

# POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JULY 1, 2017 – JUNE 30, 2018



CENTRAL MARIN SANITATION AGENCY

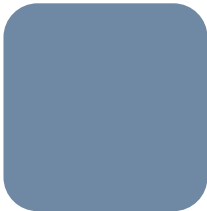
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POPULAR

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## OUR MISSION

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



**EDITORS** KEN SPRAY  
ADMINISTRATIVE SERVICES MANAGER

HEIDI LANG  
FINANCIAL ANALYST

KATE BROUILLET  
ADMINISTRATIVE ASSISTANT

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December 14, 2018

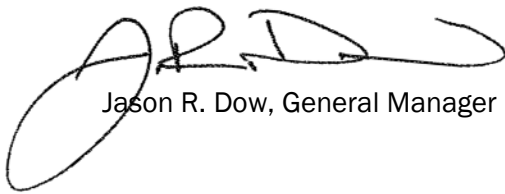
Central Marin Sanitation Agency (CMSA) is pleased to present its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2018 (FY 18). The PAFR is published to provide readers with easy-to-understand information on the CMSA organization, as well as its finances, wastewater services, and other pertinent information. The financial information within this report is taken in large part from the Agency’s audited financial statements and provides an overview of the Agency’s financial activities and position.

Unlike the Agency’s Comprehensive Annual Financial Report (CAFR), the condensed financial data presented in the PAFR is not considered or intended to be compliant with generally accepted accounting principles (GAAP). The report is, however, for the most part consistent with and generally presented in conformity with GAAP. Information that may be of importance to the reader, such as the Statement of Net Position, the Statement of Revenues & Expenses and Changes in Net Position, as well as Capital Assets, are presented in a summarized format, and provide a broad overview of the Agency’s overall finances.

Readers of this document who are interested in learning more about the specific operational, financial, and program details can refer to the Agency’s FY 18 CAFR with Audited Financial Statements. They are available online at [www.cmsa.us/finance](http://www.cmsa.us/finance), by visiting us at 1301 Andersen Drive, San Rafael, CA 94901, or by contacting us at (415) 459-1455.

We hope the PAFR will give a broad understanding of the organization’s valuable services provided to the public, as well as our efforts to safeguard the environment. Feel free to visit our website to learn more about CMSA. We welcome your comments, feedback, and suggestions for improving future publications.

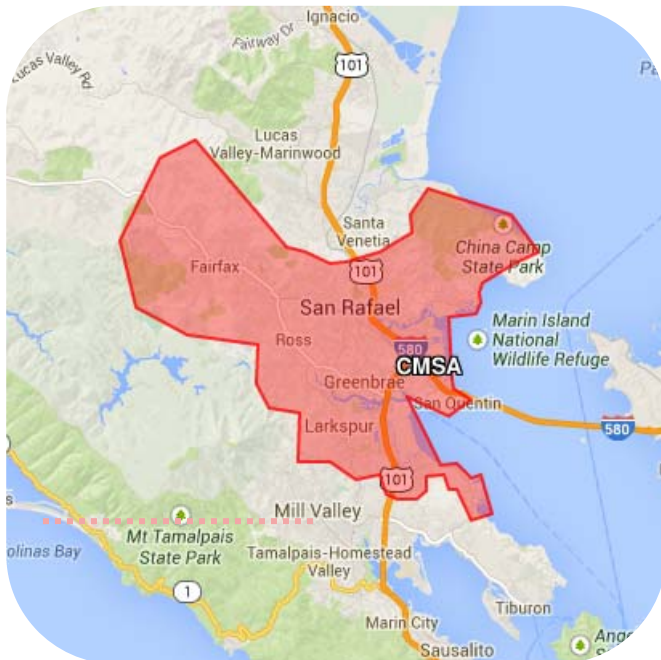
Respectfully submitted,



Jason R. Dow, General Manager



Ken Spray, Administrative Services Manager



Marin County has a total population of 260,651 with a growth rate of less than one percent annually.

The county's residents continue to have California's highest average per capita income of \$115,952 per household.

The population growth rate and per capita household income in the CMSA service area mirrors that of the county.

Marin's 2.5% average unemployment rate is the lowest rate in California and remains below national levels (4.1%) at the end of FY 18.



Photo: CityofSanRafael.org

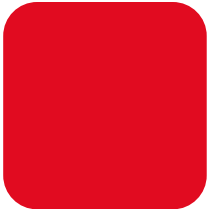
Six of the top ten employers in CMSA's service area, as measured by the number of employees, are public entities.

The local housing market continued to improve during FY 18. The annual mean/median sale price for a home in Marin as reported by the Marin County Assessor Office for the year ending December 31, 2017 was \$1.33M/\$1M.



Photo: Jitze Couperus

CMSA's single largest customer is San Quentin State Prison (SQSP).



**THE POPULATION OF CITIES, TOWNS, AND SAN QUENTIN STATE PRISON IN THE CMSA SERVICE AREA IS 104,500**

**TEN LARGEST EMPLOYERS AND NUMBER OF EMPLOYEES IN THE CMSA SERVICE AREA**

Town of Corte Madera	9,858
Town of Fairfax	7,598
City of Larkspur	12,382
Town of Ross	2,467
Town of San Anselmo	12,599
City of San Rafael <small>(Represents approximately two-thirds of the City's population)</small>	39,500
San Quentin State Prison	4,005
Unincorporated Areas <small>(San Quentin Village, Greenbrae, Kentfield, Sleepy Hollow, Tiburon peninsula)</small>	16,091

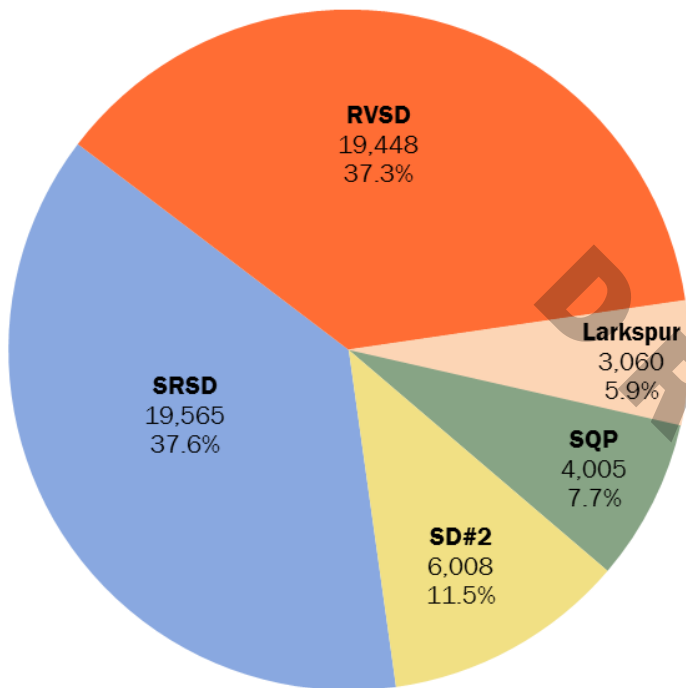
BioMarin	1,700
San Quentin State Prison	1,600
Marin General Hospital	1,650
Dominican University	1,000
Golden Gate Bridge, Hwy and Transit District	820
Restoration Hardware	500
City of San Rafael	401
College of Marin	360
San Rafael City Schools	355
Kentfield Rehabilitation & Specialty Hospital	345

Sources: United States Census Bureau-Quick Facts, July 1, 2016; San Quentin State Prison SB-601 2018 Statistical Report.

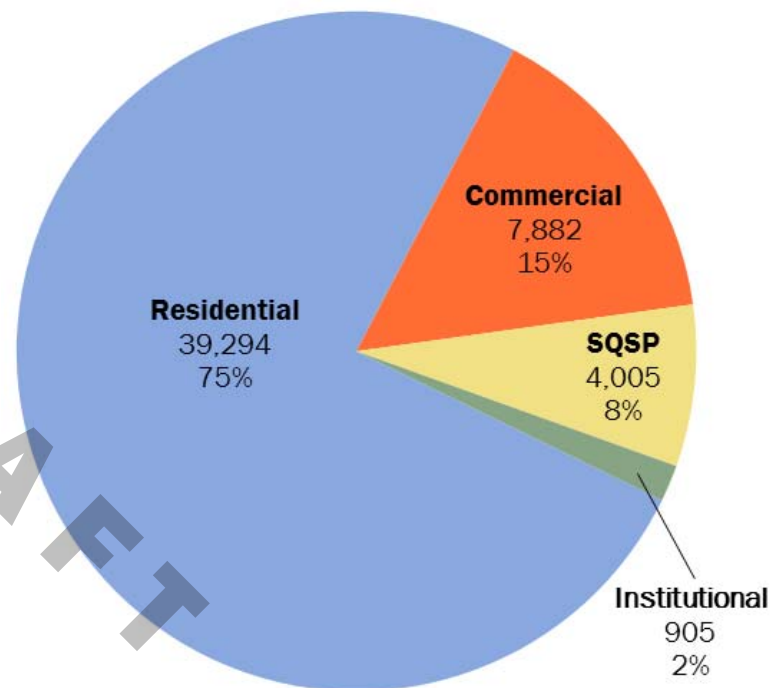
CMSA provides wastewater services to protect public health and the environment. The treated wastewater discharged into the central San Francisco Bay consistently meets and exceeds all federal, state, and regional regulatory requirements. In line with its core mission are responsibilities related to:

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

**EDUS SERVED IN FY 18**



**EDU TOTALS BY CONNECTION TYPE**



**WHAT ARE EDUs?**

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

The Agency provides services to **52,086 EDUs** with an approximate service area population of **104,500**.

**WASTEWATER AND BIOSOLIDS TREATED IN FY 18**

Volume of total wastewater treated.....	3.8 billion gallons
Dry weather flow (July-Sept 2017) .....	8.2 million gallons/day
Average wastewater treated.....	10.4 million gallons/day
Total biosolids reuse .....	6,544 wet tons
Landfill Alternative Daily Cover .....	3,271 wet tons
Fertilizer/Soil Amendment .....	1,907 wet tons
Lystek Bio-Fertilizer.....	1,366 wet tons

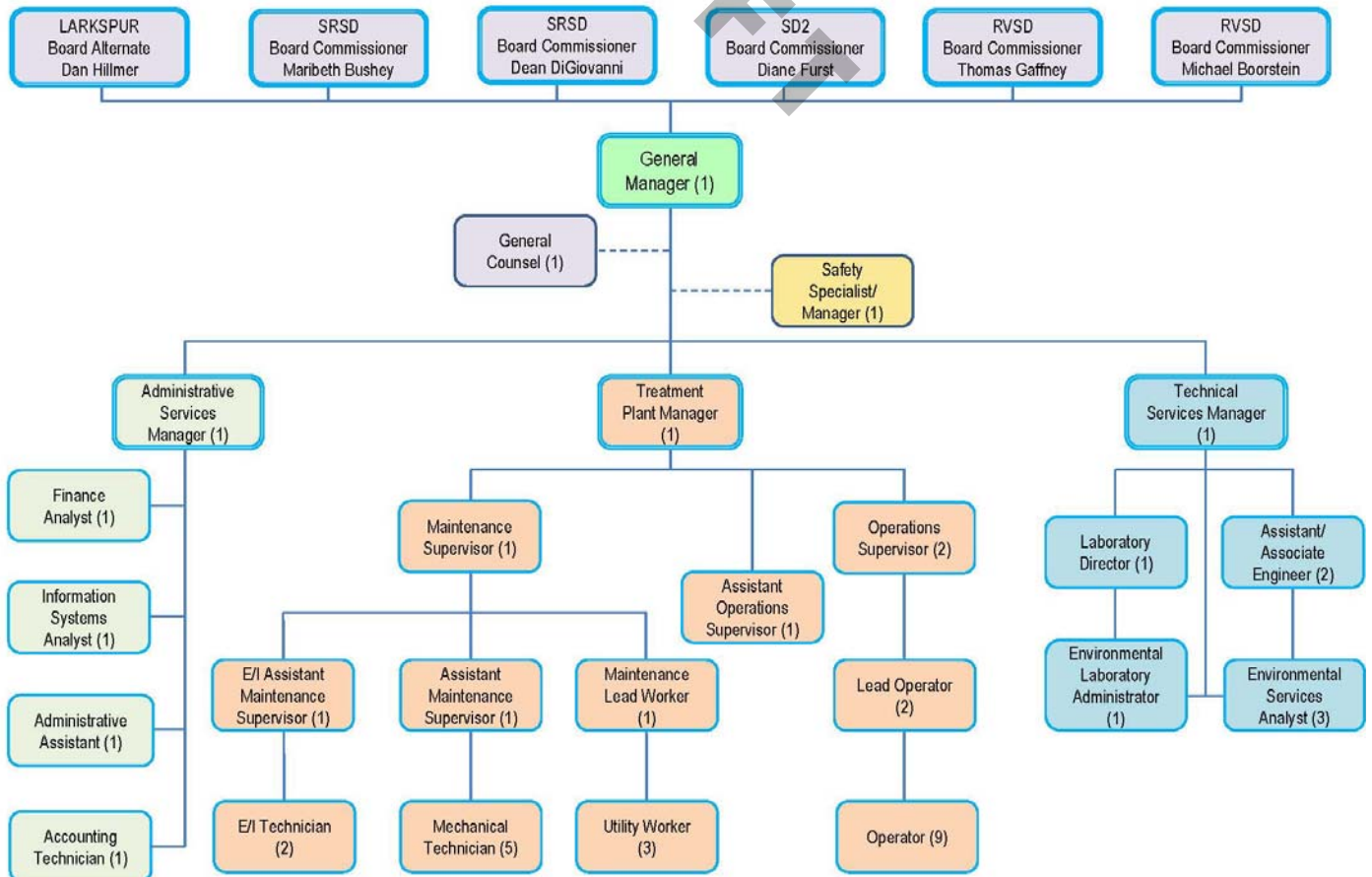


Faced with wastewater treatment challenges unique to central Marin County and the necessity to comply with the 1972 Federal Clean Water Act, Ross Valley Sanitary District (RVSD), Sanitary District No. 2 (SD2) of Marin County, the City of Larkspur, and the San Rafael Sanitation District (SRSD) united in 1979 to form a joint powers agency (JPA) that created a separate government entity, the Central Marin Sanitation Agency (CMSA). The CMSA wastewater treatment facility, the largest in Marin County, began service in 1985.

The Agency's six-member Board of Commissioners (Board) are appointed by the governing bodies of each JPA member. SRSD and RVSD each have two representatives, while Larkspur and SD2 each have one. The Board sets policy, adopts the annual budget for the Agency, and appoints the General Manager and Treasurer who serve at the pleasure of the Board. The General Manager is the chief executive officer and the Treasurer is responsible for all financial operations.



**ORGANIZATIONAL CHART**



**FUTURE REVENUE PLANNING**

Each fiscal year, the Agency updates a 10-year financial forecast that is the result of a collaborative process between Agency staff and the Board Finance Committee. The forecast provides a strategic perspective to guide the Board in making decisions on the direction for future budgets, revenues, and funding and uses of Agency reserves.

A new five-year revenue plan for FY 19-23 was established and incorporated into the FY 19 budget.

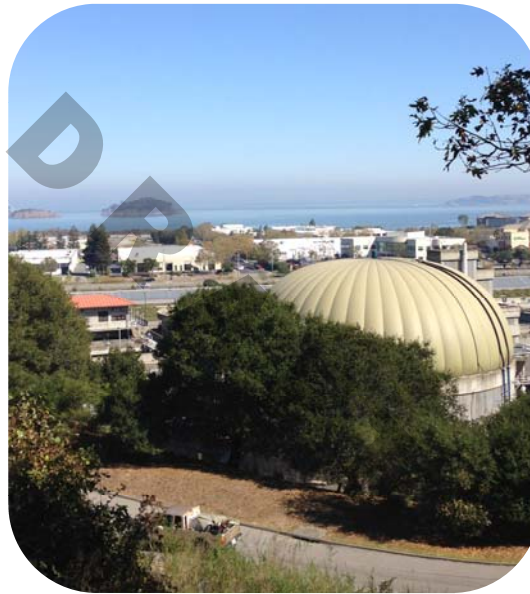
- **Operating program revenue** is funded by discretionary regional service charges, contract service fees, other non-capital general sources, and general operating reserves, which are maintained at 25% of operating expenditures.
- **The Capital program** is funded by capacity charges, a debt service coverage charge, a discretionary capital fee, and unrestricted capital reserves.

The revenue program is fixed for the 5-year duration unless unforeseen or unanticipated circumstances arise. Scheduled increases for regional service charges are set at 3.5% annually for the duration of the plan.



**NEW CONTROL ROOM**

The engineering staff relocated to the remodeled maintenance building last spring, and their old office in the Administration Building was repurposed and outfitted as the Agency’s main operations control room. Eleven operators on three shifts share this space which is equipped with multiple electronic displays, communications and network software, and enhanced desk space for individual project work.



**FUTURE DEBT PLANNING**

The Agency is considering issuing debt in either FY 20 or FY 21 to finance design and construction of a variety of capital projects. The new debt issue was contemplated in conjunction with the Finance Committee when developing the revenue plan and FY 19 budget, and it will consist of approximately \$9M, plus a provision for costs of issue. The amount of annual debt service will be set as of transaction close depending upon such factors as the debt principal amount, the repayment term, the interest rate, and credit worthiness.

**CALIFORNIA WATER ENVIRONMENT ASSOCIATION (CWEA) AWARDS**



The Agency was recognized by the CWEA Redwood Empire Section with the following:

**AGENCY AWARDS**

**ENGINEERING ACHIEVEMENT**  
Power Delivery Program

**PROJECT OF THE YEAR**  
**LARGE PLANT**  
Community Engagement and Outreach Program, Wastewater Treatment Agencies of Marin County

**STAFF AWARDS**

**COMMUNITY ENGAGEMENT AND OUTREACH PERSON OF THE YEAR**  
Mary Jo Ramey

**ELECTRICAL/INSTRUMENTATION PERSON OF THE YEAR**  
Jon Farr

**MECHANICAL TECHNICIAN PERSON OF THE YEAR**  
Jacob Dellinger

**OPERATOR OF THE YEAR**  
Ryan Word

**P3S PERSON OF THE YEAR**  
Jose Gutierrez

**OUTSTANDING YOUNG PROFESSIONAL OF THE YEAR**  
Amy Hwang





**STRATEGIC BUSINESS PLAN**

The Agency’s Strategic Business Plan (SBP) for the fiscal years ending June 30, 2017 to 2021 was adopted by the Board in July 2016. The SBP is a guide to direct the Agency in charting a strategic path to effectively maintain and improve its operations and services. The fiscal year ending June 30, 2018 represents completion of the second year of the five-year plan.

**Plan Development**

The Agency Strategic Planning Committee (ASPC), oversees the implementation of the plan’s activities, and develops a new Business Plan each fiscal year. The FY 19 Business Plan was approved by the Board in July 2018. A few of the 93 Actions to further the stated Objectives are listed below:

- Maintain the high performance of the treatment facility’s operational processes.
- Deliver projects from the Agency Facilities Master Plan.
- Prepare transparent financial documents.
- Implement steps to supply the Agency’s extra power.
- Perform a digester volatile solids loading pilot study.
- Increase the Agency’s energy efficiency through implementation of the power monitoring program.
- Collaborate with stakeholders on programs to comply with CalRecycle’s regulations on diverting organics from landfills.
- Implement the updated Environmental Laboratory Accreditation Standard.
- Promote a culture of leadership and professional growth.
- Maintain a safe and secure work environment.

**A downloadable PDF of the SBP can be found at [WWW.CMSA.US](http://WWW.CMSA.US)**

**PUBLIC EDUCATION**

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

**Pharmaceutical Take-Back Program**

For many years, the Agency has provided financial support to the Marin County Pharmaceutical Take-Back Program which reduces the amount of unused pharmaceutical products from being discharged directly into the sanitary sewers. In Marin County, 9,000 pounds of unused pharmaceutical products were collected and properly disposed in calendar year 2017.



**Outreach Events**

CMSA participated in many Marin County public education and outreach events including the Marin County Fair, Earth Day at Marin Academy, Fairfax Ecofest, Spring Marin Home and Garden Expo, Scream on the Green, Trunk or Treat, Novato Business Showcase, Wetlands Days in Mill Valley, and local farmers markets for Earth Day and Pollution Prevention Week. A total of 3,473 people took an environmental quiz to win a prize, a fun way to educate adults and children about pollutants, what is safe to flush down the drain, and the proper use of storm drains.



**School Presentations and Performances**

CMSA staff coordinated school outreach programs that reached 3,288 elementary school students in Marin County. The program consists of an interactive and entertaining performance that educates students about what happens to water after it goes down household drains. The show includes juggling, comedy, and magic acts to teach the students about wastewater and other sanitation issues, and promotes awareness of our most precious natural resource, water. Laboratory staff also visited classrooms to educate students about wastewater treatment at Ross Elementary School, Marin Academy, and Marin School of Environmental Leadership high school program.





**JOINT POWER AGREEMENT REVISIONS**

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

In 2016, the JPA managers reviewed the amended JPA and determined many of its provisions were



outdated or not applicable, and others were superseded by financial and personnel policies. Through early 2017, the managers systemically

revised the JPA's twenty-six provisions and then presented the proposed revisions to the CMSA Board and their respective agency Boards for discussion and approval.

Over the course of six months, the JPA managers and an ad hoc JPA Board committee revised the JPA sections, with each section being presented to and accepted by the four member agency boards. After all the revised sections were accepted, supporting attachments prepared, and a legal review completed, the revised 2018 JPA was adopted by the JPA agencies, and now accurately reflects the current state of CMSA's business and service delivery.

**CENTRAL MARIN ORGANIC WASTE PROGRAM**

CMSA's organic waste program is comprised of the innovative and successful Central Marin Food-to-Energy (F2E) program with Marin Sanitary Service (MSS), as well as a program to receive fats, oils, and grease (FOG) from private haulers, and the occasional delivery of other organic liquid wastes, such as soy whey.



The F2E program was launched in January 2014 with MSS who collects food waste from restaurants, markets and other businesses in the service area. Highlights include:

- The F2E program is fully supported by elected representatives and staff from the cities and towns in the MSS and CMSA service areas, as well as by the Marin County Board of Supervisors, regulatory agencies, and environmental groups.
- Since inception, MSS has enrolled 210 businesses in the F2E program.
- Mill Valley Refuse, a solid waste hauler operating in southern Marin County, has initiated its own F2E program where it collects food waste from grocery stores, and transports the material to MSS for processing and then delivery to CMSA.
- CMSA currently receives approximately 7.5 tons of food waste per day, up to 25,000 gallons of FOG per day (except Sundays).
- The mixture of food waste, FOG, and other organic materials produces enough additional biogas to run the energy generation system up to an average 23 hours per day.
- CMSA and MSS prepared a new 5-year F2E program agreement, and in September 2017, it was approved by the CMSA Board.

**NEW DISCHARGE PERMIT**

This year CMSA received a new NPDES permit with the San Francisco Regional Water Board (RWB) containing all the regulatory requirements, limitations, and authorization for CMSA to discharge treated water to the San Francisco Bay. CMSA was able to successfully negotiate this new permit with CMSA permit limits remaining relatively unchanged, while permit monitoring requirements were reduced. The new permit was issued on March 1, 2018 and has a five-year term. CMSA staff believes that the new permit requirements are reasonable and that the Agency can comply with the various sampling, monitoring, and reporting requirements. CMSA has been in full compliance with the new NPDES permit since it was issued.



Photo: Lorenz-Avelar.com

As of June 30, 2018, CMSA's total capital assets, net of depreciation (a non-cash expense that reduces the value of capital assets), totaled \$81,337,573. This amount is broken down into asset categories shown in the chart below. Additions to capitalized assets totaled \$2,043,192 and are reported on the Condensed Statement of Net Position and in Note 4 in the FY 18 CAFR financial statements section. The Agency also expensed an additional \$336,261 related to repairs and maintenance on capital equipment which can be found on the Condensed Statement of Revenues and Expenses and Changes in Net Position.

**CAPITAL ASSETS AS OF JUNE 30, 2018 (NET OF DEPRECIATION)**

**WASTEWATER TREATMENT FACILITIES**

**\$67,789,514**

(83.3% of capital assets)

Assets in this category include structures and equipment used in the treatment of wastewater and biosolids, and in energy production.

**LAND**

**\$4,857,321**

(6% of capital assets)

Lands owned by the Agency that buildings and treatment plant facilities occupy.

**CONSTRUCTION IN PROGRESS**

**\$1,363,564**

(1.7% of capital assets)

Assets in this category include the following projects that are underway:

Agency Facilities Master Plan, the PG&E Interconnection Agreement, Cogeneration Maintenance, and the Hillside Slope Stabilization projects.

**GENERAL PLANT & ADMINISTRATIVE FACILITIES**

**\$3,946,827**

(4.9% of capital assets)

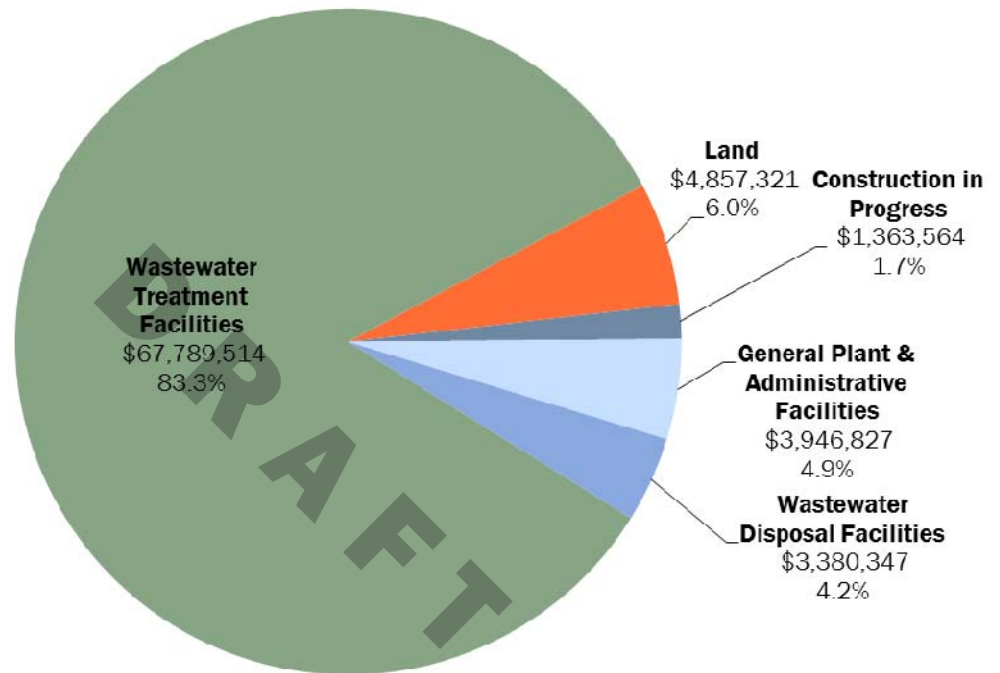
Assets in this category include Agency buildings, laboratory, and vehicles.

**WASTEWATER DISPOSAL FACILITIES**

**\$3,380,347**

(4.2% of capital assets)

Assets in this category include structures and equipment used in the discharge of treated wastewater into San Francisco Bay.

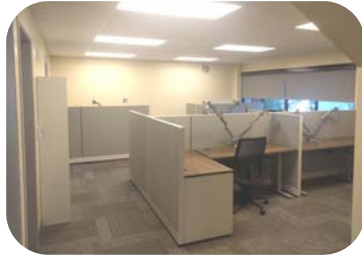


Detailed budget and project information on the Agency's FY 2018 Capital Improvement Program can be found in the Agency's Adopted Budget at [www.cmsa.us/finance](http://www.cmsa.us/finance)



## MAINTENANCE FACILITY MODIFICATIONS

The Agency's facility includes maintenance buildings with storage space, offices, and work areas that were constructed from 1985, and since then the Agency's



inventory and work space needs had changed. In FY 15, the Agency selected an architecture firm to prepare a needs assessment and to start the design phase of the project. In FY 16, design documents

were prepared to create office spaces and enclose the open side of the building for storage, and for construction of a new storage facility.

The project was publically bid in FY 17, a contract was awarded, and construction was completed in December 2017. The total project cost, including design, construction management, and architectural services, and other expenses for soils testing and HVAC improvements was \$1,470,389. In early 2018, maintenance and engineering staff moved into the new office spaces.

## ANDERSEN HILLSIDE REPAIR

During the major February 2017 storms, Marin County experienced historic rain and flooding, and CMSA incurred multiple landslides on the slope of the Andersen Drive hillside. Staff met with Federal Emergency Management Agency (FEMA) and California Office of Energy Services (CalOES) representatives in May and June to evaluate the landslide damage and determine the extent of the area that is eligible for repair funding.

In July, the funding assistance request was approved by FEMA. CMSA then hired a geotechnical engineering firm to evaluate permanent improvement options



for the hillside. FEMA approved constructing soldier pile retaining walls to stabilize the slide area and trim the slopes to conform to adjacent grades. The construction documents are scheduled to be completed in December 2018. Subject to Board approval, the project will be released for public bidding in late winter with construction activities scheduled for early summer. FEMA's regulatory deadline to complete the permanent construction is October 1, 2019 with nearly all of the costs being reimbursed by FEMA.

## PG&E INTERCONNECTION AGREEMENT

CMSA generates enough electricity to meet nearly all the facility's power demands. In the future, the Agency believes it will be able to reach energy self-sufficiency and deliver excess power to the electrical grid, as deliveries of organic feed stocks, such as grease and food waste, will increase biogas generation in the Agency's anaerobic digesters.

CMSA is working with Pacific Gas & Electric (PG&E) on an Interconnection Agreement (IA) modification process, and PG&E has prepared reports for its transmission and distribution systems to determine the upgrades necessary for CMSA to safely and reliably provide power to their electrical grid.



A new IA was executed in May 2017 allowing CMSA to export excess power after the PG&E and CMSA improvements are constructed. Throughout FY 18, CMSA worked with an engineer and contractor to design and construct improvements to meet PG&E delivery standards. That work is nearing completion after which PG&E will issue a Commercial Operations Date.

Concurrent with the development of the IA, the CMSA Board approved a Power Purchase Agreement (PPA) with Marin Clean Energy (MCE), a local energy utility.

Once CMSA receives the Commercial Operations Date from PG&E and Renewable Energy Generator Certification from the California Energy Commission, the Agency will be in position to deliver renewable power.

## AGENCY FACILITIES MASTER PLAN

In September 2016, the Agency contracted with an engineering consultant to develop the 2017 Agency Facilities Master Plan. The plan provides planning level information for future potential maintenance and capital projects for the Board to review, discuss, and consider. The plan included eleven technical tasks to evaluate a wide range of operational, process, and regulatory matters.

The Masterplan work is completed, staff has incorporated several projects into the Agency's 10-year CIP, and the Final Report can be found on the CMSA website:



[www.cmsa.us/documents/projects-and-programs](http://www.cmsa.us/documents/projects-and-programs)

**CMSA is a Joint Powers Authority**, and is accounted for in a single enterprise fund. A comprehensive set of Board adopted financial policies provides direction to protect the Agency’s assets and investments through sound financial management. The source of the information in this PAFR is consistent with generally accepted accounting principles (GAAP). Details can be found in the FY 18 CAFR available at [www.cmsa.us/finance](http://www.cmsa.us/finance).

**FY 18 BUDGET PERFORMANCE**

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



**FY 18 CONDENSED STATEMENT  
REVENUES & EXPENSES:  
BUDGET TO AUDITED ACTUALS PERFORMANCE**

Revenues (Cash in)*	Adopted Budget	Audited Actuals
Sewer Service Charges	\$ 10,893,165	\$ 10,893,165
Debt Service	4,952,382	4,952,383
Contract and Other Operating Revenues	1,598,400	1,508,418
Non Operating Revenues	133,500	303,728
Capital Contributions	29,300	197,753
<b>Total Revenues-All Sources</b>	<b>\$ 17,606,747</b>	<b>\$ 17,855,447</b>

Expenditures (Cash out)*	Adopted Budget	Audited Actuals*
Total Operating Expenses (net of non-cash depreciation)	\$ 11,462,600	12,356,913
Total Non-Operating & Bond Interest Expenses	1,711,906	1,527,361
<b>Total Expenses</b>	<b>\$ 13,174,506</b>	<b>\$ 13,884,274</b>
<b>Total Debt Service Principal Paid FY 18</b>	<b>\$ 2,250,000</b>	<b>**\$ 2,250,000</b>

\*Contains accrued GASB 68 pension expenses in the amount of \$1,040,765.  
\*\*Details available in the FY 2017-18 CAFR, Note 5-Long-Term Obligations.

**AUDIT OF AGENCY’S STATEMENT BY INDEPENDENT AUDITOR**

California Government Code section 53891 requires an annual audit by independent Certified Public Accountants, which is filed with the State Controller’s Office.

The Agency’s FY 18 Financial Statements were audited by the Agency’s auditor, Cropper Accountancy Corporation, in accordance with GAAP auditing standards, and the statements met the State Controller’s Minimum Audit Requirements for California Special Districts, which CMSA follows.

The Agency’s Audited Financial Statements and accompanying Independent Auditor’s Report were accepted by the CMSA Board in November, and can be found in the

Agency’s **FY 2017-18 CAFR**, available at

[www.cmsa.us/finance](http://www.cmsa.us/finance)



The **Statement of Net Position** is a useful indicator of financial position. The largest portion of CMSA's net assets reflects its investment in capital assets (land, buildings, equipment, vehicles), less outstanding related debt used to acquire those assets. The Agency's Total Net Position decreased by \$399,727 in FY 18 because total expenses exceeded total revenues.



## CONDENSED STATEMENT OF NET POSITION AS OF JUNE 30, 2018

	FY 16	FY 17	FY 18	Percent Change
<b>ASSETS</b>				
Current and Other Assets	\$ 15,519,819	\$ 15,685,241	\$ 17,753,712	13.2%
Capital Assets - Net	85,532,754	83,554,374	81,337,573	-2.7%
<b>TOTAL ASSETS</b>	<b>\$ 101,052,573</b>	<b>\$ 99,239,615</b>	<b>\$ 99,091,285</b>	<b>-0.1%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,734,100</b>	<b>5,961,780</b>	<b>7,332,920</b>	<b>23.0%</b>
<b>LIABILITIES</b>				
Current Liabilities	\$ 3,381,938	\$ 3,640,887	\$ 3,780,431	3.8%
Non-Current Liabilities	57,205,713	57,680,300	58,367,168	1.2%
<b>TOTAL LIABILITIES</b>	<b>\$ 60,587,651</b>	<b>\$ 61,321,187</b>	<b>\$ 62,147,599</b>	<b>1.3%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,738,149</b>	<b>1,260,848</b>	<b>2,056,973</b>	<b>63.1%</b>
<b>NET POSITION CONTROL TOTAL</b>	<b>\$ 43,460,873</b>	<b>\$ 42,619,360</b>	<b>\$ 42,219,633</b>	<b>-0.9%</b>
Invested in capital assets net of debt	\$ 36,022,116	\$ 36,400,782	\$ 36,596,025	0.5%
Unrestricted	7,438,757	6,218,578	5,623,608	-9.6%
<b>TOTAL NET POSITION</b>	<b>\$ 43,460,873</b>	<b>\$ 42,619,360</b>	<b>\$ 42,219,633</b>	<b>-0.9%</b>

### DEFINITIONS

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

**CURRENT AND OTHER ASSETS:** Assets converted to cash or consumed within one year: cash, investments, receivables, prepaid expenses.

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

**DEFERRED INFLOW OF RESOURCES:** An acquisition of net assets that is applicable to a future reporting period.

**DEFERRED OUTFLOW OF RESOURCES:** A consumption of net assets that is applicable to a future reporting period.

**INVESTMENT IN CAPITAL ASSETS NET OF DEBT:** Amounts invested in capital assets less accumulated depreciation and any outstanding debt used to acquire the assets.

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

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

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



This statement summarizes CMSA's operating and non-operating revenues and expenses, and unlike the CAFR, presents Capital Contributions with Total Revenues. CMSA's main sources of revenue are the regional sewer service charges received from JPA members and contract revenues from providing wastewater services to San Quentin State Prison and Sanitary District No. 2. Service charges pay for operating expenses, capital improvements, and debt service. Operating revenues increased as a result of a scheduled service charge rate increase. Non-operating revenues increased due to higher interest rates earned on LAIF and CAMP investments and to FEMA proceeds received for landslide repairs. Total expenses decreased due to scheduled salary adjustments and benefit savings from unfilled authorized positions.

### CONDENSED STATEMENT OF REVENUES, EXPENSES, & NET POSITION AS OF JUNE 30, 2018

	FY 16	FY 17	FY 18	Percent Change
<b>REVENUES</b>				
Operating Revenues	\$ 16,495,058	\$ 17,235,271	\$ 17,353,966	0.7%
Non-Operating Revenues	95,753	139,088	303,728	118.4%
Capital Contributions-Capacity Charges	162,705	330,079	197,753	-40.1%
<b>TOTAL REVENUES</b>	<b>\$ 16,753,516</b>	<b>\$ 17,704,438</b>	<b>\$ 17,855,447</b>	<b>0.9%</b>
<b>EXPENSES</b>				
Operating Expenses	\$ 15,261,150	\$ 16,793,252	\$ 16,351,993	-2.6%
Non-Operating Expenses	1,396,084	1,752,699	1,527,361	-12.9%
<b>TOTAL EXPENSES</b>	<b>\$ 16,657,234</b>	<b>\$ 18,545,951</b>	<b>\$ 17,879,354</b>	<b>-3.6%</b>
Net Income (Loss) before Capital Contributions	96,282	(841,513)	(23,907)	-97.2%
<b>CHANGE IN NET POSITION</b>	<b>\$ 96,282</b>	<b>\$ (841,513)</b>	<b>\$ (23,907)</b>	<b>-97.2%</b>
<b>BEGINNING NET POSITION AS RESTATED</b>	<b>\$ 43,364,590</b>	<b>\$ 43,460,872</b>	<b>\$ 42,243,540</b>	<b>-2.8%</b>
<b>ENDING NET POSITION</b>	<b>\$ 43,460,872</b>	<b>\$ 42,619,359</b>	<b>\$ 42,219,633</b>	<b>-0.9%</b>

### DEFINITIONS

#### **CAPITAL CONTRIBUTIONS-CAPACITY CHARGES:**

A treatment plant capacity fee paid by each new sewer user connecting to a public sewer served by CMSA. Capital contributions must fund capital and expansion projects.

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

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

#### **NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS:**

The difference between total revenue less total expenses.

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

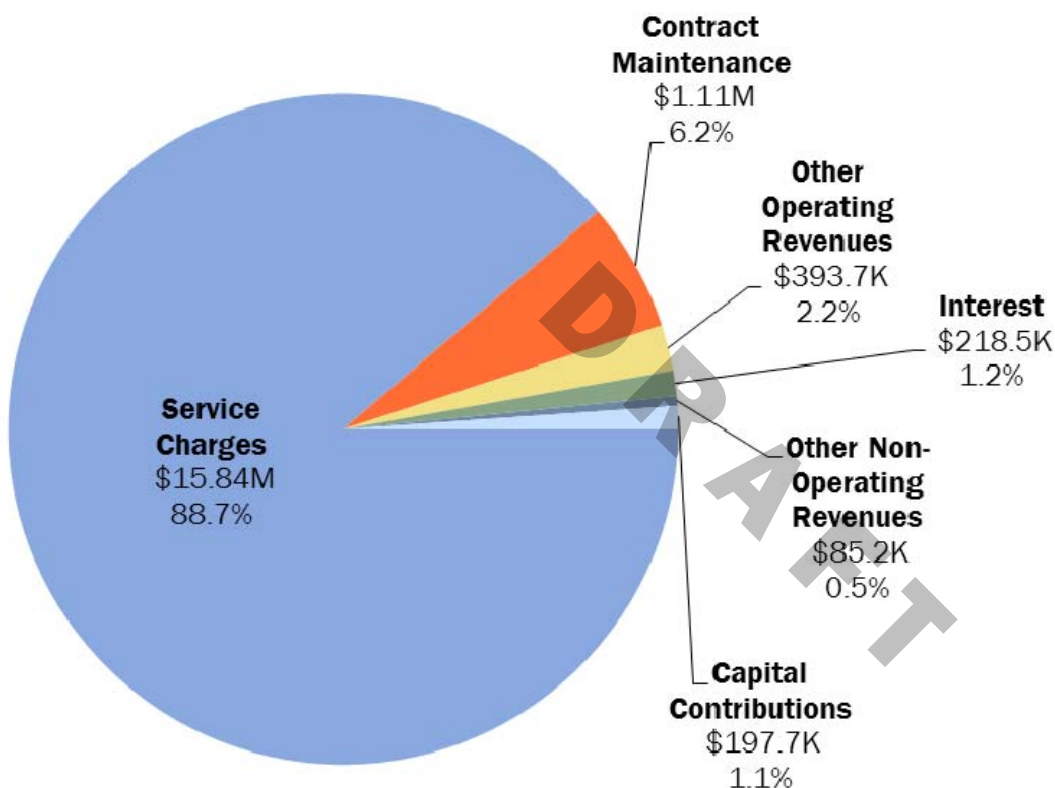
**OPERATING EXPENSES:** Expenses incurred for the provision of wastewater services.

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





**CMSA's total revenues for FY 18** were \$17,855,447 including capital contributions. Operating revenues totaled \$17,353,966 and included \$4,952,383 collected for debt service.\* Non-operating revenues and interest totaled \$303,728.



**Capital contributions must fund capital and expansion projects.**

California Government Code requires:

- A separate accounting of capital contributions
- Application of interest to outstanding balances
- Disclosure of the amount collected within 180 days after the fiscal year
- Identification of the funded capital projects

CMSA's practice is to spend contributions received on a first-in-first-out basis to finance capital programs. Accordingly, no interest was posted to capital contributions and there was no outstanding balance at fiscal year-end.

\*Debt service is a fee collected for the repayment of revenue bond principal, interest, and debt coverage. In FY 18 the Agency paid \$2,250,000 in principal and incurred \$1,527,361 in interest expense.

## DEFINITIONS

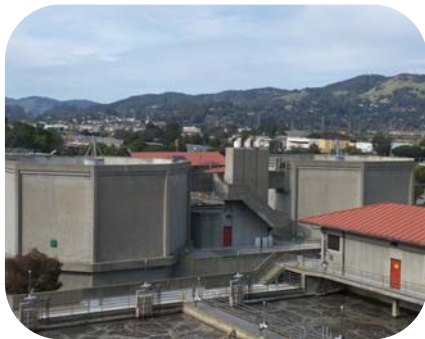
**CONTRACT MAINTENANCE:** Revenues received from other local and state agencies for wastewater treatment, collection system operation, and source control services.

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

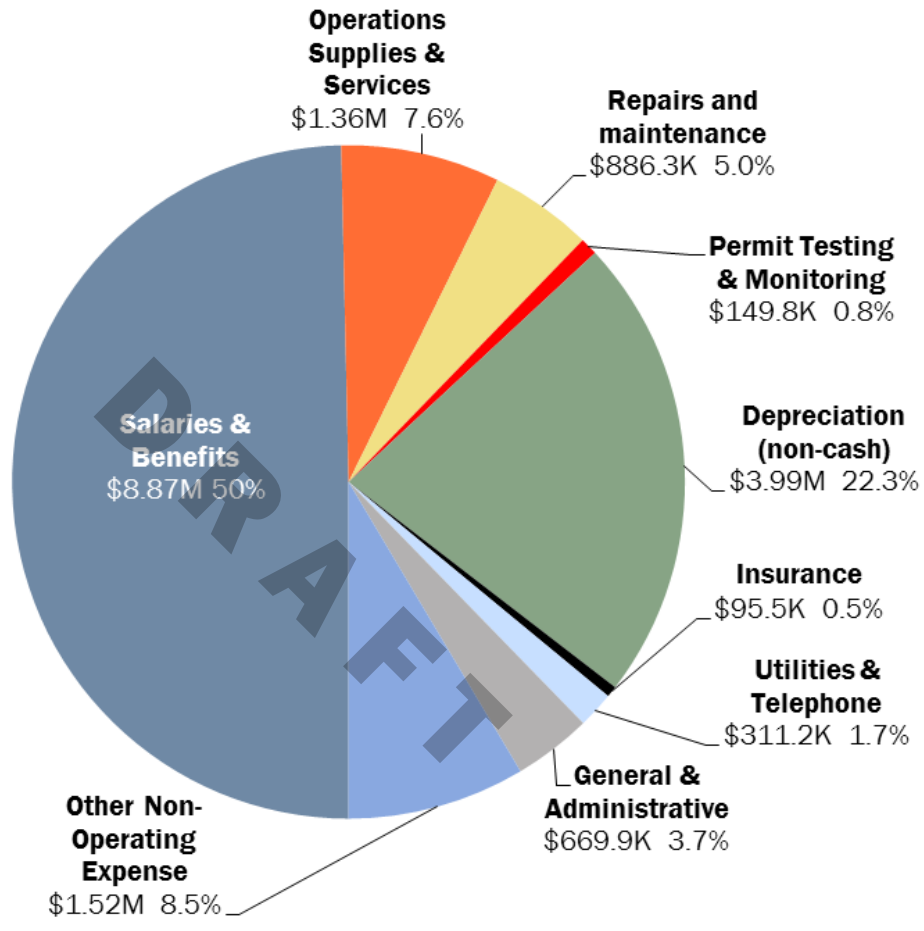
**OTHER OPERATING REVENUES:** Revenues received and fees charged for permit and inspections, administration of programs for local wastewater agencies, and facility use charges for septic and foodwaste disposal.

**SERVICE CHARGES:** A fee charged to JPA members and SQSP for wastewater treatment service and their share of the Refunding Revenue Bond Series 2015 debt service payment.

**CMSA FY 18 total operating expenses** were \$17,879,354 of which \$12,356,913 were actual operational expenses, and \$1,527,361 were non-operating expenses. CMSA recorded \$3,995,080 in depreciation, a non-cash expense.



Excluded from this chart are expenditures for capital and asset management projects which have been capitalized and shown as capital assets on the Statement of Net Position and in the Capital Assets section of this report.



**DEFINITIONS**

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

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

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

**INTEREST EXPENSE:** Payments due for borrowing money for the Refunding Revenue Bond Series 2015.

**PERMIT & MONITORING TESTING:** Laboratory fees related to wastewater sampling and monitoring services, other regulatory compliance fees, and laboratory supplies.

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

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

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





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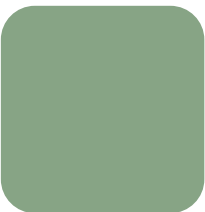
For its Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morvill*

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Central Marin Sanitation Agency for its Popular Annual Financial Report for the fiscal year ended June 30, 2017. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting a government unit must publish a Popular Annual Financial Report, whose contents conform to standards of creativity, presentation, understandability and reader appeal.





# CENTRAL MARIN SANITATION AGENCY

## OUR VISION

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



## OUR VALUES

CMSA values ...

Consistent and continuous regulatory compliance to protect San Francisco Bay.

Effective asset management through appropriate short- and long-term planning and sustainable practices.

A safe and healthy workplace for its employees and stakeholders.

Professional growth, teamwork, and job satisfaction within a diverse workforce.

Quality public outreach and education to promote environmental stewardship.

Partnerships which further common water quality and resource recovery interests.



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**FY 2017-18**  
Comprehensive Annual  
Financial Report with  
Audited Financial  
Statements

**Green Business  
Annual Report**  
Summarizes  
recycling,  
disposal, product  
reuse, energy  
efficiency and other  
green business  
activities



**FY 2017-18**  
Adopted  
Budget

**FY 17-21 Strategic  
Business Plan**  
To effectively maintain  
and improve operations  
and services

