



Metro Finance Committee
(Finance Advisory Committee to Metro JPA)

TO: Finance Committee Members and Metro Commissioners

DATE: Wednesday, July 27, 2022

TIME: 8:30 a.m.

MEMBERS OF THE METRO FINANCE COMMITTEE WILL BE PARTICIPATING REMOTELY FOR THIS MEETING AND THERE WILL BE NO LOCATION FOR IN-PERSON ATTENDANCE PURSUANT TO GOVERNMENT CODE SECTION 54953(e)(1)(A), WHICH PROVIDES WAIVERS TO CERTAIN BROWN ACT TELECONFERENCING RULES DURING A PROCLAIMED STATE OF EMERGENCY WHEN STATE OR LOCAL OFFICIALS HAVE IMPOSED OR RECOMMENDED SOCIAL DISTANCING. IN COMPLIANCE WITH THE BROWN ACT, METRO FINANCE COMMITTEE IS PROVIDING ALTERNATIVES TO IN-PERSON ATTENDANCE FOR OBSERVING AND PARTICIPATING IN THE MEETING. FURTHER DETAILS ARE BELOW.

Note: Any member of the public may provide comments to the Metro Finance Committee on any agenda item or on a matter not appearing on the agenda, but within the jurisdiction of the Committee. Public comments must be submitted in either of the following manners:

1. Providing Oral Comments During Meeting. To provide comments during the meeting, join the Zoom meeting by computer, mobile phone, or dial-in number. On Zoom video conference by computer or mobile phone, use the "Raise Hand" feature. This will notify the Secretary that you wish to speak during a specific item on the agenda or during non-agenda Public Comment. If joining the meeting using the Zoom dial-in number, you can raise your hand by pressing *9. Comments will be limited to three (3) minutes
2. Written Comments. Written public comments must be submitted prior to the start of the meeting to lpeoples@chulavistaca.gov. Please indicate whether your comment is on a specific agenda item or a non-agenda item. Comments are limited to four hundred (400) words. It is requested that comments and other information be provided at least two (2) hours before the start of the meeting. All comments received by such time will be provided to the Committee members in writing. In the discretion of the Chair, the first five (5) comments received on each agenda item, or on non-agenda matters, may be read into the record at the meeting. Comments received after the two (2) hour limit will be collected, sent to the Finance Committee members in writing, and be part of the public record.

When providing comments to the Finance Committee, it is requested that you provide your name and city of residence for the record. Those commenting are requested to address their comments to the Finance Committee members through the Chair. If you have anything that you wish to be distributed to the Commission/JPA, please provide it to the Secretary via lpeoples@chulavistaca.gov, who will distribute the information to the members.

The public may participate using the following remote options

Join Zoom Meeting

<https://us02web.zoom.us/j/84122720245>

Meeting ID: 841 2272 0245

One tap mobile

+16699009128,,84122720245# US

Dial by your location

+1 669 900 9128 US

***THIS NOTICE HAS BEEN DISTRIBUTED TO THE METRO FINANCE COMMITTEE MEMBERS
and METRO COMMISSIONERS***

1. **Roll Call**
2. **Public Comments**
Persons speaking during Public Comment may address the Metro Finance Committee on any subject matter within the jurisdiction of the Metro Finance Committee that is not listed as an agenda item. Comments are limited to three (3) minutes.
3. **ACTION**: Consideration and Possible Action To Make Findings To Continue Holding Remote/Teleconference Meetings Pursuant To Assembly Bill 361
4. **ACTION**: Approval of Minutes from the April 27, 2022, Finance Committee Meeting (**Attachment**)
5. **ACTION**: Consideration and Possible Action to Appoint a Vice Chair to the Finance Committee (Chair Mullin) (**Attachment**)
6. **ACTION**: Consideration and Possible Action to Recommend to the Metro Commission/Metro Wastewater JPA Approval of the FY 2019 Exhibit E Audit (Karyn Keze) (**Attachment**)
7. **DISCUSSION**: Consideration and Possible Action to Recommend to the Metro Commission/Metro Wastewater JPA Approval of Revision to Sections 2C and 3 of the Invoice Processing and Procedure Policy to Include the MetroTAC Vice Chair (Karyn Keze) (**Attachment**)
8. Review of Items to be Brought Forward to the Metro Commission/Metro JPA
9. Other Business of the Finance Committee
10. Adjournment

The Metro Finance Committee may take action on any item listed on the agenda whether or not it is listed "for action."

Materials provided to the Metro Finance Committee related to any open-session item on this agenda are available for public review by contacting Karyn Keze (619) 733-8876 during normal business hours.

ATTACHMENT 4

ACTION MINUTES OF APRIL 27, 2022



Metro Wastewater JPA Finance Committee
April 27, 2022
Minutes

Meeting called to order: 10:05 a.m. via Zoom by Committee Chairman Mullin

1. ROLL CALL

Attendees:

John Mullin, Chair, Poway
Jim Peasley, Vice Chair, Padre Dam (ABSENT)
Jill Galvez, Chula Vista
Ed Spriggs, Imperial Beach
Bill Baber, La Mesa
Jerry Jones, Lemon Grove Sanitation District

Support Staff:

Karyn Keze, The Keze Group, LLC
Nicholaus Norvell, BBK Law
Lee Ann Jones-Santos, Metro JPA Treasurer, El Cajon
Beth Gentry, MetroTAC Chair

General Public:

There were no general public members.

2. PUBLIC COMMENT

There was no public comment.

3. ACTION: CONSIDERATION AND POSSIBLE ACTION TO MAKE FINDINGS TO CONTINUE HOLDING REMOTE/TELECONFERENCE MEETINGS PURSUANT TO ASSEMBLY BILL 361

General Counsel Norvell explained the nuances of this action in regard to the Governor's current order.

ACTION: Upon motion by Committee member Jones, seconded by Committee member Galvez, to make the findings and continue holding remote/teleconference meetings. Motion carried unanimously on a roll call vote.

4. ACTION: APPROVAL OF MINUTES FROM THE NOVEMBER 16, 2021 FINANCE COMMITTEE MEETING

ACTION: Motion by Committee member Jones, seconded by Committee Chair Mullin to approve the minutes. Motion carried unanimously on a roll call vote.

5. ACTION: CONSIDERATION AND POSSIBLE ACTION TO RECOMMEND TO THE METRO COMMISSION/METRO WASTEWATER JPA APPROVAL OF THE METRO WASTEWATER JOINT POWERS AUTHORITY TREASURER'S REPORT FOR EIGHT MONTHS ENDING FEBRUARY 28, 2022

Treasurer Lee Ann Jones-Santos presented the report and noted that although several contracts may exceed their NTE amount, we are still projected to come out in under the overall FY 2022 budget and thus there is ample money for the proposed change orders for Dexter Wilson Engineering and The Keze Group. Although Lori and potentially Procopio may exceed their NTE, Lori's will be by a small amount and currently the Procopio forecast is still trending to not exceed their cap. Committee member Jones asked if consideration had been made to raising the JPA's required reserve level above the current 4 months of operating expenses due to the increased financial uncertainty brought on by Phase 1 and Phase 2. Karyn Keze, Financial Consultant stated that she and the Treasurer had discussed this but due to the increased budget for FY 2023, which will take up any remaining excess reserves to moderate, they had decided to defer that discussion until there are additional excess cash levels which could be used to fund a higher operating reserve. They will review the JPA's cash position again as part of each upcoming year's budget process.

ACTION: Motion by Committee member Jones, seconded by Committee member Baber, the Treasurer's Report be approved. Motion carried unanimously on a roll call vote.

Chair Mullin requested someone contact the vendors to notify the due dates of their invoices. Lee Ann and Karyn stated they would remind them.

6. ACTION: CONSIDERATION AND POSSIBLE ACTION TO RECOMMEND TO THE METRO COMMISSION/METRO WASTEWATER JPA APPROVAL OF THE FOLLOWING BUDGET/CONTRACT AMENDMENTS RELATING TO THE FY 2022 BUDGET YEAR

General Counsel Norvell presented both items as they are interrelated. Karyn commented on the cost factors which are causing both she and Dexter to potentially exceed their contract amounts by the end of FY 2022: compression of 2nd ARA work items as the ARA was not signed until September 2021 and some of the items were to have been completed in FY 2021 (which ended June 30, 2021); inclusion in the current Metro rate study and meetings associated with selecting the consultant and bi-weekly work meetings; additional cost allocation work on the PWP CIP contracts as they have been bid over the past year, especially the North City expansion project.

a. Budget Adjustment and Contract Amendment for the Professional Services Agreement with Dexter Wilson Engineering for Engineering Services

b. Budget Adjustment and Contract Amendment for the Professional Services Agreement with the Keze Group, LLC for Financial Services

ACTION: Motion by Committee member Baber seconded by Committee member Jones, to approve the recommendation and move the item forward. Motion carried unanimously on a roll call vote..

7. ACTION: CONSIDERATION AND POSSIBLE ACTION TO RECOMMEND TO THE METRO COMMISSION/METRO WASTEWATER JPA APPROVAL OF THE FOLLOWING BUDGET/CONTRACT ITEMS RELATING TO FY 2023

a. FY 2023 Metro Wastewater JPA Budget

Karyn Keze provided a PowerPoint presentation which contained the FY 2023 budget trends and changes in the budget format. She explained a graphic which shows the uses of reserves in offsetting the full JPA Budget amount since FY 2017 through FY 2026 (projected). The FY 2023 JPA budget is \$628,455 which is higher than the average of \$400K shown mainly due to one-year expenses for Procopio and Paul Brown for work on the completion and implementation of the 2nd ARA by the end of FY 2023. In addition, FY 2023 is the year for the next JPA Audit, which happens every two years. There is also a one-time budget included for potential website architecture expenses. It is proposed that excess reserves are used to lower the total billing to JPA members to \$398,082 to stay in line with the average JPA budget amount for FY 2023 to FY 2026 of \$400k.

b. Professional Services Agreement with The Keze Group, LLC for Financial Management Services for FY 2023 through FY 2026

MetroTAC Chair Beth Gentry provided a review of the Scope of Work for the Keze group as included in their draft proposal. The financial services scope is divided into six major categories, one each for routine JPA services; participation in the annual "Exhibit E" audit; oversight of the Public Utilities Department (PUD) annual O&M and ICP budget preparation and cost allocations to the PA's; and five-year forecast; review of PUD's rate cases; Pure Water Program support and MetroTAC and JPA technical staff support. The FY 2024 to FY 2025 NTE is budgeted at \$100,000 per year, which is based on the existing level of effort for FY 2022

c. Professional Services Agreement with NV5 for Engineering Services for FY 2023 through FY 2026

Karyn Keze provided a review of the NV5 contract. The NTE amount remains unchanged from FY 2022 at \$30,000/year and is based on the current level of effort. The primary consultant to the JPA from NV5 is Scott Tulloch, with other engineers brought in as needed if special projects arise. In the past NV5 engineers assisted the PAs in negotiations on the Transportation Contract(s) increased proposed by the City of San Diego.

d. Professional Services Agreement with Dexter Wilson Engineering for Engineering Services for FY 2023 through FY 2026

Karyn Keze reviewed the scope of work which is an engineering parallel to the financial services she provides. Dexter Wilson has provided valuable engineering justifications for the change in the 50/50 cost split, the Phase 2 cost allocations and has saved the PA's millions of dollars in recent negotiations on the cost allocation for the PWP North City Expansion Project. The FY 2023 to FY 2026 NTE amount of his contract is \$141,700 annually and is based on the current level of effort for FY 2022.

e. Professional Services Agreement with Granicus for Website Hosting Services for FY 2023 through FY 2026

General Counsel Norvell provided a review of the website hosting contract for Granicus, the current service provider. The four-year NTE amount is \$3,305 annually. The contract does provide that the JPA can change vendors should they so choose during that time.

f. Amendment to Agreement for Administrative Support Services with Lori Anne Peoples for FY 2023 through FY 2026

General Counsel Norvell provided a review of the various components of the Board Secretary's proposed contract. The general terms of the agreement remain the same as past contracts with only financial changes. A position survey was performed of Metro PA Board Secretary's and City Clerk's to establish a market-value hourly rate for this position. The average of the survey was \$68 per hour. Nick also noted that if just a COLA was applied the increase from the past \$55/hour would be \$63. The Budget Work Group is recommending \$70/hour plus annual COLA Adjustments for the four-year term.

g. Reimbursement Agreement with the City of San Diego for Administrative Support Services with Lori Anne Peoples for FY 2023 through FY 2026

General Counsel Norvell provided a review of the reimbursement agreement with the City of San Diego. San Diego reimburses the Metro JPA for the time and expenses related to the Board Secretary's support of the Metro Commission and MetroTAC agenda's and meetings. This reimbursement will be shown as an offsetting revenue to the Metro JPA budget this year.

h. Professional Services Agreement with Paul Redvers Brown, Inc. for Facilitator Services for FY 2023

Karyn Keze provided a review of the contract with Paul Brown. The Metro JPA entered a one-year contract with Paul Brown for facilitation services for the 2nd ARA for FY 2022. The 2nd ARA will not be completed in FY 2022 and thus a new one-year contract is needed. The contract is identical in terms and dollar amounts as the FY 2023 contract.

i. Reimbursement Agreement with the City of San Diego for Facilitator Services with Paul Redvers Brown, Inc. for FY 2023

Karyn Keze stated that the City of San Diego reimburses the JPA 70% of the costs for Paul Brown's contract. This reimbursement will be shown as an offsetting revenue to the Metro JPA budget this year.

j. Agreement with CliftonLarsonAllen LLP for Audits of Metro JA for FY 2020 and FY 2021

Karyn Keze and Lee Ann Jones-Santos provided a review of the auditor's contract. CLA has been the Metro JPA's auditor in the past and Lee Ann Jones Santos, as the current Treasurer is recommending that they be retained for the upcoming two year audit of FY 2020 & FY 2021 which will be performed during FY 2023. The terms and NTE dollar amount are the same as in the last audit.

ACTION: Motion by Committee member Jones, seconded by Committee member Spriggs to approve Items 6a through 6j and move them forward. The motion carried unanimously on a roll call vote.

8. REVIEW OF ITEMS TO BE BROUGHT FORWARD TO THE METRO COMMISSION/METRO WASTEWATER JPA

Chair Mullin recommended Items 5, 6, 7 and 8 be brought forward to the Metro Commission/Metro Wastewater JPA for review and potential approval based on all items being unanimously approved by the Finance Committee.

9. OTHER BUSINESS OF THE FINANCE COMMITTEE

None.

10. Adjournment

The meeting was adjourned at 12:00 P.M.

ATTACHMENT 6

FY 2019 EXHIBIT E AUDIT

**CITY OF SAN DIEGO
PUBLIC UTILITIES DEPARTMENT**

Schedule of Allocation for Billing to Metropolitan
Wastewater Utility and Independent Auditor's
Reports

For the Fiscal Year Ended
June 30, 2019



Certified
Public
Accountants

CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT
Schedule of Allocation for Billing to Metropolitan Wastewater Utility
and Independent Auditor's Reports
For the Fiscal Year Ended June 30, 2019

Table of Contents

	<i>Page</i>
Independent Auditor's Report on the Schedule of Allocation for Billing to Metropolitan Wastewater Utility	1
Schedule of Allocation for Billing to Metropolitan Wastewater Utility	3
Notes to the Schedule of Allocation for Billing to Metropolitan Wastewater Utility.....	4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Allocation for Billing to Metropolitan Wastewater Utility Performed in Accordance with <i>Government Auditing Standards</i>	7



Independent Auditor's Report on the Schedule of Allocation for Billing to Metropolitan Wastewater Utility

To the Honorable Mayor and Members of the City Council
City of San Diego, California

Report on the Schedule

We have audited the accompanying modified cash basis Schedule of Allocation for Billing to Metropolitan Wastewater Utility (the Schedule) of the City of San Diego Public Utilities Department (PUD), an enterprise fund of the City of San Diego, California (the City) for the fiscal year ended June 30, 2019, and the related notes to the Schedule, as listed in the table of contents.

Management's Responsibility for the Schedule

The PUD's management is responsible for the preparation and fair presentation of the Schedule in accordance with the modified cash basis of accounting described in Note 3; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the Schedule in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule referred to above present fairly, in all material respects, the Allocation for Billing to Metropolitan Wastewater Utility of the PUD pursuant to the Regional Wastewater Disposal Agreement (Agreement) between the City and the Participating Agencies in the Metropolitan Wastewater System dated May 18, 1998 as amended on May 15, 2000 and June 3, 2010, respectively, for the fiscal year ended June 30, 2019, in accordance with the basis of accounting described in Note 3

Basis of Accounting

We draw attention to Note 3 of the Schedule, which describes the basis of accounting. The Schedule is prepared for the purpose of complying with the Regional Wastewater Disposal Agreement between the City and the Participating Agencies and is presented on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2022, on our consideration of the PUD's internal control over financial reporting as it relates to the Schedule, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance related to the Schedule. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PUD's internal control over financial reporting and compliance related to the Schedule.

A handwritten signature in dark ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

San Diego, California
July 13, 2022

CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT
Schedule of Allocation for Billing to Metropolitan Wastewater Utility
For the Fiscal Year Ended June 30, 2019

	Operating Expenses		
	Municipal System	Metropolitan System	Total
Transmission			
Main Cleaning	\$ 11,744,832	\$ -	\$ 11,744,832
Sewer Pump Stations.....	4,961,891	-	4,961,891
Other Pump Stations.....	5,440,216	1,057,301	6,497,517
Pump Station 1.....	-	2,775,153	2,775,153
Pump Station 2.....	-	7,232,088	7,232,088
Other Muni Agencies.....	5,726,357	-	5,726,357
Pipeline Maintenance and Repair.....	13,847,695	-	13,847,695
Wastewater Collection (WWC) Engineering and Planning.....	2,281,822	-	2,281,822
Total Transmission.....	44,002,813	11,064,542	55,067,355
Treatment and Disposal			
Point Loma Wastewater Treatment Plan (PTLWWTP).....	-	25,075,065	25,075,065
North City Water Reclamation Plant (NCWRP).....	-	11,452,952	11,452,952
South Bay Water Reclamation Plant (SBWRP).....	-	9,290,334	9,290,334
Metropolitan Biosolids Center (MBC).....	-	16,164,133	16,164,133
Cogeneration Facilities.....	-	869,642	869,642
Gas Utilization Facility (GUF).....	-	1,259,107	1,259,107
Wastewater Treatment and Disposal (WWTD) Plant Engineering.....	-	810,533	810,533
Total Treatment and Disposal.....	-	64,921,766	64,921,766
Quality Control			
Sewage Testing & Control.....	429,232	400,812	830,044
Marine Biology and Ocean Operations.....	849	5,475,033	5,475,882
Wastewater Chemistry Services.....	1,078,537	5,993,397	7,071,934
Industrial Permitting and Compliance.....	4,365,332	16,456	4,381,788
Total Quality Control.....	5,873,950	11,885,698	17,759,648
Engineering			
Program Management and Review.....	3,240,979	13,959,228	17,200,207
Environmental Support.....	1,426,204	190,545	1,616,749
Total Engineering.....	4,667,183	14,149,773	18,816,956
Operational Support			
Central Support: Clean Water Operations Management Network (Comnet)	205,985	3,786,241	3,992,226
Operational Support.....	1,456,037	4,899,888	6,355,925
Total Operational Support.....	1,662,022	8,686,129	10,348,151
General and Administrative			
Business Support Administration.....	20,558,673	21,313,755	41,872,428
Operating Division Administration.....	6,378,163	5,667,115	12,045,278
Total General and Administrative.....	26,936,836	26,980,870	53,917,706
TOTAL EXPENSES.....	83,142,804	137,688,778	220,831,582
CAPITAL IMPROVEMENT EXPENSE.....	67,783,462	42,637,176	110,420,637
DEBT SERVICE ALLOCATION.....	33,721,927	74,984,756	108,706,683
METROPOLITAN SYSTEM INCOME CREDITS.....			
Operating Revenue.....	-	(15,074,496)	(15,074,496)
Capital Improvement Project (CIP) - Revenue Bond Issue.....	-	-	-
Operating - Grant Revenue.....	-	-	-
CIP - Grant/SRF Revenue.....	-	(25,325,095)	(25,325,095)
Release of 2009 Series A&B Bond Reserves	(25,249,850)	(37,422,144)	(62,671,994)
TOTAL METROPOLITAN SYSTEM INCOME CREDITS.....	(25,249,850)	(77,821,735)	(103,071,585)
TOTAL ALLOCATION FOR BILLING PURPOSES.....	\$ 159,398,343	\$ 177,488,975	\$ 336,887,317

See Accompanying Notes to the Schedule of Allocation for Billing to Metropolitan Wastewater Utility.

CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT

Notes to the Schedule of Allocation for Billing to Metropolitan Wastewater Utility For the Fiscal Year Ended June 30, 2019

Note 1 – General

The City of San Diego Public Utilities Department (the PUD) operates and maintains the Metropolitan Wastewater System (the Metropolitan System) and the Municipal Wastewater Collection System (the Municipal System). The Participating Agencies and the City of San Diego (the City) entered into a Regional Wastewater Disposal Agreement dated May 18, 1998 as amended on May 15, 2000 and June 3, 2010, respectively, for their respective share of usage and upkeep of the Metropolitan Wastewater Utility. The accompanying Schedule of Allocation for Billing to Metropolitan Wastewater Utility (the Schedule), represents the allocation of expenses for billing related to the Metropolitan Wastewater Utility of the Participating Agencies.

The Metropolitan System and Municipal System are accounted for as enterprise funds and reported in the Sewer Utility Fund in the City's Annual Comprehensive Financial Report.

Note 2 – Participating Agencies

The Participating Agencies consist of the following municipalities and districts:

City of Chula Vista	City of National City
City of Coronado	City of Poway
City of Del Mar	Lemon Grove Sanitation District
City of El Cajon	Otay Water District
City of Imperial Beach	Padre Dam Municipal Water District
City of La Mesa	San Diego County Sanitation District

Note 3 – Summary of Significant Accounting Policies

Basis of Presentation

The Schedule has been prepared for the purpose of complying with, and in conformity with, the Regional Wastewater Disposal Agreement between the City and the Participating Agencies as discussed in Note 1 above, and is presented on a modified cash basis of accounting. As a result, the Schedule is not intended to be a presentation of the changes in the financial position of the City or the PUD in conformity with generally accepted accounting principles. The more significant differences are:

1. Purchases of capital assets are presented as capital improvement expense.
2. Depreciation expense on capital assets is not reported in the Schedule.
3. Payments of principal and interest related to long-term debt are reported as debt service allocation.
4. Unbudgeted expenses related to compensated absences, liability claims, other postemployment benefits, and net pension obligation are excluded from the Schedule.

The preparation of the Schedule requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT

Notes to the Schedule of Allocation for Billing to Metropolitan Wastewater Utility (Continued)
For the Fiscal Year Ended June 30, 2019

Note 4 – Capital Improvement Expense

Construction and related costs incurred during the fiscal year (FY) to maintain and improve the Metropolitan and Municipal Wastewater Utility and equipment purchases used in the maintenance of the Metropolitan and Municipal Wastewater Utility are included in capital improvement expense.

Note 5 – Debt Service Allocation

Debt service allocation represents a portion of the principal and interest payments relating to the Senior Sewer Revenue Bonds Series 2009A, the Senior Sewer Revenue Refunding Bonds Series 2009B, 2015, and 2016A, and the outstanding State Revolving Fund (SRF) loans from the State of California.

Note 6 – Metropolitan System Income Credits

Metropolitan System income credits are revenues earned by the Metropolitan System for costs incurred during the current or previous fiscal years. The PUD has agreed to share the income credits from the South Bay Water Reclamation Facility in accordance with the 1998 Regional Wastewater Disposal Agreement. An agreement was reached in FY 2015 regarding revenue generated from the South Bay Water Reclamation Facility and revenue sharing payments were issued for FY 2006 through FY 2014 to the Participating Agencies. During the fiscal year ended June 30, 2019, revenue sharing payments for FY 2019 of approximately \$3.6 million were made and are included in the Schedule as part of the income credits.

Metropolitan system capital improvement income credits include, if any, contributions-in-aid-of-construction received from Federal and State granting agencies and reimbursements from bond proceeds.

Note 7 – Total Allocation for Billing Purposes

Costs to be billed to Participating Agencies include all individual construction projects costs and operation and maintenance expenses attributable to the Metropolitan System. Costs are apportioned back to the Participating Agencies based on their percentage of each of the totals of flow, suspended solids and chemical oxygen demand (COD). Each Participating Agency and the City are sampled quarterly, with treatment and disposal plants sampled daily. Beginning in FY 2014, the percentages were determined from a new sample data set taken during the fiscal year and annual monitored flow.

For construction projects, percentages were allocated to flow, suspended solids and COD based on each of the project's design and function. The percentages are weighted by total project costs and combined to determine the final three derived percentages. Total annual costs are then allocated based on the three derived percentages and the measured flow, suspended solids and COD of each Participating Agency.

Operation and maintenance (O&M) costs as a percentage of flow, suspended solids and COD are evaluated based on four cost categories: pump stations, plant operations, technical services and cogeneration. These percentages are weighted by the annual O&M costs for each category, and combined to determine a derived percentage for administrative costs. All O&M costs are then allocated based on the measured flow, suspended solids and COD of each Participating Agency.

CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT

Notes to the Schedule of Allocation for Billing to Metropolitan Wastewater Utility (Continued)
For the Fiscal Year Ended June 30, 2019

Note 8 – Administrative Protocol

In May 2010, the City and all Participating Agencies signatory to the Regional Wastewater Disposal Agreement established an Administrative Protocol (Protocol) which was effective beginning in FY 2010. The Protocol established a requirement that the Participating Agencies maintain a 1.2 debt service coverage ratio on parity debt, fund a 45-day operating reserve, and earn interest on the operating and unrestricted reserve accounts. All interest earned during FY 2019 was credited to the operating reserve, which ended the fiscal year above the required 45-day reserve.

Note 9 – Pure Water Program

In 2014 the City began planning for the Pure Water Program. The Pure Water Program is the City's phased, multi-year program that will provide one-third, or 83 million gallons per day (MGD), of San Diego's water supply locally by 2035. The Pure Water Program uses proven technology to clean recycled water to produce safe, high-quality drinking water while providing the benefit of continuing advanced primary treatment at the Point Loma Wastewater Treatment Plant. This program is being jointly funded by both water and wastewater ratepayers, and the Participating Agencies represent approximately 35% of the wastewater portion of this program. During FY 2019 the following Pure Water Program expenses were incurred that were charged to the Metropolitan Wastewater Fund:

	FY 2019 Pure Water Program Expenses
Total operating and maintenance expenses	\$ 6,681,916
Capital improvement expenses:	
Morena Blvd. Pump Station and Pipelines	1,558,180
North City Water Reclamation Plant Expansion	2,094,861
Metropolitan Biosolids Center (MBC Improvements)	838,710
Total capital improvement expenses	4,491,751
Total Pure Water Program – Metropolitan Wastewater Fund expenses	\$ 11,173,667

Pure Water O&M costs consist of task orders for various engineering consultants and other support services that cannot be directly capitalized into a capital improvement project. The final cost allocation of O&M task orders, as well as capital improvement projects is currently in progress. Once finalized, if changes to the draft cost allocation of project costs between water and wastewater is needed, an adjustment will be made during the audit of the Schedule. It is anticipated that final cost allocation will be completed after substantial completion of Phase 1 of the Pure Water Program.



**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of the Schedule
of Allocation for Billing to Metropolitan Wastewater Utility Performed
in Accordance with *Government Auditing Standards***

To the Honorable Mayor and Members of the City Council
City of San Diego, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Schedule of Allocation for Billing to Metropolitan Wastewater Utility (the Schedule) of the City of San Diego Public Utilities Department (PUD), an enterprise fund of the City of San Diego, California (the City), for the fiscal year ended June 30, 2019, and the related notes to the Schedule, and have issued our report thereon dated July 13, 2022. Our report contains an explanatory paragraph indicating that the Schedule was prepared for the purpose of complying with, and in conformity with, the accounting practices prescribed by the Regional Wastewater Disposal Agreement between the City and the Participating Agencies in the Metropolitan Wastewater System dated May 18, 1998 as amended on May 15, 2000 and June 3, 2010, respectively.

Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule, we considered the PUD's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the PUD's internal control related to the Schedule. Accordingly, we do not express an opinion on the effectiveness of the PUD's internal control related to the Schedule.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PUD's Schedule is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the Regional Wastewater Disposal Agreement between the City and the Participating Agencies dated May 18, 1998 as amended on May 15, 2000 and June 3, 2010, respectively, noncompliance with which could have a direct and material effect on the Schedule. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of the Regional Wastewater Disposal Agreement between the City and the Participating Agencies dated May 18, 1998 as amended on May 15, 2000 and June 3, 2010, respectively.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance related to the Schedule. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance related to the Schedule. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

San Diego, California
July 13, 2022

Fiscal Year 2019 Exhibit E Summary Staff Report

Fiscal Year 2019’s “Schedule of Allocation for Billing to Metropolitan Wastewater Utility and Independent Auditors Report” (Exhibit E Audit) was completed on July 13, 2022. A copy of the Auditor’s Report and the reconciliation of Fiscal Year 2019 based on the audited numbers are attached.

The final operating and capital expenses can be found on Page 3 of the Auditor’s Report. The fiscal year-end total \$177.5 million is approximately (\$53.9) million (23%) lower than Fiscal Year 2018.

This report is primarily going to discuss the major differences between the estimates for FY 2019 and the actual activity for the year.

TABLE B

- The year-end reconciliation shows the total PA share of the Fiscal Year 2019 operations and CIP costs less income credits of \$57.8 million. Fiscal Year 2019 PAs were collectively been billed \$75 million which results in surplus of \$17.3 million owed to the PAs. Table B reflects the individual PA’s annual contributions, actual expenses, and reflect either a credit amount (refund) or debit owed.
- Approximately \$3 million of the refund is due to the allocations of cost between the City and the participating agencies due to the breakout between the estimated units of service and the actuals units of service. The billings had assumed 65.78% of system usage would be based on City usages, where the final allocation was 67.46%

EXPENDITURES & INCOME CREDITS

Capital Improvements- \$48 million

There were two primary factors that contributed to the change in assumed capital improvement.

- The Budget had assumed that FY 2019 would be the beginning of major construction of the Pure Water project, which ended up being delayed 18 months due to litigation from the construction industry. The budget assumed almost \$66 million would be spent in that fiscal year, whereas only \$4.5 million was spent. The estimate used in the budget was \$19.3 million, which attempts to match cash expenses with the proceeds from State Revolving Fund (SRF) Loans.
- Pay go Assumptions/ use of Bond Reserves: The expenditures in the capital budget were generally covered with grant and SRF funding for baseline capital projects (non-pure water) and a one-time gain from release of 2009 services bond reserves, reduce the amount of contributions from metro system users.

TABLE A

CITY OF SAN DIEGO - PUBLIC UTILITIES DEPARTMENT
FISCAL YEAR 2019 UNIT COSTS
FUNCTIONAL-DESIGN COST ALLOCATION METHOD

TREATMENT PARAMETER	FY 2019 BUDGET		UNITS	COST PER UNIT
WASTEWATER FLOW	AMOUNT \$86,121,078	% 48.5%	60,996 (a)	\$1,411.92 /per Million Gallons
SUSPENDED SOLIDS	\$48,601,184	27.4%	191,644 (b)	\$253.60 /per Thousand Pounds
CHEMICAL OXYGEN DEMAND	\$42,766,713	24.1%	352,105 (c)	\$121.46 /per Thousand Pounds
TOTAL	\$177,488,975	100%		

(a) Units of Flow - Million Gallons Per Year

(b) Units of SS - Thousands of Pounds per Year

(c) Units of COD - Thousands of Pounds per Year

TABLE B

CITY OF SAN DIEGO - PUBLIC UTILITIES DEPARTMENT
DISTRIBUTION OF SYSTEM WASTEWATER COSTS - FISCAL YEAR 2019
FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

AGENCY	ALLOCATION OF COSTS BY FLOW, SUSPENDED SOLIDS AND CHEMICAL OXYGEN DEMAND				TOTAL PAID FOR FY 2019	DIFFERENCE
	FLOW (a)	SS (a)	COD (a)	TOTAL FLOW, SS & COD		
CHULA VISTA	\$8,737,702	\$5,338,090	\$4,448,107	\$18,523,899	\$22,307,280	(\$3,783,381)
CORONADO	\$687,323	\$383,096	\$293,073	\$1,363,492	\$3,231,556	(\$1,868,064)
DEL MAR	\$24,435	\$14,256	\$7,909	\$46,600	\$42,648	\$3,952
EAST OTAY MESA	\$140,997	\$76,629	\$63,856	\$281,482	\$271,860	\$9,622
EL CAJON	\$3,674,301	\$2,917,092	\$1,981,407	\$8,572,800	\$10,785,776	(\$2,212,976)
IMPERIAL BEACH	\$1,166,747	\$489,314	\$440,566	\$2,096,627	\$2,676,716	(\$580,089)
LA MESA	\$2,517,651	\$1,127,515	\$1,114,633	\$4,759,799	\$5,791,652	(\$1,031,853)
LAKESIDE/ALPINE	\$1,677,719	\$943,012	\$789,096	\$3,409,827	\$4,072,536	(\$662,709)
LEMON GROVE	\$928,769	\$449,140	\$412,356	\$1,790,265	\$2,921,884	(\$1,131,619)
NATIONAL CITY	\$2,092,893	\$1,041,309	\$1,001,400	\$4,135,602	\$5,351,432	(\$1,215,830)
OTAY	\$214,338	\$281,468	\$114,392	\$610,198	\$620,936	(\$10,738)
PADRE DAM	\$1,115,659	\$1,946,560	\$1,099,924	\$4,162,143	\$5,428,800	(\$1,266,657)
POWAY	\$1,289,618	\$656,505	\$512,475	\$2,458,599	\$3,545,708	(\$1,087,109)
SPRING VALLEY	\$2,256,773	\$1,203,432	\$1,011,259	\$4,471,465	\$6,580,440	(\$2,108,975)
WINTERGARDENS	\$515,371	\$327,947	\$231,266	\$1,074,584	\$1,413,996	(\$339,412)
SUBTOTAL PARTICIPATING AGENCIES	\$27,040,295	\$17,195,365	\$13,521,721	\$57,757,381	\$75,043,220	(\$17,285,839)
SAN DIEGO	\$59,080,783	\$31,405,818	\$29,244,992	\$119,731,594		
TOTAL	\$86,121,078	\$48,601,184	\$42,766,713	\$177,488,975		

TABLE C

CITY OF SAN DIEGO - PUBLIC UTILITIES DEPARTMENT
SYSTEM WASTEWATER CHARACTERISTICS - FISCAL YEAR 2019
SYSTEM STRENGTH LOADINGS INCLUDED

AGENCY	WASTEWATER CHARACTERISTICS			UNADJUSTED ANNUAL USE			ADJUSTED ANNUAL USE				
	AVERAGE FLOW - mgd (a)	SS mg/l (b)	COD mg/l (b)	2019 FLOWS million gallons	SS thousand pounds	COD thousand pounds	2019 FLOWS million gallons	Flow Difference (c)	FY 2019 Billing Flows	SS thousand pounds	COD thousand pounds
CHULA VISTA	16.324	311	767	5,958.400	15,480	38,148	6,377.591	(189.058)	6,188.533	21,049	36,622
CORONADO	1.284	284	643	468.698	1,111	2,513	501.672	(14.872)	486.801	1,511	2,413
DEL MAR	0.046	297	488	16.663	41	68	17.835	(0.529)	17.306	56	65
EAST OTAY MESA	0.263	277	683	96.149	222	548	102.913	(3.051)	99.862	302	526
EL CAJON	6.865	405	813	2,505.574	8,459	16,993	2,681.848	(79.501)	2,602.347	11,503	16,313
IMPERIAL BEACH	2.180	214	569	795.626	1,419	3,778	851.601	(25.245)	826.356	1,929	3,627
LA MESA	4.704	228	667	1,716.832	3,270	9,559	1,837.617	(54.475)	1,783.142	4,446	9,177
LAKESIDE/ALPINE	3.134	286	709	1,144.067	2,735	6,767	1,224.556	(36.301)	1,188.255	3,718	6,497
LEMON GROVE	1.735	246	669	633.344	1,302	3,536	677.902	(20.096)	657.806	1,771	3,395
NATIONAL CITY	3.910	254	721	1,427.182	3,020	8,588	1,527.589	(45.284)	1,482.304	4,106	8,245
OTAY	0.400	669	804	146.161	816	981	156.444	(4.638)	151.806	1,110	942
PADRE DAM	2.084	889	1,486	760.788	5,645	9,433	814.312	(24.140)	790.172	7,676	9,056
POWAY	2.409	259	599	879.414	1,904	4,395	941.284	(27.904)	913.380	2,589	4,219
SPRING VALLEY	4.216	272	675	1,538.935	3,490	8,673	1,647.204	(48.830)	1,598.374	4,745	8,326
WINTERGARDENS	0.963	324	676	351.441	951	1,983	376.166	(11.151)	365.015	1,293	1,904
SUBTOTAL PARTICIPATING AGENCIES	50.519	324	754	18,439.276	49,866	115,964	19,736.533	(585.073)	19,151.460	67,805	111,327
SAN DIEGO	110.379	271	746	40,288.277	91,075	250,810	43,122.675	(1,278.336)	41,844.340	123,840	240,779
REGIONAL SLUDGE RETURNS	11.320	285	173	4,131.656	9,822	5,951					
FLOW DIFFERENCE	(5.105)			(1,863.409)	40,882	(20,620)					
TOTAL	167.112	377	692	60,995.800	191,644	352,105	62,859.209	(1,863.409)	60,995.800	191,644	352,105

TABLE D

FISCAL YEAR 2019 UNIT COSTS
ALLOCATION OF FISCAL YEAR 2019
FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

DESCRIPTION	FY 2019 ACTUAL COSTS	ALLOCATION OF COSTS						TOTAL COSTS
		FLOW %	FLOW COSTS	SS %	SS COSTS	COD %	COD COSTS	
<u>OPERATION AND MAINTENANCE :</u>								
TRANSMISSION AND SYSTEM MAINTENANCE	\$11,064,542	100.0%	\$11,064,542	0.0%	\$0	0.0%	\$0	\$11,064,542
OPERATIONS & MAINTENANCE	\$61,982,484	39.3%	\$24,333,737	32.6%	\$20,186,421	28.2%	\$17,462,326	\$61,982,484
TECHNICAL SERVICES	\$11,468,430	30.0%	\$3,440,529	40.0%	\$4,587,372	30.0%	\$3,440,529	\$11,468,430
COGENERATION	\$748,193	0.0%	\$0	60.0%	\$448,916	40.0%	\$299,277	\$748,193
METRO ADMIN & GENERAL EXPENSES - 41508	\$29,730,818	45.6%	\$13,542,812	29.6%	\$8,794,976	24.9%	\$7,393,030	\$29,730,818
METRO ADMIN & GENERAL EXPENSES - 41509	\$11,024,137	45.6%	\$5,021,652	29.6%	\$3,261,162	24.9%	\$2,741,323	\$11,024,137
TOTAL OPERATIONS AND MAINTENANCE	\$126,018,605	45.55%	\$57,403,272	29.58%	\$37,278,848	24.87%	\$31,336,485	\$126,018,605
<u>CAPITAL IMPROVEMENT PROGRAM :</u>								
PAY-AS-YOU-GO METRO 41508	\$66,243	55.8%	\$36,960	22.0%	\$14,572	22.2%	\$14,711	\$66,243
PAY-AS-YOU-GO METRO 41509	(\$23,580,629)	55.8%	(\$13,156,772)	22.0%	(\$5,187,214)	22.2%	(\$5,236,643)	(\$23,580,629)
DEBT SERVICE	\$74,984,756	55.8%	\$41,837,618	22.0%	\$16,494,978	22.2%	\$16,652,160	\$74,984,756
TOTAL CAPITAL IMPROVEMENT PROGRAM	\$51,470,370	55.8%	\$28,717,806	22.0%	\$11,322,336	22.2%	\$11,430,228	\$51,470,370
TOTAL O&M & CAPITAL IMPROVEMENT PROGRAM	\$177,488,975	48.5%	\$86,121,078	27.4%	\$48,601,184	24.1%	\$42,766,713	\$177,488,975

ATTACHMENT 7

UPDATE TO INVOICE PROCESSING AND PROCEDURE POLICY



METRO WASTEWATER JPA INVOICE PROCESSING AND PAYMENT POLICY

Adopted December 2, 2021

1. Invoices from vendors and JPA members' per diems emailed to the Treasurer by 10th of the month.
2. Treasurer's Review:
 - a. Review (unique invoice, current amount due)
 - b. Prepare summary (Vendor, Amount), attach supporting documentation
 - c. Email to Metro TAC Chair/**Vice Chair** for review and approval
3. Metro TAC Chair/**Vice Chair** provides approved signed summary via e-mail to Treasurer.
4. Once approved, Treasurer processes checks for payment, including first wet signature by Treasurer.
5. Treasurer prepares check summary and e-mails all secondary signatories regarding check summary and availability to sign.
6. Treasurer takes or sends check summary, addressed and stamped envelopes, and checks to secondary signatory for wet signatures. Second signatory may be either the Metro JPA Chair, Finance Committee Chair, or Metro JPA Vice-Chair based on availability. Secondary signer mails checks to vendors and signed check summary back to Treasurer by month end.
7. Signed check summary maintained for audit records.

NOTE: Concept is that check summary should have three signatures on it: Treasurer's, Metro TAC Chair/**Vice Chair**, and second signatories and be maintained for auditor records if needed. Alternative to second signatory mailing checks is for Treasurer to mail checks after second signatory signs checks.

The Joint Powers Authority Proactively Addressing Regional Wastewater Issues

Chula Vista • Coronado • Del Mar • El Cajon • Imperial Beach • La Mesa • Lemon Grove Sanitation District
National City • Otay Water District • Poway • Padre Dam Municipal Water District
County of San Diego, representing East Otay, Lakeside/Alpine, Spring Valley & Winter Gardens Sanitation Districts