement, and improvement of the facility infrastructure and assets. It shall include, but is not limited to, the following sections:

A. Revenue Budget

The Revenue Budget shall detail and describe each salient revenue category, including, but not limited to, sewer service charges, capacity charges ~~connection fees~~, permit fees, revenues from contract and program services, fees for wastewater and organic waste disposal at Agency facilities, and revenues for debt service payments and coverage..

B. Expenditure Budget

The Expenditure Budget shall be organized by department. Specific line-items for each department shall be detailed, described, and explained for each salient operating expenditure category, including, but not limited to, salaries, benefits, professional services and studies, permits and fees, materials and supplies, facilities maintenance, equipment, treatment plant operations, and miscellaneous administrative expenses.

Included in the Expenditure Budget is the annual Actuarially Determined Contribution (ADC) for Other Post-Employment Benefits (OPEB) pursuant to the most recent GASB 75 actuarial valuation report.

C. 10-Year Capital Improvement Program (CIP)

The CIP shall include the proposed capital expenditure budget for the upcoming fiscal year as well as the planned projects and initiatives for the following nine fiscal years. Each project shall be clearly described. The Board shall approve the following fiscal year proposed projects as part of the annual budget approval, and conceptually approve the projects shown in the following nine fiscal years.

D. 10-Year Financial Forecast

The Forecast shall present a multi-year comparison of the previous fiscal year's actual performance, current fiscal year's projected performance, and a ten-year projection of future revenues by all sources, expenditures, and the accumulation and use of reserves. The forecast shall guide the Board in determining current and future operating and CIP funding to meet the Agency's financial and operational needs and objectives.

At the discretion of the Board, the annual budget may also include policy statements, directives, and funding plans that explain and describe operational, capital, and/or organizational approaches for managing and handling the Agency's business and assets. Statements regarding performance accomplishments, objectives, and measurements may be included.

The General Manager shall present a draft annual budget to the Board for review no later than the May Board meeting, prior to the start of each fiscal year. The Board shall consider approving the annual budget at the June Board meeting, prior to the start of each fiscal year.

II. Budget Reporting

During the fiscal year, the Agency's actual revenues and expenditures shall be tracked to the appropriate budget line-items to manage the Agency's financial and operational condition. Quarterly budget status reports of revenues, and operating and capital expenditures by category shall be provided to the Board for its review.

III. Budget Transfers

The General Manager shall establish and approve procedures for department managers to, 1) request budget transfers within the adopted operating and capital budgets that do not increase the total aggregate fiscal year budget, and 2) to request budget amendments that would increase the total aggregate fiscal year budget subject to the General Manager's and/or Board's review and approval.

IV. Budget Amendments

In the event of unforeseen or unanticipated circumstances, amendments to the adopted fiscal year budget may be necessary. Budget amendments shall be considered when funds are justified, available, and necessary to maintain the Agency's ongoing operational and financial performance, and service expectations as directed by the Board.

The Board shall approve budget amendments that would increase the total aggregate fiscal year budget, based on the evaluation and recommendation of the General Manager that the proposed amendment meets the intent and purpose of this Policy.

In the event of an emergency, the General Manager can approve budget amendments that would increase the Agency annual budget, with the conditions that, 1) these amendments are necessary to maintain the Agency's ongoing and routine operations, and 2) the aggregate amounts of the amendments cannot exceed $100,000. The General Manager shall notify the Chair of the Board about the situation and the reason for the budget amendment, and report to the Board about these actions at its next scheduled meeting.

POLICY #:	**551**
SECTION:	**FINANCIAL – FINANCIAL PLANNING**
SUBJECT:	**Capital Improvement Program**
DATE:	**11/13/18**

POLICY

A *Capital Improvement Program* shall be prepared as an integral part of each adopted budget.

PROCEDURE

The Capital Improvement Program (CIP) describes and explains the Agency's capital projects, delineated by type of capital project and funding source, over ten fiscal years (including the upcoming fiscal year). 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

I. **General**

The Agency's CIP Committee will prepare an updated 10-year CIP during the budget development process for each fiscal year. A 10-year CIP provides the Board, JPA member agencies, customers, public financing institutions, and other stakeholder groups with a sufficient long-term perspective on CMSA's infrastructure improvements and capital financial needs. The 10-Year CIP is a planning document that provides a projection of future project costs on a reasonable escalated basis for the fiscal years in which the costs are planned to be expended. The Board shall review the 10-Year CIP as part of annual budget process, and the first year of the 10-Year CIP shall be incorporated into the Agency's Annual Budget for adoption. The later years of the 10-Year CIP will be incorporated into the Agency's 10-Year Financial Forecast.

II. **CIP Schedules, Project Descriptions, and Reporting**

The CIP Committee shall prepare a CIP schedule which will include a description of each capital activity, an explanation of the need for the project, estimated project costs, and proposed project delivery method. During the fiscal year, Agency staff shall track and monitor actual capital expenditures against the appropriate budgeted projects to assist in managing the individual capital accounts. Agency staff shall provide periodic CIP status reports to the Board for its information, review, and possible management direction.

The projects and initiatives in the CIP are grouped into the following four categories:

A. Facilities Improvements: roofing, paving, coating/sealing, etc.

B. General Equipment: vehicles, lab and communications equipment, etc.

C. Treatment of Liquids: flow meters, turntable drives, pumps, etc.

D. Treatment of Solids and energy generation: digesters, sludge pumps, heat exchangers, cogeneration system, emergency generator, biogas treatment systems, boilers, etc.

The determination of the types of projects, initiatives and activities that are included in the CIP can be based on the following characteristics:

A. Procurement of equipment, vehicles or fixed assets

B. Replacement of existing equipment/infrastructure with similar items

C. Engineering study, pre-design work, and design of new processes or facilities

D. New modifications to existing facilities

POLICY #:	**552**
SECTION:	**FINANCIAL - FINANCIAL PLANNING**
SUBJECT:	**10-Year Financial Forecast**
DATE:	**11/13/18**

POLICY

The Agency shall prepare a ten-year financial forecast with each annual budget.

PROCEDURE

The 10-Year Financial Forecast is a long-term examination of the Agency's projected operating status. It provides a strategic perspective and direction for the budget process and serves as a long-term financial planning document.

Agency staff shall prepare a 10-year forecast of the Agency's financial resources that includes a status and projection of revenues by source, expenditures, capital requirements, and accumulation and use of reserves. The forecast is a multi-year comparison of actual revenues and expenditures from the prior fiscal year, a projection of the current fiscal year revenues and expenditures, and a 10-year projection of future resources and expenditures. Agency staff shall present the forecast for Board review as part of the annual budget process and the forecast shall also be included in the Agency's annual budget.

I. Guidance

The forecast will delineate revenues by source, ~~and~~ operating expenditure by category, and total annual capital expenditures. Projections and analytical assumptions that are used in the forecast will be guided by Board directives, analyses of anticipated operational changes, Agency contract obligations, economic trends and indices, and financial data from prior fiscal years, along with other relevant financial and analytical perspectives. Balances of revenue and expenditures will be evaluated to determine application and availability of restricted and unrestricted cash reserves in the forecast as well as to meet Board directives regarding the reserve fund balance.

The forecast will assist the Board in determining the required current and future sewer service charge revenues to meet the Agency's financial and operational needs and objectives.

The Board may request periodic revisions to the forecast apart from the annual budget process to assist ~~it~~ with decisions on the future direction of the Agency.

POLICY #:	**553**
SECTION:	**FINANCIAL – FINANCIAL PLANNING**
SUBJECT:	**Debt Financing and Management**
DATE:	**11/13/18**

POLICY

The Agency shall use long-term debt to finance capacity expansions and major capital replacement or rehabilitation subject to the requirements described below.

PROCEDURE

The Debt Financing and Management Policy is designed to ensure that when the Agency issues debt, or borrows from private or governmental sources, that the debt load is managed prudently to maintain the Agency's sound fiscal condition and protect its credit quality.

I. General

The General Manager shall make recommendations to the Board of Commissioners concerning debt financing to fund the Agency's capital improvement program needs. Generally, recommendations shall be presented prior to the Agency's annual budget development process. Recommendations may be made at other times during the fiscal year to meet immediate Agency capital improvement needs and/or as relevant debt financings are made available to the Agency.

The Administrative Services Manager shall be responsible for managing, implementing, and overseeing debt management for the Agency. These duties shall include, but are not limited to, developing an effective debt management program, accounting and analyzing debt, and coordinating with the General Manager and department managers to determine and recommend the need for debt financing to meet the Agency's capital improvement needs. Agency staff shall ensure that the Agency's debt financing and issuances are consistent with the Agency's Joint Powers Agreement, and applicable federal and state financing and tax laws.

II. Conditions for Debt Financing

Based on the recommendation of the General Manager, the Board shall approve borrowing or debt issuance to finance major capital projects. The Board shall consider long-term and short-term debt financing mechanisms as appropriate to meet the objectives of the Agency's capital needs. The Board shall limit debt to financing the costs of planning, design, engineering, regulatory permit requirements, land acquisition, environmental review, infrastructure, equipment, debt issuance, and any other project costs permitted by federal, state, and local laws for public agencies.

When making a determination to proceed with debt structuring and financing, the

Board shall consider the Agency's financial condition, sources of funding for the annual debt service payment, the Agency's ability to repay the debt without fiscal disruption to its effective operations and maintenance, economic trends affecting the Agency, financial benchmarks of other similar public agencies, and any existing and overlapping Agency debt. The Board shall consider the least costly financing mechanisms available, such as federal and state loan programs, when planning debt issuances and financing opportunities to take advantage of financial market conditions when possible.

The Board will approve debt financing for capitalized expenditures based on the economic value and useful life of an asset. The term or the maturity of the debt financing should be consistent with the useful life of the asset to be financed.

The Board shall consider and approve cost-effective credit enhancements such as debt insurance or letters of credit as mechanisms to improve credit ratings and guarantees for principal and interest payments.

The Board shall consider debt refunding to refinance outstanding debt that would reduce interest costs to the Agency, and/or remove any burdensome, restrictive, or irrelevant debt covenants. When approving debt refunding, the Board shall consider present value savings and other benefits to the Agency of restructuring the debt.

III. Investment of Debt Proceeds

Agency staff shall explicitly follow its *Investments Policy* and any indenture documents or debt issuance agreements that are part of the debt financing program when investing debt proceeds.

IV. Commingling of Debt Proceeds with Operating Funds

Debt proceeds shall not be commingled with operating funds.

V. Terms of Debt Issuance

a) *Authorized Debt* – the Agency is authorized to issue debt of any type or character available to California special districts.

b) *Terms of Debt* – debt maturity shall not exceed the useful life of the project; new debt shall be parity with existing debt; new debt shall be callable; debt may be refunded for savings or covenant removal; the Agency shall comply with all covenants, coverage tests and arbitrage requirements; amortization shall be level payments; and minimum debt is $2M.

c) *Debt Coverage* – the Agency shall set minimum debt coverage at 125% to provide funding for pay-as-you-go recurring capital replacement.

d) *Debt Affordability* – the Agency shall benchmark its debt level with rating agency ratios, debt per capita, or with other local agencies to monitor and measure debt affordability.

e) *Debt Issuance Process* – transactions may be negotiated or competitively bid depending upon nature, use, understandability and whether or not revenue generating. The Agency shall select a financing team for its debt issuance needs.

f) *Prohibited Uses* – the Agency shall not use long-term debt to fund current operating costs; the Agency shall not refinance long-term debt with short-term debt due to exposure risk.

POLICY #:	**554**
SECTION:	**FINANCIAL – FINANCIAL PLANNING**
SUBJECT:	**Risk Management and Insurance**
DATE:	**11/13/18**

POLICY

The Agency shall maintain adequate insurance coverage for all of its insurance needs.

PROCEDURE

The General Manager shall be responsible for managing all aspects of risks encountered by the Agency. As such, Agency staff shall coordinate and obtain appropriate levels of insurance coverage and implement other risk management and mitigating strategies and safety management approaches, as recommended by the California Sanitation Risk Management Authority (CSRMA). Acceptable risk management strategies need to be in compliance with applicable Federal and State laws and California Occupational Safety and Health Administration (CalOSHA) regulations. Insurance coverage and risk management strategies shall include, but are not limited to, liability, property, vehicles, Workers' Compensation, hazards, general safety, and loss control, and may consist of self-insurance programs when economical and cost-effective.

POLICY #:	**555**
SECTION:	**FINANCIAL - FINANCIAL PLANNING**
SUBJECT:	**Multi-Year Revenue Plan**
DATE:	**11/13/18**

POLICY

CMSA shall develop and adopt a multi-year revenue plan to provide adequate funding for Agency operations, capital activities, and debt service, as well as maintaining Board designated reserve levels.

PROCEDURE

I. Beginning in the last year of the current Board adopted revenue plan, staff and the Board's Finance Committee will prepare a revenue plan development schedule that is designed so that a new revenue plan will be adopted prior to each JPA agency Board's consideration of their next fiscal year's draft budget.

II. The Committee will consider using the following revenue plan guiding principles when developing the Agency's revenue plan alternatives.

- Use a 5-year revenue planning period based on a 10-year rolling financial forecast
- Balance the operating budget over the planning period
- Maintain the operating reserve at 25% of the annual operating expenses
- Ensure adequate funding for the capital improvement program during the planning period
- Maintain a CIP reserve at an amount equal to the annual average value of the 10-year CIP
- When feasible, use current revenues to fund CIP projects
- Secure low-interest State Revolving Fund loans or issue debt to fund the balance of CIP projects
- Target a CMSA average EDU rate increase of less than 4% per year
- Keep the CMSA Board and JPA managers briefed on the Finance Committee's work

III. Revenue plan alternatives, considering the above guiding principles or Board amended principles, will be developed by the Committee and presented to the Board for review and discussion, and ultimately, selection of a preferred alternative.

IV. The Board adopted revenue plan will be communicated to the JPA member agencies, and incorporated into the Agency's upcoming fiscal year's budget and revised 10-year financial forecast.

POLICY #:	**560**
SECTION:	**FINANCIAL – PROCUREMENT MANAGEMENT**
SUBJECT:	**Signature Authority**
DATE:	**11/13/18**

POLICY

This policy establishes signature authority for the Agency's procurement types listed below.

PROCEDURES

The Signature Authority Policy is to define the signature approval levels within the Agency for the following types of procurement transactions:

- Purchase Orders
- Professional Services Agreements
- Maintenance Service Agreements and Contracts
- Equipment Procurement
- Materials & Supply Contracts
- Construction Contracts and Change Orders

I. Procurement Transactions

The General Manager shall approve procurement transactions equal to the amount specified by the California Uniform Construction Cost Accounting Commission (CUCCAC) for utilizing alternative bidding procedures for public project work. The table below shows each procurement transaction type with its governing CUCCAC Tier and the General Manager's signature authority for each transaction type. By Ordinance, the Agency established bid cost thresholds and procedures in accordance with CUCCAC. Dollar amounts indicated are the CUCCAC limits as of the effective date of this policy, and will be adjusted over time as the CUCCAC limits are updated.

Transaction Type	CUCCAC Tier	General Manager Authority
Purchase Orders	Tier I	Less than $~~45~~60,000
Professional Services Agreements	Tier I	Less than $~~45~~60,000
Maintenance Service Contracts	Tier I	Less than $~~45~~60,000
Equipment Procurement	Tier I	Less than $~~45~~60,000
Material & Supply Contracts	Tier I	Less than $~~45~~60,000
Construction Contracts – Administrative	Tier I	Less than $~~45~~60,000
Construction Contracts – Informally Bid	Tier II	Between $~~45~~60,001 and $~~175~~200,000
Construction Contracts – Formally Bid	Tier III	Must be approved by CMSA Board

The Board of Commissioners shall approve procurement transactions greater than the current CUCCAC Tier amounts and shall approve all formally bid construction contracts. The General Manager shall establish the signature authority amount limits for Agency staff.

II. Construction Change Order Limits

The construction change order (CCO) approval and signatory authority limits shall be as indicated in the table below:

Construction Amount Tier	General Manager Change Order Limits
1) Less Than $300,000	
a) Change Order Limit	$30,000
b) CCO limit if schedule impacted*	$55,000
2) $300,000 to $1,000,000	
a) CCO limit	10% of construction contract amount
b) CCO limit if schedule impacted*	20% of construction contract amount
3) Greater Than $1,000,000	
a) CCO limit	$100,000
b) CCO limit if schedule impacted*	$200,000
4) Emergency situations for any size project	CMSA Board Chair approval if schedule impacted*, with subsequent ratification by CMSA Board

* As determined by CMSA staff.

A. Reporting to the Board

The Board shall receive the following change order reports from the General Manager, as appropriate:

1) CCO aggregate amount if it approaches the specified limit;

2) Periodic change order and contract update; and

3) An economic analysis of the project costs at the construction contract's completion.

III. Payment Transactions

The General Manager or designee shall approve payments up to the signature authority limits under Procurement Transactions, above. The General Manager shall approve all professional services and contractual progress payments regardless of amount after the contract(s) is approved and awarded ~~by the Board~~.

Agency staff designated as responsible for specific line-items and/or categories in the adopted Agency's annual budget shall be responsible for reviewing single payments, which are related to the transactions covered by this Policy, other Procurement

Management policies and related procedures. These Agency staff shall approve single payments up to the signature authority established by the General Manager. Approval shall be based on justifying and verifying that the related work, services, and/or materials and supplies are completed per the scope of the procurement document.

POLICY #:	**561**
SECTION:	**FINANCIAL – PROCUREMENT MANAGEMENT**
SUBJECT:	**Contracting**
DATE:	**11/13/18**

POLICY

The Agency shall award construction, maintenance, and service contracts using appropriate and transparent procedures that comply with state laws and other Agency policies and procedures.

PROCEDURE

This policy provides direction regarding how contracts and purchase orders should be awarded, processed, and approved to ensure integrity and consistency with established Agency policies and legal requirements. It also ensures that the most efficient, cost-effective, transparent, and accountable processes are used to select the most qualified service provider, and the most cost-effective materials and supplies vendor.

I. Approval

This Contracting policy is used in conjunction with the *Signature Authority* Policy.

II. General Procedures and Processes

The General Manager shall establish the contracting procedures for the Agency. The Agency will standardize the contract development and engagement process to ensure selection of a responsive and responsible contractor and/or supplier to meet the purpose of this Policy and that comply with relevant state laws.

These procedures will ensure proper contract awarding, and negotiated and sole source procurements, which include, but are not limited to, scope of work, quotations, proposals, bids, determining contractor and vendor qualifications, selecting proprietary sources, and emergency procurement.

The General Manager shall ensure that the contracting and purchase order processes are conducted in an efficient, transparent, and cost-effective manner. In doing so, effective and appropriate planning, timing, specifications, terms and conditions, pricing strategies, risk management, consolidating, and multiple quoting of contracts and purchases shall be considered. At the General Manager's discretion, the contract terms, conditions and forms may be reviewed by legal counsel before the contract is executed.

III. Contracting and Procurement Processes

Agency staff shall follow contracting processes according to the Uniform Public Construction Cost Accounting Act (UPCCAA and California Public Contract Code 20800, et seq. for Sanitary Districts. Construction projects performed under contract shall be evaluated under the following bidding parameters.

1) If the estimated cost of a project is less than the Tier I amount (refer to the *Signature Authority* Policy) the General Manager will execute a Maintenance Contractor Service Agreement for the defined services.

2) If the estimated cost of a project is within the Tier II amount, the project will be informally bid and the General Manager has the authority to execute a construction contract agreement.

3) If the estimated cost of a project exceeds the Tier III amount, the project will be formally bid and the construction contract is subject to Board approval.

IV. Professional Services Agreements

Agency staff shall follow the following parameters for evaluating professional services contracts. Selection of consultants for professional service agreements is based upon demonstrated experience and competence, and shall consider and evaluate the consultant's suggested approach, scope of work, proposed team members and availability, proposed fees, relevant experience, and other qualifications that are in the best interest~~s~~ of the Agency.

A. For those services within the General Manager's signature authority, the General Manager has the discretion to negotiate an agreement directly with a consultant unless he/she determines that it is in the best interest~~s~~ of the Agency to conduct a formal request for proposal (RFP) process.

B. For those services that exceed the General Manager's signature authority, the consultant shall be selected by an RFP process. The contract shall be awarded to the most qualified service provider by the CMSA board.

V. Maintenance Service Contracts

Agency staff shall follow the following parameters for evaluating maintenance service contracts. Maintenance services are those activities defined by UPCCAA as, 1) routine, recurring and usual work for the preservation or protection of a publicly owned or operated facility for its intended purposes, 2) minor repainting, 3) landscape maintenance, or 4) work performed to keep, operate, and maintain publicly owned waste disposal systems.

A. For those CUCCAC Tier I maintenance services within the General Manager's signatory authority, the General Manager has the discretion to negotiate an agreement directly with a service provider unless he/she determines that it is in the best interest of the Agency to conduct a formal request for quotes from multiple service providers.

B. For those maintenance services that exceed the General Manager's signature authority, the service provider shall be selected by a request for quotes or bidding process. The maintenance contract shall be awarded by the CMSA Board to the service provider with the lowest cost that can provide the defined scope of services and meet CMSA's qualification requirements.

VI. Equipment, Materials, and Supplies Procurement

Agency staff shall conduct the following processes for procuring equipment, materials and supplies.

A. For the purchase of equipment, materials, and/or supplies whose costs are within the General Manager's signatory authority, such procurements shall be performed under the *Purchasing Policy*.

B. For the purchase of equipment, materials, and/or supplies that require the Board's approval, contracts or purchase orders shall be awarded to a vendor/supplier using the Agency's Equipment and Material Procurement Policies, unless sole source procurement is justified and approved by the Board.

VII. Cooperative Agreements

The General Manager shall determine when the Agency may enter into intergovernmental cooperative agreements to achieve economies of scale, promote Agency goals and objectives, or where it is financially advantageous.

Cooperative agreements may be used when the Agency can join contractually with other public agencies to meet mutual contractual needs. Such agreements may be bid or negotiated together with the cooperating agencies, or utilize new or existing contracts that allow for cooperative arrangements.

POLICY #:	**562**
SECTION:	**Financial – Procurement Management**
SUBJECT:	**Purchasing**
DATE:	**11/13/18**

POLICY

Procurement shall use appropriate non-contracted selection methods for purchasing activity as described below.

PROCUREMENT METHODS

This Purchasing Policy is associated the *Signature Authority* Policy. The process for complying with each method of procurement is explained below.

I. Blanket Purchase Order

At the beginning of each fiscal year, finance staff shall establish and distribute a list of blanket purchase order (open account) numbers, based on requests by department managers, to be used for purchases less than $500. Agency staff shall communicate to the vendor the specific assigned purchase order (PO) number when making purchases to ensure the number is on all vendor invoices and related documents.

In lieu of creating an open account, vendors may provide business credit cards to the Agency. With discretion, the General Manager shall approve applications for these types of cards after review by the Administrative Services Manager. The cards shall be used for purchases of less than $500, and may only be used at the business where the card was issued. Department managers shall designate the employees who are allowed to use these types of cards when purchases need to be made. Until an invoice is received, the designated employees or finance staff shall keep a record of the purchase to provide supporting documentation for payment processing. These cards shall be governed by the Use of Card policies stated under the Purchase Card section below.

II. Purchase Order

Agency staff shall use a purchase order for purchases for, 1) vendors with open accounts in amounts greater than or equal to $500, or, 2) vendors without open accounts. All purchase orders shall be in writing using the appropriate form and documentation, have the appropriate approvals, and be submitted to the vendor for processing.

III. Petty Cash

Agency staff may use petty cash for purchases of $50 or less with vendors unable to establish an open account with the Agency and for necessary small infrequent expenses. These expenses may include supplies, parts, bridge tolls, attendance at offsite meetings and trainings, and multi-Agency meetings. All requests for petty cash disbursements shall be in writing using the appropriate form and approved by the department manager. The General Manager may authorize a petty cash disbursement greater than $50 if it is determined to be a prudent and appropriate payment or reimbursement method, and in the best interest of the Agency. Petty cash disbursements are made by the Administrative Assistant, Administrative Services Manager, or other employees designated by the General Manager.

IV. State of California Purchase Card Program

The Board of Commissioners shall approve the number and type of management, supervisory, and administrative positions that are authorized to use purchase cards. The General Manager shall issue the cards to the specific employees and establish procedures for the appropriate use for making Agency-specific purchases when the above purchasing methods are impractical, inefficient, or not applicable. Monthly credit limits shall be set at $3,000 for supervisors/designated staff and $5,000 for department managers.

The Administrative Services Manager will serve as the administrator of the Agency's purchase cards, and will manage the Agency's account in accordance with the requirements of the Purchase Card Program and the Agency's policies, including, but not limited to, assigning purchase cards and purchase limits to authorized employee card holders, collecting and cancelling cards as needed, and reviewing purchase card transactions.

A. Use of Card

The cardholder shall be the only person authorized to sign for purchased items and shall be the only person to authorize telephone and online transactions using the purchase card. Cardholders shall not give or authorize use of their card to another employee without the General Manager's approval. The employee who is assigned a purchase card is responsible for safeguarding the card as well as ensuring proper use of the card.

Department managers ensure that purchase card use in their respective departments is consistent with this Policy and other related procedures. Each cardholder is responsible for keeping a record of the purchase to document purchases on the purchase card's account statement. An approved purchase order is required before using the purchase card for any transactions over $500, except for employee-related travel where a "Pre-Authorization for Employee Travel" form is required. An approved travel preauthorization is required when using the purchase card for transactions related to training or travel on Agency business. Department managers are ultimately responsible for monitoring and approving all purchase card transactions within their department.

The Purchase Card shall not be used for the following purchases:

1) Professional services (labor costs)
2) Contract services
3) Capital/construction costs
4) Cash advances/personal use
5) Purchase of firearms, liquor, or cigarettes
6) Per diem meal allowance
7) Items for personal, non-Agency use

B. Lost or Stolen Card

If an Agency purchase card is lost or stolen, the cardholder shall immediately report this to the Administrative Services Manager so that he/she can notify the Purchase Card Program.

C. Misuse of the Card

Any misuse of the purchase card or violations of the Purchase Card Program guidelines or this Policy, including, but not limited to, personal use of the purchase card, shall result in the loss of purchase card privileges. All cardholders are subject to disciplinary actions for misuse and misappropriations of Agency funds. Cardholders who use or allow use of the card for personal purposes shall reimburse the Agency for all incurred charges.

ATTACHMENT A

Positions Authorized to Have Purchase Card

Department	Position	Limit
Administration	General Manager	$10,000
Administration	Administrative Services Manager	$5,000
Administration	Treatment Plant Manager	$5,000
Administration	Health and Safety Manager	$3,000
Technical Services	Technical Services Manager	$5,000
	Laboratory Director	$3,000
Maintenance	Maintenance Supervisor	$3,000
Maintenance	Assistant Maintenance Supervisor	$3,000
Maintenance	~~Assistant Maintenance Supervisor-Electrical~~Lead Mechanical Technician	$3,000
Maintenance	E/I Technician (1)	$3,000
Operations	Operations Supervisors (2)	$3,000

POLICY #:	**570**
SECTION:	**FINANCIAL - ASSET MANAGEMENT**
SUBJECT:	**General**
DATE:	**11/13/18**

POLICY

The Agency shall utilize an asset management system to properly manage its capital assets.

PROCEDURES

I. General

The General Manager or designee shall ensure that Agency staff utilizes the established asset management systems and asset management procedures in an effective and efficient manner.

II. Asset Plans

Agency staff shall develop asset plans for the Agency's infrastructure assets and equipment for the cost-effective operation, maintenance, and management of these assets. Asset plans shall be developed and maintained within the asset management system for all assets with an original cost equal to or greater than the capitalization threshold. An asset plan shall include asset age, service history, optimum preventive maintenance and rehabilitation/renewal during its lifecycle, standard maintenance/operations procedures, cost of operating, and other salient asset attributes. The asset plans shall be used as the basis to develop and implement specific operations and maintenance, and capital improvement plans, and to analyze long-term funding and prepare condition assessments.

For new assets that are procured or constructed, Agency staff shall retain all relevant asset plan data (i.e., cost, manufacturer, type, size, operations and maintenance manuals, and standard operating/maintenance procedures). Agency staff shall ensure that contractors and/or consulting engineers provide necessary asset management information prior to the filing of Notice of Completion and approving final payment to the contractor.

III. Capital Asset Condition

Agency staff shall periodically assess the condition of capital assets. The assessment shall provide physical and financial information concerning the condition of assets, estimated remaining useful life, estimated operations and maintenance costs, and projected replacement costs (if applicable). The data shall be used when developing the Agency's Capital Improvement Plan, and other financial models for analyzing and determining future funding of capital assets.

IV. Asset Inventory Control

The Administrative Services Manager, along with department managers, shall develop and implement effective procedures and systems to inventory and track the Agency's capitalized assets

V. Facilities Maintenance

Agency staff shall perform effective planning and maintenance of capital assets, which shall include preventive and corrective maintenance and repair of facilities and infrastructure to protect the Agency's capital investments and minimize future maintenance and replacement costs.

VI. Materials Management

Agency staff shall maintain inventories of parts, materials, and supplies to effectively meet its maintenance and repair needs. The Agency will develop and implement inventory management procedures. Procurement of parts and supplies that are placed into inventory shall conform to *the Purchasing and Expenditure Management Policies*

VII. Disposal of Surplus Assets

Agency staff shall recommend to the General Manager the disposal of assets when they have exceeded their service life, are obsolete, where the value of replacement is less than rehabilitation costs, and/or they no longer serve the Agency's operational needs. The General Manager shall approve disposal of a surplus asset valued at $7,500 or less. The Board shall approve disposal for a surplus asset valued at greater than $7,500.

POLICY #:	**571**
SECTION:	**FINANCIAL – ASSET MANAGEMENT**
SUBJECT:	**Assets Accounting**
DATE:	**11/13/18**

POLICY

All capital assets of the Agency shall be accounted for following generally accepted accounting principles.

PROCEDURE

I. General

The General Manager and Administrative Services Manager shall ensure that capital assets are appropriately accounted for by funding source and asset category and that appropriate procedures are developed and implemented to meet the requirements of this policy. Department Managers and Agency staff shall ensure proper budgeting and purchasing guidelines are followed for capital assets, and that these assets are adequately controlled, secured, and used for appropriate Agency purposes.

II. Capitalization Threshold

For financial accounting and reporting purposes, the capitalization threshold shall be $5,000 or higher for each asset with an expected life of at least five years following the date of acquisition.

III. Assets

Agency staff shall account and report all assets with an original cost equal to or greater than the capitalization threshold. Such assets include those newly constructed, installed, or acquired items or significant additions, improvements, or replacements to existing assets which would significantly prolong the asset's useful life. All costs associated with purchase, design, planning, permitting, construction, installation, and acquisition shall be considered including, but not limited to, direct labor, materials and supplies, design, engineering, other professional fees, contractor charges, legal fees, site preparation, installation, associated overhead and administrative costs, taxes, freight and transportation, applicable CMSA staff time, and other expenditures and charges directly attributable to asset acquisition. For assets acquired through debt financing methods, expenses associated with costs of issuance and capitalized interest shall be considered. Capital assets donated to the Agency shall be capitalized at their estimated fair market value plus any associated costs, as described above, at the date of receipt.

Expenditures related to routine repairs that maintain the existing condition of the asset or restores it to normal operating efficiency shall not be capitalized, regardless of the amount, and shall be recorded as repair and maintenance expenses in that fiscal year.

Central Marin Sanitation Agency

BOARD MEMORANDUM

November 8, 2018

To: CMSA Commissioners and Alternates

From: Jason Dow, General Manager JD

Subject: Reschedule the December 2018 and March 2019 Board Meetings

Recommendation: Consider rescheduling the December 2018 and March 2019 Board meetings.

Discussion: Staff is the process of planning the agendas for the next several Board meetings, and after reviewing schedules for upcoming training events and other activities staff proposes to reschedule the December 2018 and March 2019 Board meetings.

December Meeting: For the past several years, the Agency's senior managers, Legal Counsel Govi, and I attend the annual California Public Employers Labor Relations Association's (CalPELRA) training conference. This year the training is during the first week of December, which complicates the process to prepare and publishe the 12/11 Board meeting agenda packet due to staff returning to work Friday, 12/7, the day the agenda has to be posted and mailed. Staff proposes to reschedule the 12/11 Board meeting to either Thursday (12/13) or Tuesday (12/18), to provide a couple of additional days to prepare the agenda packet. I contacted Board members to check their availability on both dates. On 12/13, Commissioner DiGiovanni may not be able to attend, and on 12/18, new Commissioner Beckman has a Corte Madera Town Council meeting.

March Meeting: I serve on the California Sanitation Risk Management Authorities' (CSRMA) Executive Board, and annually in March the Board and staff participate in a long range planning retreat. The retreat rotates between northern and southern California, and this year it is scheduled for the second week of March in the San Diego area between 3/10 and 3/12. If I attend, due to the location, I may not be back to the Agency in time for the 3/12 Board meeting. At this time, all Board members are available on Thursday, 3/14.

Central Marin Sanitation Agency

BOARD MEMORANDUM

November 8, 2018

To: CMSA Commissioners and Alternates

From: Jason Dow, General Manager JD

Subject: City of Larkspur Membership in the CMSA Joint Powers Agreement

Recommendation: Informational, provide direction to staff as appropriate.

Discussion: Larkspur's City Council discussed the City's membership in the CMSA Joint Powers Agreement (JPA) at its meeting on November 7, 2018. Staff recommended to the Council, in the attached 10/30/18 staff report, that it should either decide to withdraw from the JPA or seek an agreement from the JPA members that Larkspur has no liability for CMSA's unfunded pension obligations. Larkspur's Council discussed the LAFCO Central Marin Wastewater Services Study's recommendation for the CMSA Board composition related to the Larkspur seat, and the JPA member's unfunded pension allocation requirements under the new AB 1912 (Rodriquez).

LAFCO's recommendation was: *"CMSA should reorganize its governing board structure to limit and or remove the City of Larkspur's presence within the joint powers authority to better align and weight governance with vested participation among member agencies".*

AB 1912 was signed by Governor Brown on September 29, 2018, and states that if the members of a JPA decide to terminate or dissolve the JPA, they must mutually agree to the apportionment of the JPA agency's retirement obligations amongst themselves. If they are unable to mutually agree, CalPERS will determine the apportionment for each agency.

At the conclusion of the discussion, the City Council directed the City Manager to prepare a JPA withdrawal letter for their consideration at their next business meeting on December 12.

Tom Gaffney, Michael Boorstein, Doug Kelly, and I attended the meeting, and each of us spoke on the item. At the 11/13 CMSA Board meeting, Commissioner Boorstein, Commissioner Kelly, and I will report on the Council discussion.

Attachments:
1) City of Larkspur Staff Report, dated 10/30/18, entitled "Consideration of Whether to Withdraw as a Member Agency of the Central Marin Sanitation Agency"
2) Marin LAFCO Central Marin Wastewater Services Study – Section 4.2: Recommendations
3) AB 1912, published 10/1/28

ATTACHMENT 1

AGENDA ITEM 8.3

CITY OF LARKSPUR
Staff Report

November 7, 2018 Council Meeting

DATE: October 30, 2018

TO: Honorable Mayor Hillmer and the Larkspur City Council

FROM: Dan Schwarz, City Manager

SUBJECT: CONSIDERATION OF WHETHER TO WITHDRAW AS A MEMBER AGENCY OF THE CENTRAL MARIN SANITATION AGENCY (CMSA)

ACTION REQUESTED
Provide direction to staff.

SUMMARY AND BACKGROUND
At its May 3, 2017 meeting, the City Council reviewed the attached report from the Local Agency Formation Commission (LAFCO) titled the "Central Marin Wastewater Study". Among its recommendations, the report states:

> *CMSA should reorganize its governing board structure to limit and or remove the City of Larkspur's presence within the joint powers authority to better align and weight governance with vested participation among member agencies.*

The City of Larkspur is a founding member agency of the Central Marin Sanitation Agency (CMSA) and has held one seat on the CMSA board since its inception. However, since 1993, Larkspur has not provided sewer collection services, having allowed its service territory to be annexed into the jurisdiction of the Ross Valley Sanitary District (RVSD).

At the conclusion of the May 3 meeting, the Council authorized the Mayor to submit the letter included in the agenda item to LAFCO. The letter states that the Council would like the CMSA board to define what the governance structure of CMSA would be without Larkspur so that the Council could be fully informed before making a decision about CMSA membership. To date, the CMSA board has not decided what its structure would be if Larkspur departed.

Recent issues concerning pension liability have prompted staff to ask the Council to revisit the matter of CMSA membership. This year, the Legislature passed Assembly Bill 1912 (Rodriguez). The bill (attached) was signed by the governor at the end of September. AB 1912 was drafted in response to a situation in Southern California where the termination of a joint powers authority (JPA) ultimately led to the reduction of pension benefits for that agency's past employees. The intent of the bill is to protect current and former employees of JPAs by requiring member agencies to be liable for the pension obligations of that JPA.

ANALYSIS

AB 1912 speaks specifically to JPAs that offers its employees a pension through the California Public Employees' Retirement System (CalPERS). CMSA is a JPA that offers a CalPERS pension. Early versions of AB 1912 would have immediately forced member agencies of a JPA to assume a portion of the pension liability of the JPA. The final version of the bill does not require member agencies to take on this debt unless and until the member agencies elect to terminate the JPA. At the time of termination, the member agencies can enter into an agreement about the proportional allocation of the JPA's pension liability. If the member agencies do not reach an allocation agreement, CalPERS can impose one.

Since 1993, Larkspur's only relationship with CMSA has been to participate in its governance. Larkspur does not contribute to CMSA's budget and is not responsible for any of its liabilities, such as debt for capital investment. Though arguably somewhat remote, AB 1912 creates a possibility that Larkspur could be made responsible for a portion of CMSA's pension obligations at some future date.

The Council could eliminate this possibility by leaving CMSA. Alternatively, the Council could seek an agreement with the other member agencies that expressly states that Larkspur has no liability for CMSA's pension obligations. However, there have been indications that at least some of the CMSA board members prefer that the LAFCO recommendation be followed, raising the possibility that such an agreement would not be approved by one or more CMSA member agencies.

FISCAL IMPACT

No immediate fiscal impact exists.

STAFF RECOMMENDATIONS

Staff recommends that the Council revisit the recommendation in LAFCO's report titled "Central Marin Wastewater Study" that suggests Larkspur step down from membership on CMSA's Board in conjunction with considering the implications of AB 1912 on Larkspur's future participation. The Council should direct staff to take steps to leave the CMSA Board or to solicit an agreement with the other member agencies that stipulates that Larkspur has no responsibility with respect to CMSA's pension obligations.

Respectfully submitted,

Dan Schwarz, City Manager

<u>Attachments</u>

1. May 2017 agenda item
2. AB 1912

- **No. 12 | Climate Change Requires Resiliency in Wastewater Planning**
  With increasingly serious climate impacts due to higher temperatures, such as more frequent droughts, storm surges and rising sea levels throughout Marin County, all seven affected agencies' demands, infrastructure and capacities are likely to be disturbed and deviate from historical norms. The affected agencies, accordingly, should explore and implement strategies to help reduce climate impacts and allow for greater flexibility in preparing for external shocks and stresses. Future municipal service reviews should focus on activities and progress made by the affected agencies in this respect.

4.2 Recommendations

The following recommendations call for specific action either from the Commission and or by the affected agencies based on information generated as part of this study and outlined below in order of their placement in Section 6.0 (Written Determinations). Recommendations for Commission action are dependent on a subsequent directive from the membership and through the adopted work plan.

1. The Commission should proactively work with local agencies – and in particular water, wastewater, and fire providers – to develop a definition of "disadvantaged unincorporated community" consistent with SB 244 to ensure an appropriate and equitable level of municipal services is available for qualifying areas in context to local conditions.

2. CMSA should develop a plan to allocate treatment capacity among its member agencies to enhance regional growth management. This plan would appropriately inform each member agency as well as local land use authorities with more certainty with respect to their ability to forecast and accommodate new development within their jurisdictional boundaries going forward.

3. CSD No. 2 should make additional efforts to distinguish itself as a stand-alone governmental entity separate from the Town of Corte Madera. An example herein would include developing stand-alone contracting arrangements with Corte

Madera outlining specific services and costs therein with respect to the existing use of Town staff, supplies, and resources in carrying out District duties.

4. CMSA should reorganize its governing board structure to limit and or remove the City of Larkspur's presence within the joint powers authority to better align and weight governance with vested participation among member agencies.

5. SRSD should designate the lone board seat statutorily dedicated to a member of the County of Marin to the incumbent holding Supervisor District 1 given it covers nearly all of the jurisdictional boundary and approximately 70% of the District's *unincorporated* ratepayers (emphasis). This designation would provide a more logical and direct match between SRSD voters and their appointed representative.

6. Corrective action is needed to appropriately amend jurisdictional boundaries to better align service areas with existing property lines within the Ross Valley and San Rafael Creek Watersheds. Similarly, boundary clean-ups are needed to correct instances where actual service provision in this sub-region does not match up with assigned jurisdictional boundaries.

7. The Commission should consider proceeding with reorganizations to dissolve MPSMD and SQVSMD and concurrently place their respective service areas in RVSD. These reorganizations would eliminate two dependent special districts governed by the County of Marin in favor of recognizing RVSD as the preferred and more able service provider going forward.

8. The Commission should consider authorizing a future addendum to fully evaluate options to reorganize and consolidate public wastewater services in Central Marin and most pertinently among agencies in the Ross Valley and San Rafael Creek Watersheds. This topic – which has been previously reviewed by some of the agencies specific to assessing cost-savings but not the Commission – responds to Marin LAFCO's directive to independently assess the notional sense affirmed in this study that a consolidation would appear primed to produce greater accountability and efficiency within the combined watershed.

ATTACHMENT 3

California LEGISLATIVE INFORMATION

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AB-1912 Public employees' retirement: joint powers agreements: liability. (2017-2018)

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Date Published: 10/01/2018 09:00 PM

Assembly Bill No. 1912

CHAPTER 909

An act to amend Sections 6508.1 and 20575 of, to add Sections 6508.2 and 20574.1 to, and to repeal and add Section 20577.5 of, the Government Code, relating to public agencies, and making an appropriation therefor.

[Approved by Governor September 29, 2018. Filed with Secretary of State September 29, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1912, Rodriguez. Public employees' retirement: joint powers agreements: liability.

(1) Existing law establishes various public agency retirement systems, including, among others, the Public Employees' Retirement System, the State Teachers' Retirement System, the Judges' Retirement System II, and various county retirement systems pursuant to the County Employees Retirement Law of 1937. These systems provide defined pension benefits to public employees based on age, service credit, and amount of final compensation. Existing law authorizes a contracting agency, as defined, to terminate a contract under the Public Employees' Retirement System pursuant to specified procedures and authorizes the Board of Administration of the Public Employees' Retirement System to terminate a contract with a contracting agency under specified circumstances, including if a contracting agency fails to pay any installment of contributions into the Public Employees' Retirement Fund.

The Joint Exercise of Powers Act generally authorizes 2 or more public agencies, by agreement, to jointly exercise any common power. Under the act, if an agency is not one or more of the parties to the agreement but is a public entity, commission, or board constituted pursuant to the agreement, the debts, liabilities, and obligations of the agency are the debts, liabilities, and obligations of the parties to the agreement, unless the agreement specifies otherwise.

This bill would specify that the parties to the joint powers agreement may not specify otherwise with respect to retirement liabilities of the agency if the agency contracts with a public retirement system, and would eliminate an authorization for a party to a joint powers agreement to separately contract or assume responsibilities for specific debts, liabilities, or obligations of the agency.

Existing law authorizes a contracting agency, as defined, to terminate a contract under the Public Employees' Retirement System pursuant to specified procedures and authorizes the Board of Administration of the Public Employees' Retirement System to terminate a contract with a contracting agency under specified circumstances, including if a contracting agency fails to pay an installment of contributions into the Public Employees' Retirement Fund.

This bill would require member agencies of an agency established pursuant to a joint powers agreement that participates in, or contracts with, a public retirement system, prior to filing a notice of termination or upon notice of potential termination by the Board of Administration of the Public Employees' Retirement System, to mutually agree as to the apportionment of the agency's retirement obligations among themselves, provided that the agreement equals 100% of the retirement liability of the agency. If the member agencies are unable to mutually agree to the apportionment, the bill would require the board to apportion the retirement liability of the agency to each member agency, as specified, and would establish procedures allowing a member agency to challenge the board's determination through the arbitration process. The bill would also provide that if a judgment is rendered against an agency or a party to the agreement for a breach of its obligations to the retirement system, the time within which a claim for injury may be presented or an action commenced against the other party that is subject to the liability determined by the judgment begins to run when the judgment is rendered. The bill would specify that those provisions apply both retroactively to a member agency, or current and former member agency, that has an agreement with the board on or before January 1, 2019, and to new agreements with the board on or after that date.

(2) The Public Employees' Retirement Law (PERL) creates the Public Employees' Retirement System (PERS), which provides a defined benefit to members of the system, based on final compensation, credited service, and age at retirement, subject to certain variations. PERL vests management and control of PERS in its Board of Administration.

Existing law requires the PERS board to enter into a specified agreement with the governing body of a terminating agency, upon request of that agency, to ensure that final compensation is calculated in the same manner as benefits of nonterminating agencies, and that related necessary adjustments in the employer's contribution rate are made and benefits adequately funded, including a lump-sum payment at termination, if agreed to by the terminating agency and the board. Existing law requires a terminating agency to notify the PERS board of its intention to enter into this agreement within a specified period of time. Existing law authorizes the PERS board to choose not to enter into an agreement to terminate if the board determines that it is not in the best interests of PERS. Existing law requires all plan assets and liabilities of a terminating agency to be deposited in a single pooled account, the terminated agency pool subaccount within the Public Employees' Retirement Fund, a continuously appropriated fund.

This bill would also require the PERS board to enter into the above-described agreement upon request of a member agency of a terminating agency formed under the Joint Exercise of Powers Act and would provide that the member agencies of the terminating agency are liable to the system for inadequate funding of the benefits pursuant to the agreement. To the extent that the bill would increase any lump-sum payments made by a terminating agency and deposited into a subaccount within the Public Employees' Retirement Fund, the bill would make an appropriation.

(3) Existing law makes a terminated agency liable to the system for any deficit in funding for earned benefits, interest, and for reasonable and necessary costs of collection, including attorney's fees. Existing law provides that the board has a lien on the assets of a terminated contracting agency, as specified, and that assets shall also be available to pay actual costs, including attorney's fees necessarily expended for collection on the lien.

This bill would extend that liability and lien to all of the parties of a terminating agency that was formed under the Joint Exercise of Powers Act. To the extent that these changes would increase deposits in the Public Employees' Retirement Fund, the bill would make an appropriation.

(4) Existing law authorizes the board of PERS to elect not to impose a reduction, or to impose a lesser reduction, on a terminated plan if the board has made all reasonable efforts to collect the amount necessary to fully fund the liabilities of the plan and the board finds that not reducing the benefits, or imposing a lesser reduction, will not impact the actuarial soundness of the terminated agency pool.

This bill would eliminate that provision. The bill would require the board, prior to exercising its authority to reduce benefits and to the extent consistent with its fiduciary duties, to consider and exhaust all options and necessary actions, including evaluating whether to bring a civil action against any member agencies to a terminated agency formed by an agreement under the Joint Exercise of Powers Act to compel payment of the terminated public agency's pension obligations. The bill would also specify that the board is entitled to reasonable attorney's fees in addition to other costs. The bill would also set forth related legislative findings.

Vote: majority Appropriation: yes Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares as follows:

(a) Retirement security is important to families, workers, and communities, as well as to the local, regional, and statewide economies, and provides financial security and dignity to those who retire.

(b) A defined benefit plan offers, among other types of retirement plans, a guarantee of financial security in retirement.

(c) A Joint Power Authority (JPA) created pursuant to the Joint Exercise of Powers Act (Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code) provides important services and benefits to its geographical areas and communities.

(d) A JPA may offer a defined benefit plan to attract, recruit, and retain highly skilled employees toward providing services and fulfilling its purpose.

(e) Employees who have been promised a retirement allowance and the other benefits of a defined benefit plan by their employer should be provided those benefits after reaching the requisite age, based on years of service and an established benefit formula, as promised by that employer.

(f) Further, an employee who accepts employment with a JPA employer that promises a defined benefit plan may detrimentally rely on the retirement benefit, as committed by the employer, during his or her employment and retirement from that employer.

(g) Moreover, a JPA might have limited sources of revenue, and an inability to increase, or secure additional sources of revenue, that may lead to financial distress or insolvency of the JPA, absent the financial surety of its member agencies and for the retirement benefits of the JPA's employees.

(h) Thus, member agencies of a JPA should not be permitted to absolve themselves of financial liability, in whole or in part, that may result in a reduction of a retirement benefit to an employee or retiree of a JPA of which the agencies are, or were, members.

(i) Therefore, in order to ensure that the board of a public retirement system is meeting its fiduciary duties and responsibilities to its members and the system, the board should be required to consider and exhaust all options and necessary actions and be permitted to seek legal redress on behalf of its members if an action by the governing body of the JPA may result in a reduction of retirement benefits to the employees or retirees of a JPA.

(j) Further, to ensure that the board is meeting its fiduciary duties and responsibilities, contracts with the retirement system by a JPA must protect present and future retirees of the JPA.

(k) For purposes of this section, "public retirement system" means any pension or retirement system of a public employer, including, but not limited to, an independent retirement plan offered by a public employer that the public employer participates in or offers to its employees for the purpose of providing retirement benefits, or a system of benefits for public employees that is governed by Section 401(a) of Title 26 of the United States Code.

SEC. 2. Section 6508.1 of the Government Code is amended to read:

6508.1. (a) If the agency is not one or more of the parties to the agreement but is a public entity, commission, or board constituted pursuant to the agreement, the debts, liabilities, and obligations of the agency shall be debts, liabilities, and obligations of the parties to the agreement, unless the agreement specifies otherwise. However, the parties to the agreement may not agree otherwise with respect to the retirement liabilities of the agency if the agency contracts with a public retirement system.

(b) For purposes of this section, "public retirement system" means any pension or retirement system of a public employer, including, but not limited to, an independent retirement plan offered by a public employer that the public employer participates in or offers to its employees for the purpose of providing retirement benefits, or a system of benefits for public employees that is governed by Section 401(a) of Title 26 of the United States Code.

SEC. 3. Section 6508.2 is added to the Government Code, to read:

6508.2. (a) (1) Prior to filing a notice of termination pursuant to Section 20570 or 20571, or a decision by the governing body of an agency that does not contract with the California Public Employees' Retirement System to dissolve or to cease the operations of the agency, member agencies of an agency established by agreement under this chapter that participates in, or contracts with, a public retirement system, shall mutually agree as to the apportionment of the agency's retirement obligations among themselves, provided that the agreement equals 100 percent of the retirement liability of the agency. A copy of this mutual agreement, signed by all parties thereto, shall be provided to the board, which shall be reflected in the agreement with the board. If the member agencies are unable to mutually agree, the board shall apportion the retirement liability of the agency to each member agency based on the share of service received from the agency, or population of each member agency, such that the apportionment equals 100 percent of the retirement liability of the agency, which shall be reflected in the agreement with the board.

(2) A member agency may challenge the determination by the board to apportion the retirement liability of the agency within 30 calendar days of the determination. However, a member, or a former member, that is not identified by the board pursuant to subdivision (a) shall not be permitted to challenge a determination by the board.

(A) A challenge pursuant to this paragraph shall be referred by the member agency or agencies that challenge a determination by the board to an arbitrator who shall, at his or her discretion, apportion the liability among the current and former member agencies such that the apportionment equals 100 percent of the retirement liability of the agency. The arbitrator shall make a decision as to the apportionment of liability no later than 60 calendar days following referral of a challenge.

(B) The final decision by the arbitrator shall be binding on all current and former member agencies, and all costs of arbitration shall be equally shared among the member agencies that are identified by the arbitrator to share in the apportioned liability. The arbitrator shall submit an official copy of his or her final decision to the board within seven calendar days of the decision.

(b) An agency shall not be permitted to terminate pursuant to Section 20570 or 20571, nor shall a decision by the governing body of an agency that does not contract with the California Public Employees' Retirement System to dissolve or cease to operate, become effective until a final determination or decision, pursuant to paragraph (1) or paragraph (2) of subdivision (a), is final.

(c) Upon notice by the board of a potential termination pursuant to Section 20572, an agency established by agreement under this chapter shall, within 60 calendar days, provide to the board a copy of an agreement, signed by all parties thereto, that sets forth the apportionment of 100 percent of the retirement obligations of the agency. If the agency does not timely provide a copy of the mutual agreement, the board shall in its sole discretion apportion the retirement liability of the agency among the current or former member agencies, such that the apportionment equals 100 percent of the retirement liability of the agency.

(1) A member agency may challenge the determination by the board to apportion the retirement liability of the agency within 30 calendar days of the determination. However, a member, or a former member, that is not identified by the board pursuant to subdivision (a) shall not be permitted to challenge a determination by the board.

(2) A challenge pursuant to paragraph (1) shall be referred by the member agency or agencies that challenge a determination by the board to an arbitrator who shall, at his or her discretion, apportion the liability among the current and former member agencies such that the apportionment equals 100 percent of the retirement liability of the agency.

(3) The arbitrator shall make a decision as to the apportionment of liability no later than 60 calendar days following referral of a challenge and shall submit an official copy of his or her final decision to the board within seven calendar days of the decision. The final decision by the arbitrator shall be binding on all current and former member agencies, and all costs of arbitration shall be equally shared among the member agencies that are identified by the arbitrator to share in the apportioned liability. The board may take action to terminate the agency's contract no earlier than 30 calendar days following the final decision by the arbitrator.

(d) Mutual agreement among the member agencies, or a determination by the board, as to the apportionment of the retirement liability of the agency pursuant to paragraph (1) of subdivision (a), or a decision by the arbitrator pursuant to paragraph (2) of subdivision (a), may include the apportionment of retirement liability to a former member of the agency.

(e) This section shall apply retroactively to a member agency, or current and former member agency, that has an agreement in existence with the board on or before January 1, 2019. In addition, this section shall apply to a new agreement between an agency and the board on or after January 1, 2019. However, this section shall not apply to an agency established pursuant to this chapter that has dissolved prior to January 1, 2019.

(f) For purposes of this section, "board" means the board of any pension or retirement system of a public employer, including, but not limited to, an independent retirement plan offered by a public employer that the public employer participates in or offers to its employees for the purpose of providing retirement benefits, or a system of benefits for public employees that is governed by Section 401(a) of Title 26 of the United States Code.

(g) Notwithstanding any other law, if a judgment is rendered against an agency or a party to the agreement for a breach to its obligations to the public retirement system, the time within which a claim for injury may be presented or an action commenced against any other party that is subject to the liability determined by the judgment begins to run when the judgment is rendered.

SEC. 4. Section 20574.1 is added to the Government Code, to read:

20574.1. In lieu of the procedure set forth in Section 20574, all parties to a terminating agency that was formed by an agreement under Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 shall be liable to the system for any deficit in funding for earned benefits, as determined pursuant to Section 20577, interest at the actuarial rate from the date of termination to the date the agency, or the parties to the terminating contracting agency, pays the system, and reasonable and necessary costs of collection, including attorney's fees. The board shall have a lien on the assets of a terminated contracting agency and on the assets of all parties to the terminating contracting agency, subject only to a prior lien for wages, in an amount equal to the actuarially determined deficit in funding for earned benefits of the employee members of the agency, interest, and collection costs. The assets shall also be available to pay actual costs, including attorney's fees, necessarily expended for collection of the lien.

SEC. 5. Section 20575 of the Government Code is amended to read:

20575. (a) Notwithstanding any other provision of this part to the contrary, upon request of a terminating agency, the board shall enter into an agreement with the governing body of a terminating agency in order to ensure that both: the final compensation used in the calculation of benefits of its employees shall be calculated in the same manner as the benefits of employees of agencies that are not terminating, regardless of whether they retire directly from employment with the terminating agency or continue in other public service; and related necessary adjustments in the employer's contribution rate are made, from time to time, by the board prior to the date of termination to ensure that benefits are adequately funded or any other actuarially sound payment technique, including a lump-sum payment at termination, is agreed to by the governing body of the terminating agency and the board.

(b) The terminating agency that will cease to exist shall notify the board not sooner than three years nor later than one year prior to its termination date of its intention to enter into agreement pursuant to this section.

(c) The terms of the agreement shall be reflected in an amendment to the agency's contract with the board.

(d) If the board, itself, determines that it is not in the best interests of the system, it may choose not to enter into an agreement pursuant to this section.

(e) A terminating agency formed by an agreement under Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 shall enter into an agreement with the board pursuant to subdivisions (a), (c), and (d) and its member agencies shall be liable to the system for inadequate funding of the benefits pursuant to subdivision (a).

SEC. 6. Section 20577.5 of the Government Code is repealed.

SEC. 7. Section 20577.5 is added to the Government Code, to read:

20577.5. The board shall, prior to exercising authority granted pursuant to Section 20577, and to the extent consistent with its fiduciary duties, consider and exhaust all options and necessary actions, including evaluating whether to bring a civil action against any and all of the member agencies that are parties to a terminated agency formed by an agreement under Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 to compel payment of the terminated agency's retirement obligations, and shall be entitled to reasonable attorney's fees in addition to other costs.