

# Summary of April 13, 2006 Metro Commission/ Wastewater JPA Workshop

## **I. Action Plan from the April 13, 2006 Workshop**

	<b>What</b>	<b>Who</b>	<b>When</b>
1.	E-mail financial advisors/best candidates to Karyn Keese by next Friday, April 21 <sup>st</sup> .*	All	4/24
2.	E-mail “potential CIP projects” and their related \$-amounts to Karyn Keese. From conceptual stand-point, develop dollar amount on potential projects. Get tentative wish-list from each PA – take to next TAC meeting.	PW Directors	4/24
3.	Notifying Scott Tulloch and Darlene re: these developments	Fin. Cmtee	4/24
4.	Absentee commissioners to be informed re: these developments	Alternates	4/24
5.	E-mail “brainstormed initiatives/action steps” to all JPA/MC members for prioritization of top actions for each strategic goal	Teri B.	4/24
6.	Id./Provide the “terms” of San Diego’s Financing	Fin. Cmtee	ASAP
7.	Review this discussion with Paula (Legal Counsel)	Sophie	ASAP
8.	Review this process with Legal Counsel (BB&K)	Karyn/ Augie	b/f 5/4
9.	Send your ideas re: the JPA Committee Structural and procedural recommendations to Henry.	All	b/f 5/4
10.	Members are to respond to Henry when they receive the “Focus of Interest” list will be sent to all members, by Teri Basta, requesting volunteers to work on of tasks or topics.	All	b/f 5/4 types
11.	Finance Team selected & attends May 4 JPA Meeting. Finance Ad Hoc Committee proposes firm for selection	Augie C.,	5/4

- |     |   |                     |       |
|-----|---|---------------------|-------|
| 12. | Commissioners Lewis and Tierney will serve with MetroTAC on a Capacity Charge Task Force. | Mark L,<br>Frank T. | May-? |
| 13. | Raise these “financing options” with/to the PUAC  | JPA                 | June  |

### **Action Plan Comments/Discussions**

\* Select a financial team to provide input on Options 2 and 4, identified at the workshop (See below). Start evaluating agencies, come up with bond rating, put together potential things for financing. How fast can we get a financial team on board to give us advice on any and all financial options? Can financial advisor help us with scope of work instead of us coming up with it? Any agencies with positive experiences with financial advisors (i.e. trusted, known, etc.) - extensive RFP process not necessary. They can advise us in what structure would be best to proceed and how to go through financing as a beginning organization, give road map, lead us in that direction. The firm will be introduced in May, and return at the June JPA/MC meeting.

**Option 2:** The PA’s borrow independently of the City of San Diego, for approved Metro CIP Projects. Also, members add PA Muni-projects as it wishes, and the JPA finances them.

**Option 4:** The JPA issues the bonds, and the City repays the JPA.

## **II. Discussion of Summary of Pre-Workshop Surveys**

*The following is a summary of participant's discussion notes after reviewing the pre-workshop survey responses:*

### **A. Discussion Notes: What pleases you about the survey responses?**

- Demonstration of excellent awareness of key issues – good knowledge on what key issues are by Metro TAC and JPA/Commissioners
- TAC is doing a good job
- Representative sampling of the group.
- On target in spite of very low survey response
- There has been growth of enhanced relationships between TAC and JPA Commissioners over last year
- Strategies of Joint Governance identified.
- The survey was comprehensive and develops readiness for participants

### **B. Discussion Notes: Any questions/Concerns?**

- How will we get to Joint Governance? What is our window?
- Are the City's structures "sound and functioning?" How can we influence the City to keep rates low?
- Many items in the survey responses danced around the real issues – Our focus is on "what do we want from participating agencies? Lower rates!" Rate payers and tax payers are not always the same.
  - Equitable rates? There is a perceived threat to the rate structure.
  - Lowest possible – we are here to make sure PA's pay lowest possible. Everything we do is focused on making PA's have the lowest possible rates; everything else is just a strategy to make sure it happens.
  - Alternate view - We want a sound system, not necessarily the lowest rates
- How can TAC work with JPA and PUAC to make all this happen? (Rates, water reclamation, waivers, secondary treatment)
- How can we continue the progress of interaction between TAC and JPA to make ourselves stronger? Have rotating list of Commissioners attending TAC to provide input and see what is going on was suggested.
- What are the implications of bond financing to PA's if we decide to finance our share of the Metro CIP or do it in concert w/ City of SD – (e.g. legal implications, etc.?).
- Some Pas' are built out and older – PAs are growing, is there a conflict in requesting related to bonds for infrastructure growth?

- What is the JPA's mission statement, and how does it align with brainstormed initiatives? (Note: John Gavares reviewed the Mission Statement and four strategic goals at this point).
- What should our strategy be on the waiver renewal? We need to know more, and to be at the table.

**C. Discussion Notes: Any Suggestions or Recommendations?**

- We should prioritize/streamline our work and not get side-tracked on minor issues
- We need to take a position with the City of SD regarding rates to PA's. We need to eliminate the "us-them" language and use "partnering language."
- We should ensure TAC staff's issues and agendas are on the table, and Commissioners are aware of recommendations/ruminations. We should consider having JPA Commissioners attend TAC meetings, on a rotating basis, to develop alignment, education, etc.
- We want to advocate achieving the lowest possible rates.
- Spending efforts on bond-financing and picking-up the slack on CIP programs may not be our top priority – Perhaps our top priority should be to focus on achieving Regional Governance, and to build a positive relationship with Mayor.
- It's been years since our "regional agreement" was created and adopted – It needs cleaning-up. City of SD has many issues to take care of on regional governance – facilities need to be added to the agreement – We should establish a task force to include what has transpired since its creation.
- Recommendations re: conducting Board Meetings – A) We should manage the agenda so there are not as many presentations at meetings. B) TAC to filter their presentations, provide executive summaries, and don't exceed 5 minute presentation on educational presentations. C) TAC to submit information in advance.
- We should consider soliciting the assistance and partnerships of the environmental groups, and work cooperatively with them, and see if they would support regional governance.
- Reaffirm strategic goals, re-evaluate current Ad Hoc Committees, and consider changing the name of the commission – anything but wastewater!
- How can we monitor our progress and ensure follow through? Who is going to do it?
- Revisit our agreements and action plans quarterly.

### III. Joint Governance Dialogue Session

*The following are the summaries of presentations made by table-teams in a simulated point-counterpoint activity, to explore the pros and con's of "Regional Governance." Note: Many of these items were serious, and other comments were "tongue-in-cheek."*

#### A. Arguments in Favor of Joint Governance - Red Teams – Tables 1, 2, and 3

##### Table 1

- The product is not going away. It is a regional product.
- We could be more in control of our rate and service-quality destiny.
- Solidify the progress in the Metro TAC relationship to-date
- Not affected by political winds and policy-shifts in San Diego
- Economies-of-scale for maintenance and improvement of services directly affecting us
- Single purpose agency can be more effective & financially responsible on behalf of rate payers
- Ability to be more responsive to and more effective with the environmental community.

##### Table 2

- The City of SD not capable of maintaining present infrastructure
- Political will to make tough decisions (Rate increases)
- Transfer of blame!
- Regional planning – Budgeting, like CWA
- Establish regional wastewater department with oversight from Metro JPA, staffed by informed MWWD staff - essentially removing cost center from City of SD budget

##### Table 3

- 100% participation/decision making
- Board is dedicated and focused on running the system
- Ability to bond without SD baggage!
- Cohesive board already, experienced at making decisions.
- Benefits to SD: Reduces liability, reduces staff, take system off the books
- Timing is now!
- Stronger representation - County, State, Federal, & International level
- Recycled water – address regionally
- Recycled water issues addressed regionally.

**Additional Comments:**

- We all have contracts with agencies, no control – regional structure would solve it
- Cost savings on purchases – cost effective – volume buying vs. individual purchases

**B. Arguments Against Joint Governance - Blue Teams – Tables 4, 5, 6, & 7:**

**Table 4**

- We don't want liability associated with NPDES permits.
- We don't want to acquire a dysfunctional operation.
- How much would SD charge for ownership of existing infrastructure? Too much!
- SD will not exercise weighted vote properly.
- Why take over on political heat when rates rise from loss of waiver, other cost?
- Why inherit staff, labor, and pension problems?
- Why take on liability for IBWC and South Bay issues?
- Why take over building and real estate issues of MWWD?
- Why accept SD's "leaks" from sewer to general funds?

**Table 5**

- Why do we need another bureaucracy?
- SD has done a great job! Efficiency of wastewater is great. We have low rates, and a collaborative relationship!
- Why fix it if it isn't broken?
- A Special District takes on a life of its own, and becomes a bureaucracy, that's more expensive.
- What are we inheriting? Liabilities?
- Weighted vote
- What do we gain?
- SD would still be the big fish. Who is better - us or them?

**Table 6**

- It's not broken; why fix it?
- Why shift liability?
- We're consumers, not operators
- Other options – oversight by 3<sup>rd</sup> party?
- Paternal system has always functioned well!
- Technical expertise, staffing, resources, not always affordable.

### **Table 7**

- We own the system, why should we give it up?
- It is a low priority to us (SD)
- Financial hardship for the PA's
- Current system works!
- Would increase costs to SD rate payers & the PA's
- We tried it once (San District) and it didn't work.
- We want less bureaucracy
- Permit renewal is a far higher priority
- Voters in PA cities wouldn't approve

### **C. Learnings from this Activity**

- We have learned we have to make the argument that this makes sense for the PA's, and, for the City, and don't dismiss the real constraints to this issue.
- If we do wish to do it, negotiate very hard to protect ourselves
- The study will answer a lot of the questions – it will be a multi-phased study, looking at fatal flaws
- We need to find someone who will candidly give SD's position
- This will be a long-term negotiation, requiring deep thinking. Talking points will need to be developed. The risks and benefits should be fully identified.
- We have the technical expertise. We need the political expertise.
- One key talking point is “this is a better ‘mouse trap,’ due to single-focused leadership, economies of scale, rate payers have a greater voice, etc.
- We must make the case that it's better, and easier. Take the leadership in defining the “structure.”
- There are three “cities” – staff, mayor's office, city council. Mayor/staff are open – is the council? We don't know what they think. We have taken the strategy of not talking to SD's City Council yet, didn't want to undercut the Mayor. Need one more set of staff – reclaimed water program is in the City's Water Dept, in addition to wastewater
- Positions? Does their position matter right now? Could take several years. Need to understand benefits and risks – leverage position and staff's position better – political risks and capital, and infrastructure risks. Benefits to citizenry of SD would help to firm up speaking points.
- We have expertise to run system – get environmental people involved – let rate payers be part owners of the system – Regional basis with input to operation, economy scale. Otherwise general public will say “why take over system that is broken?” Smaller and larger cities will be protected. Be aware of political situation!

- Need to be able to sell on the idea that is easier to do this, so we need to set up structure for them. Move forward and show leadership in defining structure.
- Joint governance has merits, and liabilities. Liabilities – hurdles possible in future. Look at fall-back position – go to transition position, 3<sup>rd</sup> party position.
- Board member whose only interest is running wastewater agency – single focused agency and leadership
- Existing system works. What does “this works” mean? This decision will be a political issue. Media issue – manage the media to handle public pressure – frame the issue
- Media influence/allies is essential.
- Timing is good right now to work with political people. City isn’t planning rate increase with new budget.



## IV. Financial Options Dialogue Session

*The meeting participants reviewed four alternative financial options, making the case for each of them. The following is a summary of their recommendations.*

*The highlight of this discussion was that “The participants in attendance, when polled, unanimously agreed to move towards these financial options! The groups unanimously recommended to move-ahead with some form of pooled financing – Options 2 or 4. We are united – we have a bigger purpose – Demonstrates strength and clout.*

### **Option 1 – Tables 1 and 2: Option 1: The PA’s should borrow independently of the City of San Diego for approved Metro CIP projects.**

- Rates are rising, and the system is deteriorating. We should start now, without the audit. This would demonstrate the JPA’s commitment to the system. It would increase the JPA’s clout, and be a precursor to regional authority.
- Deferred expenditures become more expensive to rate payers the longer they are deferred
- Keeps current expertise (internal and external) employed and engaged
- Demonstrates to City our regional leadership and commitment
- Avoid costly fines and spills
- Public health and safety at risk
- Allows flush out other options
- Pros: Long range Planning:
- Reduces cost of borrowing
- Eliminate peaks in pay-go
- Shows financial responsibility
- Establish MOUs on projects/process

#### **Cons:**

- Risk & Liability factor
- No gain – no assets

**Option 2 – Tables 3 and 4: The PA’s borrow independently of the City of San Diego, for approved Metro CIP Projects. Also, members add PA Muni-projects as it wishes, and the JPA finances them.**

**Table 3**

- Lower rates for PA’s
- Allows PA’s who may not be able individually finance their own projects
- Can set accountability parameters
- Lower rates for City portion

**Table 4**

- Reduced cost above \$10 million level - Present PA metro obligations - approximately \$7 million
- Save on cost of issuance (fixed cost)
- Better rating than City of SD
- Step toward regional governance
- Control over timing
- Survey on 3 muni projects from this table : Additional Muni: LG \$4mill; Coronado \$13 mill, Del Mar \$5 mill
- Do pre-bonding study so we are ready

**Option 3 – Tables 5 and 6: Status Quo:  
Tables 5 & 6**

- Convert muni trunk mains to metro – allocate costs
- Fully utilize recycled water production – Charge at 90% of potable fee (charging its appropriate value)
- Cost Allocation Study – Best Practices, Fairness

**Option 4 – Table 7 - The JPA issues the bonds, and the City repays the JPA.**

- Rates rising, system deteriorating, we could start new without an audit
- Would show JPA’s commitments to the system
- Would increase JPA’s clout and be precursor to regional authority

## Discussion Notes: What did we learn from this conversation re: Financing Options?

- *The participants in attendance, when polled, unanimously agreed to move towards these financial options! The groups unanimously recommended to move ahead with some form of pooled financing – Options 2 or 4. We are united – we have a bigger purpose – Demonstrates strength and clout.*
- This decision was preceded by the following questions and comments:
- Finance Ad Hoc Committee has been struggling with this. When is the right time? Waiting is costly. Is there interest among all the PA's to do something? Do we have the info we need? At what point do we say – it's now time to do it – what does it cost? What are the criteria for decision making? Agencies could say it isn't our problem? What does it cost if we don't do something?
- Taking these options on may takes us one step closer to being a true regional force – we can get together and deal with an issue.
- We are at a point in time when we should bring in professional financial and legal advice for the committee. Note: Financial advice, bond counsel, and legal costs should/could be free of charge.
- Timetable? – When do we drop it on the City seriously when we want to go regionally? Timetable tied to raising this regional.
- Are “regionalization” and finance options separate, or combined? We need better data where City is in the audits.
- Timetable and regional thought process – timeline for financing is NOW.
- Get mayors together to meet with mayor of City of SD to present these types of ideas – create tension at that level to start moving forward. New mayor, new bureaucracy. Mayors need the facts to do this –
- Need commitment from staff, provide options – create powerful strategy
- Make recommendation to go to council – Financing options should be raised with PUAC by June 6
- Where do we want this discussion to take place – public, media concerns – once you do, remember there are consequences

## **V. Prioritization of Brainstormed Initiatives**

1. Initiatives for each strategic goal were identified in the pre-workshop questionnaire. These will be routed to all attendees, by John Gavares. Participants will return their top priorities to John.

## **VI. Recommendations re: JPA/MC Committee Structure**

*The following was recommended to the group for consideration. The group will make a decision as to these proposals at the May 4<sup>th</sup> JPA Meeting.*

1. Maintain Ad Hoc Groups for Financial Issues and also for Regional Governance.
2. Disband three Ad Hoc Groups (e.g. Community Relations, Technical and Legal Issues, and Relationship Liaison) and replace with Task-focused Groups that meet as needed as tasks/issues emerge. The chair will utilize a focus of interest list to request volunteers for these work items in the future.
3. Commissioners Lewis and Tierney were asked to serve with MetroTAC on a Capacity Charge Task Force.
4. Process: Discuss today. Decide at the May 4 JPA meeting.

*Other comments/suggestions were made by Commissioners and TAC members re: future procedures, including the following:*

1. The entire Metro Commission needs to be involved when decisions need to be made on recommendations.
2. May 4 meeting agenda item – feedback/input – send your ideas re: these procedural items to Henry prior to the 5/4 Meeting.

## **VII. Parking Lot**

1. Let's consider a change to the Title of Regional Governance Committee!

## **VIII. Meeting was adjourned at 2:55 p.m.**

## Summary of Evaluation and Input Forms April 13, 200 Leadership Alignment Meeting

- I. The rating of the workshop, on a scale of 1 to 5, (1 being a waste of time; 5 being “Very Successful”), was a 4.41. The distribution of ratings were: One 6, seven 5’s, three 4.5’s, nine 4’s, one 3.5’s, and one 3.
  
- II. What did you like most about the workshop?
  1. Great interaction with great PA’s who have common goals for the region. (10)
    - a. Great participation, exchange of outlooks on different aspects.
    - b. Consensus building. (2)
    - c. Great interaction/dialogue. (4)
    - d. We all got along well.
    - e. The open Dialogue. (2)
    - f. Consensus on most items. Learning perspectives of other agencies and members.
  
  2. Constant energy. Fast-paced and concise. The pace and the focus. Fast moving. Fun. Light attitude. Loose structure – on task, flexibility. Size about right. (5)
  
  3. The joint governance direction point-counterpoint conversations. Being lead to ponder the counter –argument to the key regional issues. The tit-for-tat on regional agency.(4)
  
  4. Good food! (2)
  
  5. Nice location. (3)
  
  6. It needs full-time leadership and strong project management.(2)
  
  7. The opportunity to see the full range of issues is a quick snapshot and then a chance to focus on a couple of critical issues. Very focused on key issues. Especially the pros and cons discussions. (3)
  
  8. Excellent
  
  9. Meeting the various staff from the various agencies.
  
  10. Good education. Seemed to be agreement among agencies.
  
  11. Chula Vista was here!
  
  12. The finance options positions.
  
  13. The music! Although bluegrass would have been more energizing.

### III. What could have been improved?

1. Acoustics. A microphone at each table, so that we can hear everyone. It was a little difficult to hear.(3)
2. Top priorities set before
3. None
4. Food
5. Better response to the survey.
6. The facilitation could have been better designed. One hour to revisit comments previously submitted was unneeded. The outcomes and discussions could have been designed for clarity and more useful dialogue – how will we “measure” success from today’s discussion.
7. Format was great. Time was short for in-depth discussion.
8. More strategic topics could have been covered, especially secondary-treatment and being at the table during the negotiations.
9. We got off-track some times, after starting off well.
10. Expedite the dialogue.
11. Needed to have small groups focus on individual topics, rather than on everyone talking and limiting accomplishments.
12. Verbal follow-up for pre-questionnaire from those who did not respond.
13. No more flavored markers.
14. To keep open-mind. To the various concepts/opinions.
15. Would have liked the morning session discussion (re: joint governance) and afternoon exercise ( re: financing) to be more different rather than advocate for option to be both.
16. Although I loved the location, it was difficult to hear some of the conversations.
17. Less first hour – reading what all should have actually already read.

### IV. What suggestions do you have for yourself, and others, to successfully follow-up and follow-through on concepts discussed today?

1. None
2. Get it done, and don’t procrastinate.
3. On May 4<sup>th</sup>, discuss and agree with implementation of the action item, and set forth in today’s workshop.
4. See the transition continue? I feel we are on the right track.
5. Commit to the follow-up process. Respond to the e-mails.
6. Joint governance issues.
7. Come to Metro Meetings – keep involved – keep your colleagues involved in your metro work.
8. Push harder on marketing aims.
9. Involvement with “focus groups.”

10. Keep bringing up the secondary treatment issues.
11. Need to clearly state with as few words as possible where do we go from here.
12. Attention to details/commitment.
13. Finish homework.
14. Work to fully explore pros and cons of reorganization.
15. We need some direction and structure on follow-up tasks and action items.
16. Using formal time to regularly review action plan and strategic goals.

## V. Other Comments

1. Well –dome (3) Great job.
2. Really liked John Gavares' as facilitator – more focused and came out with more meaningful progress. John – did a great job. Glad he is back. John has a great, easy-going, fun approach. Very nice way to spend a day facilitated by him. (4)
3. Powerhouse is a great venue. Let's do it here next year also. Room is nice, but acoustics are marginal. Standing to speak would be helpful.
4. Excellent retreat
5. Seemed we did not focus enough on last year's goals, as to what was accomplished, and how we need to fine tune for the future.
6. Very effective. Keep up the good work.
7. Good discussions. Very thought provoking.