



**Regular Meeting of the Metro Commission  
and Metro Wastewater JPA**

**AGENDA**

**Thursday, August 2, 2018  
12:00 p.m.**

**9192 Topaz Way (PUD MOC II) Auditorium  
San Diego, California**

*"The Metro JPA's mission is to create an equitable partnership with the San Diego City Council and Mayor on regional wastewater issues. Through stakeholder collaboration, open dialogue, and data analysis, the partnership seeks to ensure fair rates for participating agencies, concern for the environment, and regionally balanced decisions."*

**Note:** Any member of the Public may address the Metro Commission/Metro Wastewater JPA on any Agenda Item. Please complete a Speaker Slip and submit it to the Administrative Assistant or Chairperson prior to the start of the meeting if possible, or in advance of the specific item being called. Comments are limited to three (3) minutes per individual.

Documentation  
Included

1. ROLL CALL
2. PLEDGE OF ALLEGIANCE TO THE FLAG
3. PUBLIC COMMENT

*Persons speaking during Public Comment may address the Metro Commission/ Metro Wastewater JPA on any subject matter within the jurisdiction of the Metro Commission and/or Metro Wastewater JPA that is not listed as an agenda item. Comments are limited to three (3) minutes. Please complete a Speaker Slip and submit it prior to the start of the meeting.*
- X 4. **ACTION** – CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE MINUTES OF THE REGULAR MEETING OF [July 5, 2018](#) and SPECIAL MEETING OF [July 19, 2018](#) (**Attachments**)
5. **FINANCE COMMITTEE:** (John Mullin)
- X 5A. **ACTION:** CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE METRO COMMISSION/METRO WASTEWATER JPA FY 2016 EXHIBIT E AUDIT (John Mullin/Lee Ann Jones Santos/MGO) (**Attachment**)
- X 5B. **ACTION:** CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE METRO WASTEWATER JPA FY 2016 BUDGET TO AUDIT RECONCILIATION (John Mullin/Karen Jassoy) (**Attachment**)

August 2, 2018

Metro Commission/Metro  
Wastewater JPA Regular  
Meeting Agenda

- X      5C. **ACTION:** CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE METRO WASTEWATER JPA 2014-2015 AUDIT (John Mullin/Karen Jassoy) **(Attachment)**
- X      6. **ACTION:** CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE PURE WATER PROGRAM – AMENDMENT NO. 1 TO THE AGREEMENT WITH CH2M HILL ENGINEERS, INC. FOR DESIGN ENGINEERING SERVICES FOR THE NORTH CITY WATER RECLAMATION PLANT EXPANSION AND INFLUENT CONVEYANCE PROJECT. (Amer Barthoumi) **(Attachment)**
- X      7. **ACTION:** CONSIDERATION AND POSSIBLE ACTION TO APPROVE RESOLUTION SUPPORTING COST ALLOCATION PRINCIPLES IN DRAFT AMENDED AND RESTATED REGIONAL WASTEWATER DISPOSAL AGREEMENT BETWEEN THE CITY OF SAN DIEGO AND THE PARTICIPAING AGENCIES IN THE METROPOLITAN SEWERAGE SYSTEM (HUMORA/TULLOCH/YANO/NORVELL) **(Attachments)**
- X      8. METRO TAC UPDATE/REPORT (Standing Item) **(Attachment)** (Greg Humora)
9. UPDATE FROM PURE WATER PROJECT EIR SUBCOMMITTEE (Standing Item) (Greg Humora)
10. CITY OF SAN DIEGO SECONDARY EQUIVALENCY LEGISLATION (Standing Item) (John Helminski)
11. PURE WATER PROGRAM UPDATE (Standing Item) (John Helminski)
12. IROC UPDATE (Standing Item) (Jerry Jones)
13. PURE WATER AD HOC COMMITTEE UPDATE (Standing Item) (Jerry Jones)
14. FINANCE COMMITTEE CONTINUED (Standing Item) (John Mullin)
- Info Only – Minutes of May 28, 2018
  - Inifo Only - Updated Finance Committee Meeting Schedule for 2018
15. REPORT OF GENERAL COUNSEL (Standing Item) (Paula de Sousa Mills)
16. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION/METRO WASTEWATER JPA MEETING **September 6, 2018**
17. METRO COMMISSIONERS' AND JPA BOARD MEMBERS' COMMENTS

18. CLOSED SESSION  
CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION  
INITIATION OF LITIGATION PURSUANT TO GOVERNMENT CODE SECTION  
54956.9 (d) (4)  
NUMBER OF POTENTIAL CASES: 1  
(General Counsel)
19. ADJOURNMENT OF METRO COMMISSION AND METRO WASTEWATER JPA

The Metro Commission and/or Metro Wastewater JPA may take action on any item listed in this Agenda whether or not it is listed "For Action."

*Materials provided to the Metro Commission and/or Metro Wastewater JPA related to any open-session item on this agenda are available for public review by contacting L. Peoples at (619) 548-2934 during normal business hours.*

***In compliance with the  
AMERICANS WITH DISABILITIES ACT***

*The Metro Commission/Metro Wastewater JPA requests individuals who require alternative agenda format or special accommodations to access, attend, and/or participate in the Metro Commission/ Metro Wastewater JPA meetings, contact E. Patino at (858) 292.6321, at least forty-eight hours in advance of the meetings.*

**Metro JPA 2018 Meeting Schedule**

January 4, 2018	February 1, 2018	March 1, 2018
April 5, 2018	May 3, 2018	June 7, 2018
July 5, 2018	August 2, 2018	September 6, 2018
October 3, 2018	November 1, 2018	December 6, 2018

# Attachment 4

Action Minutes of

July 7, 2018

Reguar Meeting

and

July 19, 2018

Special Meeting



**Regular Meeting of the Metro Commission  
and Metro Wastewater JPA**

**9192 Topaz Way (PUD MOC II) Auditorium  
San Diego, California**

**June 7, 2018  
DRAFT Minutes**

Chairman Jones called the meeting to order at 12:05 p.m. A quorum of the Metro Wastewater JPA and Metro Commission was declared, and the following representatives were present:

**1. ROLL CALL**

<u><b>Agencies</b></u>	<u><b>Representatives</b></u>	<u><b>Alternate</b></u>
City of Chula Vista	Steve Padilla	(No Representative)
City of Coronado	Whitney Benzian	X
City of Del Mar	Sherryl Parks	X
City of El Cajon	Ben Kalasho	X
City of Imperial Beach	Ed Spriggs	X
City of La Mesa	Bill Baber	(No Representative)
Lemon Grove San District	Jerry Jones	X
City of National City	Albert Mendivil	X
City of Poway	John Mullin	X
County of San Diego	Dianne Jacob	(No representative)
Otay Water District	Tim Smith	X
Padre Dam MWD	Jim Peasley	X
MetroTAC Chair	Greg Humora	X

Others present: Metro JPA General Counsel Paula de Sousa Mills - BBK Law; Metro JPA Secretary Lori Anne Peoples; Joe Bride – City of Del Mar; Yazmin Arellano – City of El Cajon; Roberto Yano – City of National City; Bob Kennedy – Otay Water District; Allen Carlisle, Al Law and Augie Scalzitti – Padre Dam Municipal Water District; Mike Obermiller – City of Poway; John Helminski - City of San Diego Public Utilities; Karyn Keese – The Keze Group, LLC.; Carmen Kasner and Scott Tulloch – NV5

**2. PLEDGE OF ALLEGIANCE TO THE FLAG**

Vice Chair Peasley, Padre Dam Municipal Water District led the pledge.

**3. PUBLIC COMMENT**

None

**4. ACTION: CONSIDERATION AND POSSIBLE ACTION TO APPROVE MINUTES OF THE REGULAR MEETING OF APRIL 5, 2018 AND THE SPECIAL MEETING OF MAY 3, 2018**

**ACTION:** Motion by Vice Chair Peasley, seconded by Commissioner Mullin, to approve the Minutes of April 5<sup>th</sup> and May 3<sup>rd</sup>, 2018. The motion carried unanimously.

5. **REPORT: CONSIDERATION AND POSSIBLE ACTION TO RECOMMEND APPROVAL OF THE FY 2019 PROPOSED CITY OF SAN DIEGO METRO WASTEWATER UTILITY BUDGET**

Mark Gonzalez, City of San Diego Budget Program Manager for Public Utilities provided a brief PowerPoint and verbal presentation of the budget. Lee Ann Jones-Santos responded to questions regarding the criteria behind the cost transfer from water to Metro and noted they were working on a narrative that explains how allocations are conceived etc.

Chair Jones stated that going forward, the process and formulas will become clearer and more defined.

**ACTION:** Motion by Commissioner Spriggs, seconded by Commissioner Mullin, the motion carried unanimously.

6. **FINANCE COMMITTEE:**

Greg Humora stated that the Finance Committee met as did the MetroTAC and reviewed the following items and approved them to move forward to the JPA.

Finance Committee Chair Mullin recommended the JPA approve the budget and each service contract in one point.

a. **MINUTES FROM THE MAY 24, 2017 FINANCE COMMITTEE MEETING (Information only)**

b. **ACTION: CONSIDERATION AND POSSIBLE ACTION TO APPROVE AMENDMENT TO REIMBURSEMENT AGREEMENT WITH LEMON GROVE SANITATION DISTRICT FY 2018 ENGINEERING SUPPORT SERVICES PROVIDED BY CONSULTANT WILSON ENGINEERING (TO INCREASE WORK IN FY 2017-2018 IN THE AMOUNT OF \$10,500 WITH CORRESPONDING REVISIONS TO EXHIBITS A AND B)**

**I. AUTHORIZE THE CHAIR OR DESIGNEE TO EXECUTE FY 2018 AMENDMENT TO REIMBURSEMENT AGREEMENT WITH LEMON GROVE SANITATION DISTRICT**

Chair Jones stated that Dexter had been working hard and it looked like he may go over budget this year. The money is available in the reserves.

**ACTION:** Motion by Finance Chair/Commissioner Mullin, seconded by Vice Chair Peasley, the motion carried unanimously.

c. **ACTION: REVIEW AND CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE FY 2019 METRO WASTEWATER JPA BUDGET AND VARIOUS SERVICES AGREEMENTS**

Finance Chair Mullin stated that consensus was to keep the engineering/finance consulting team in place. He stated the Finance Committee and MetroTAC had reviewed and approved the budget and recommended approval of the budget and contracts in one motion.

Metro JPA Treasurer Jassoy and Financial Consultant Karyn Keese presented the proposed budget which showed healthy reserves. They stated that the proposed \$415,000 draft budget covers FY 2019 budget without additional contingency allocations as there are enough reserves to cover the entire budget and reserves. The JPA Finance Committee spoke about approving the budget annually and then

reviewing and adjusting the JPA to year-end actuals once the annual Metro Exhibit E audit is complete.

Chair Jones stated there had not been a true up on these in the past, so recommended doing one at the end of the year with a credit on the next year.

Karyn Keese stated that she will be presenting at the next Finance Committee and MetroTAC meeting after review of the Joint Powers Agreement to determine if anything precludes doing this.

**ACTION:** Motion by Finance Chair/Commissioner Mullin, seconded by Vice Chair Peasley, to approve the FY 2019 Metro Wastewater JPA Budget and various services agreements. The motion carried unanimously.

- i. **ACTION: CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE FY 2019 METRO WASTEWATER JPA BUDGET**
- II. **ACTION: CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE AMENDMENT TO THE TREASURERS CONTRACT WITH PADRE DAM MUNICIPAL WATER DISTRICT FOR FY 2019**
- III. **ACTION: CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE FY 2019 CONTRACT WITH THE KEZE GROUP., LLC FOR FINANCIAL MANAGEMENT SERVICES**
- IV. **ACTION: CONSIDERATION AND POSSIBLE ACTION TO APPROVE AMENDMENT TO AGREEMENT FOR ADMINISTRATIVE SUPPORT SERVICES WITH LORI ANNE PEOPLES THROUGH FY 2022**
- V. **ACTION: CONSIDERATION AND POSSIBLE ACTION TO APPROVE REIMBURSEMENT AGREEMENT WITH THE CITY OF SAN DIEGO FOR ADMINISTRATIVE SUPPORT SERVICES THROUGH FY 2022**
- VI. **ACTION: CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE FY 2019 NV5 CONTRACT FOR ENGINEERING SERVICES**
- VII. **ACTION: CONSIDERATION AND POSSIBLE ACTION TO APPROVE AMENDMENT TO REIMBURSEMENT AGREEMENT WITH LEMON GROVE SANITATION DISTRICT FOR FY 2019 ENGINEERING SUPPORT SERVICES BY LEMON GROVE SANITATION DISTRICT CONSULTANT WILSON ENGINEERING**
  - a. **AUTHORIZE THE CHAIR OR DESIGNEE TO EXECUTE FY 2019 AMENDMENT TO REIMBURSEMENT AGREEMENT WITH LEMON GROVE SANITATION DISTRICT**

**7. METRO TAC UPDATE/REPORT**

MetroTAC Chair Humora stated the report was attached to the agenda.

**8. UPDATE: PURE WATER PROJECT EIR SUBCOMMITTEE**

MetroTAC Chair Humora stated that a lawsuit had been filed by Corey Briggs on behalf of the residents of the UTC neighborhood where several of the waterlines are proposed to go.

**9. PURE WATER COST ALLOCATION/PROPOSED CURRENT DRAFT OF THE REGIONAL WASTEWATER DISPOSAL AGREEMENT**

MetroTAC Chair Humora stated that MetroTAC and San Diego City Staff were working on concepts and proposing an update to the 1998 Agreement and that the 1998 Agreement did not contemplate Pure Water.

Assistant General Counsel Norvell is working with Scott, Roberto, Dexter and himself. The MetroTAC has reviewed the draft and Tom Zeleny, Chief Deputy City Attorney, City of San Diego had also reviewed it.

He noted that the schedule was tight but they were hoping to get the amendment to the City of San Diego for approval with or prior to the Pure Water Construction Program package approval. San Diego is looking to take this to their Council on October 2<sup>nd</sup>. This is \$1.4 billion in water and wastewater funds. Everyone is requested to take this back to their individual boards and any questions, concerns or comments need to be addressed with one of the MetroTAC/JPA committee representatives as soon as possible. The goal is to have this back to the JPA ideally at their August JPA meeting with the recommendations moving forward to the City of San Diego City Council. The City of San Diego has to present their Ordinance with 2 readings with or before the contracts to the San Diego City Council.

Commissioner Mullin inquired as to whether the PAs comments will be included. General Counsel de Sousa Mills stated that there are still some changes from San Diego and once the baseline revisions come out the group will send them out for discussion and input from the PAs.

Scott Tulloch stated that their group meets every 2 weeks and they would like to have any questions or comments directed to them as soon as possible so they can address them.

Commissioner Spriggs stated that not all Commissioners are involved in the Ad Hoc details and inquired as to whether technical discussions were going on between the PAs staff and City of San Diego staff regarding cost saving things that would minimize the risk of having to go to Pt. Loma Secondary.

Scott Tulloch stated that the deal points are incorporated in the amendment to the agreement. Also a study is going on looking at options for Pure Water phase 2.

General Counsel de Sousa Mills stated that the goal is to have all parties work together. Timing issues can be accommodated.

Chair Jones stated that they have nailed down the cost allocation portion and are now working on what ifs such as secondary, byproducts etc. The present goal is to address any concerns of the PAs and work through them.

General Counsel de Sousa Mills stated that this will be on the June MetroTAC agenda for a robust discussion and will then come back to the JPA in July. These meetings will help to move this forward.

Vice Chair Peasley inquired as to whether the agreement will require a complete rewrite.

General Counsel de Sousa Mills stated that because there are so many different parts touched, they are drafting it as an amended and restated agreement.

Scott Tulloch stated that they are down to one major issue and comments were received from Tom Zeleny last evening which appear to address it. Tom Zeleny and Ms. de Sousa Mills will meet prior to the next meeting and will discuss edits. The group is also looking at different alternatives when addressing the document during the meeting and Dexter has developed a decision tree. They expect feedback from the PAs by the 20<sup>th</sup>. Good discussions have been held thus far.



Vice Chair Peasley stated that Padre Dam staff has reviewed everything thus far and thanked Scott Tulloch and the team for doing an excellent job going through the numbers. He expressed confidence that they have done what is best and good for the PAs.

**10. CITY OF SAN DIEGO SECONDARY EQUIVALENCY LEGISLATION**

John Helminski was not present so no report was provided.

**11. PURE WATER PROGRAM UPDATE**

John Helminski was not present so no report was provided.

**12. IROC UPDATE**

Chair Jones requested this item be continued to the July meeting.

**13. PURE WATER AD HOC COMMITTEE UPDATE**

Chair Jones stated this had already been discussed under Item 9.

**14. REPORT OF GENERAL COUNSEL**

There was none.

**15. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION/METRO WASTEWATER JAP MEETING JULY 5, 2018**

Chair Jones stated that due to the July 4<sup>th</sup> holiday, the July 5<sup>th</sup> meeting may be cancelled and a Special meeting called for the following week.

**16. METRO COMMISSIONERS' AND JPA BOARD MEMBERS' COMMENTS**

There were none.

**17. CLOSED SESSION**

**CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION  
INITIATION OF LITIGATION PURSUANT TO GOVERNMENT CODE SECTION  
64956.9(d) (4)  
NUMBER OF POTENTIAL CASES: 1**

At 1:35 the Commission took a short recess.

Upon return, there was not quorum for the Closed Session.

**18. ADJOURNMENT**

At 1:41 p.m., there being no further business, Chair Jones declared the meeting adjourned.

---

Recording Secretary



**Special Meeting of the Metro Commission  
and Metro Wastewater JPA**

**9192 Topaz Way (MOC II) Auditorium  
San Diego, California**

**July 19, 2018  
DRAFT Minutes**

Chairman Jones called the meeting to order at 12:30 p.m. A quorum of the Metro Wastewater JPA and Metro Commission was declared, and the following representatives were present:

**1. ROLL CALL**

<b><u>Agencies</u></b>	<b><u>Representatives</u></b>	<b><u>Alternate</u></b>
City of Chula Vista	Steve Padilla	X
City of Coronado	Whitney Benzian	(No representative)
City of Del Mar	Sherryl Parks	X Joe Bride
City of El Cajon	Ben Kalasho	(No representative)
City of Imperial Beach	Ed Spriggs	X
City of La Mesa	Bill Baber	X
Lemon Grove San District	Jerry Jones	X
City of National City	Albert Mendivil	(No representative)
City of Poway	John Mullin	(No representative)
County of San Diego	Dianne Jacob	(No representative)
Otay Water District	Tim Smith	X
Padre Dam MWD	Jim Peasley	X
Metro TAC Chair	Greg Humora	X

Others present: Metro JPA Assistant General Counsel Nicholas Norvell - BBK Law; Metro JPA Secretary Lori Anne Peoples; Ed Walton – City of Coronado; Joe Bride – City of Del Mar; Yazmin Arellano and Dennis Davies – City of El Cajon; Hamed Hashemian - City of La Mesa; Dexter Wilson – Lemon Grove Sanitation District; Bob Kennedy and Mark Robak – Otay Water District; Allen Carlisle, Al Law and Augie Scalzitti – Padre Dam Municipal Water District; Alex Heide – City of Poway; John Helminski - City of San Diego Public Utilities; Tom Zeleny – Chief Deputy City Attorney, City of San Diego; Dan Brogadir – County of San Diego; Scott Tulloch – NV5

**2. PLEDGE OF ALLEGIANCE TO THE FLAG**

Vice Chair Peasley, Padre Dam Municipal Water District led the pledge.

**3. PUBLIC COMMENT**

None

**4. INFORMATION ONLY: MINUTES OF THE REGULAR MEETING OF JUNE 7, 2018**

**5. INFORMATION: DRAFT – AMENDED AND RESTATED REGIONAL WASTEWATER DISPOSAL AGREEMENT BETWEEN THE CITY OF SAN DIEGO AND THE PARTICIPATING AGENCIES IN THE METROPOLITAN SEWERAGE SYSTEM**

Metro Chair Jones requested the report be heard. MetroTAC Chair Humora turned the item over to Nicholas Norvell of BBK Law and requested Scott Tulloch and Dexter Wilson come to the staff table to respond to any technical questions. He noted that Nick would be going through the highlights of where we are at with the agreement right now and where we are with changes right now with particular emphasis on the changes between the 1998 agreement and the current draft agreement with the primary reason for this agreement being to handle the complexities of pure water and to provide provisions for as much rate stabilization and cost control as possible for the waste water rate payers.

Nicholaus Norvell provided a brief verbal report and a handout document titled "Brief Overview of the Pure Water Program under 1998 Agreement vs. Amended and Restated Agreement" as a one sheet compare and contrast table. Nick stated his office had been working with the Technical Ad Hoc and Ad Hoc Committees to prepare a proposed amendment essentially trying to get something into a form that the committees feel could be adopted by all of the participating agencies. He noted that there were particular issues that each agency has an interest in and that they had received comments from six agencies if not more. The committee has reviewed the issues and his office has been memorializing those issues that the committee has reviewed. He noted that copies of the current draft, which the committee hoped was close to final had been distributed and then reviewed the single document which was a high level overview of what the agreement does which was provided prior to the meeting.

Vice Chair Peasley read a brief background on how the Pure Water Program began back in 2013 with 15 mgd and very little cost to the PA's. He stated this body took a supportive position. It was then increased by the City of San Diego to 30 mgd with a dramatic increase in costs. He said he appreciated all the effort that has been done since then. Further that he serves on one of the Ad Hoc committees and had been satisfied with the draft agreement up until the most recent version. He now feels that the scope of work changed about a week ago when he became aware of non-pure water program allocation issues being brought into the mix. Essentially he felt his staff has not had an opportunity to review these non-pure water program issues and how they affect his organization and why other aspects of the current agreement were being opened up. Padre Dam will in good faith review all proposals, but because of these recent revisions he recommended all other members have their staffs do the same. He then stated he felt it premature to bring this forward to his board at this time.

Chair Jones asked Vice Chair Peasley what he felt had changed in the draft agreement, noting that Padre had been at the table at the Ad Hoc meetings intentionally. He was not aware of any changes himself but was willing to address Vice Chair Peasley's concerns and requested where specifically he felt items had been deviated from its original charge and where things were included that were not in the past. Vice Chair Peasley stated he did not fully understand what the specific deviations were but the new issue was a peaking thing. Chair Jones stated the peaking issue was an engineering issue and he had his engineer reviewing it. Chair Jones then elaborated that it goes back to cost allocation which has to include how we deal with billing going forward as one of the flaws in our current billing system has been that we all reserved capacity in the system and the system gets built for the capacities that we have said we needed. Some of us are using considerably less than the capacity we reserved and what we built for. Because we've been billed on what we actually put into the system as opposed to what we contracted to have reserved for us, other agencies are paying for that capacity that was originally reserved. We can't go back and fix that, but as we move forward with this cost allocation which includes how we pay for this in the future in terms of debt service and so on, that issue has to be fixed. There is a nexus there and a reason why we have had these discussions. We understand Padre has some issues because you want to roll off of the system and that is fine, and the committees have tried and been very sensitive to these issues and tried to make sure there is enough flexibility in all of this for Padre, El Cajon and the County in order for you to roll off without this having that impact on your ability to do this. However, the majority of this body doesn't think it is fair

to set a capacity size and commit to paying a debt service and a capital cost on a system where you reserve a certain number and roll off leaving us to pay the rest of that capacity. This is why Padre has had a seat at the table for the last year and a half so that we could stay on top of these issues. The negotiation staff and attorneys are already making efforts to address your concerns as what you are doing is important to the system, the environment and the rest of the members and we want to make sure we give you that ability but, it has to be fair and equitable to the rest of the members too. Time is short, we are not trying to rush anything, but we have been going back and forth for many months and there comes a point in time when we have to draw a line in the sand and make adjustments from here. Chair Jones again requested any specifics from Vice Chair Peasley. Vice Chair Peasley stated that the billing system is strength and flow based, but what he reads in the draft agreement is something a little different. He appreciates all the effort. He also recalled something that says if Padre does its 15 mgd program the City will do 83 mgd less 15 mgd. Padre is contributing also to the Pure Water program ultimate build out and should be recognized for that. Padre just wants to stay within what they perceive as the original scope of the Pure Water program.

Chair Jones stated at this point this will have to go back to staff to get with Padre staff for discussion.

Commissioner Padilla stated he thought that ongoing dialogue was being held with technical staff from the participating agencies as well as it is ultimately in everyone's best interest so there should be nothing surprising at this point.

MetroTAC Chair Humora stated the MetroTAC met yesterday and reviewed the same draft agreement. There were issues raised not just from Padre but some other issues as well and they have worked through the bulk of them. They plan to address these issues in extremely short order. They think they have a way to address Coronado's issues that they were just made aware of yesterday as well. Nick and his team are meeting with John and his team, and at the end of the day these are very small things in the scheme of what we are trying to accomplish. He committed to getting these issues resolved to as many peoples resolution as possible prior to August 8<sup>th</sup>.

Commissioner Smith stated that Otay Water District had extensively reviewed and submitted comments from a legal and engineering standpoint. They have scheduled this for their entire board on August 1<sup>st</sup>. The detailed questions that came up are best left for staff. He had also gone through the entire document and there are little things here and there but felt the technical questions that Padre is talking about is mgd and Wet Weather flow and he inquired as to the methodology used to get those numbers. Dexter Wilson stated he took the same percentages by taking the 10 year flow that the City of San Diego had put together for the Phase II planning study, going forward and incorporated that number and used the percentages that they had based on their previous average daily flow estimates.

Chair Jones requested clarification from staff as to whether discussion had been held with technical staff on wet weather issues. MetroTAC Chair Humora confirmed yes.

Commissioner Spriggs stated one of the issues discussed in Ad Hoc which he felt was pretty much resolved but wanted to put on the record was the concern on revenue sharing and the formulation that it will only occur after all of the political, financial support, time and effort that the JPA has provided as a partner in Pure Water, will only take place when the line is crossed between the CWA costs and Pure Water costs which is very undetermined. He wanted to state for the record that this is an unfortunate formulation to make it so uncertain that when and if the line will be crossed prior to the end of the agreement and he feels that there ought to be some determination that will allow the PAs to participate in revenue prior to 2065.

Chair Jones, in closing the item, stated that staff is available as was he and they were working diligently with each agency that sits at this table and are available to meet and

answer any questions. He requested each and everyone meet as soon as possible as the City of San Diego was moving forward.

**6. METRO TAC UPDATE/REPORT**

MetroTAC Chair Humora stated the report was attached to the agenda. Further that the TAC met yesterday and considered and approved an amendment to the CH2M Hill contract which will be on the August agenda. They also reviewed the same Draft amendment that was presented here and it was approved by a majority of the TAC membership.

**7. UPDATE: PURE WATER PROJECT EIR SUBCOMMITTEE**

MetroTAC Chair Humora stated that there was no report.

**8. CITY OF SAN DIEGO SECONDARY EQUIVALENCY LEGISLATION**

John Helminski, Assistant Director City of San Diego Public Utilities Department stated that they were working with the environmental organizations and had received input on the draft form the metro members and were hoping to have comments back by the end of the week and will forward those comments to Congressman Peters Office. If everything goes as planned, they are hoping to get this introduced prior to the August recess. This is regarding the legislation for OPRA II which is a stand-alone bipartisan bill supported by Congressmen Peters and Congressman Hunter.

**9. PURE WATER PROGRAM UPDATE**

John Helminski provided a PowerPoint presentation on the Pure Water Update covering the North City Phase 1 project design; Pure Water Governance Committee (internal to City of San Diego; Environmental Impact Report and directives that came out of our EIR approval on April 10, 2018; the regulatory process and where we are with the State Water Board in regards to Title 22 and the Regional Board as far as our NPDES; Owner Controlled Insurance and what is being moved forward there as part of the overall program and next major steps between now and the end of 2018.

**10. IROC UPDATE**

Chair Jones stated he had no report as he was unable to attend the meeting.

**11. PURE WATER AD HOC COMMITTEE UPDATE**

MetroTAC Chair Humora stated they had met two weeks ago and had no updates. They have a meeting scheduled to focus on outreach to Elected Officials and continued dialogue with the City of San Diego.

**12. FINANCE COMMITTEE REPORT**

Finance Committee Chair Mullin was not present, but it was noted that the committee will be meeting next Wednesday, July 25, 2018 at 10 am. The agenda to go out Friday.

**13. REPORT OF GENERAL COUNSEL**

Assistant General Counsel Norvell stated he had no report

**14. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION/METRO WASTEWATER JAP MEETING JULY 5, 2018**

The June minutes; Draft agreement; Amendment to contract with CH2M Hill and possible Finance committee items.

**15. METRO COMMISSIONERS' AND JPA BOARD MEMBERS' COMMENTS**

There were none.

**16. CLOSED SESSION**

**CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION  
INITIATION OF LITIGATION PURSUANT TO GOVERNMENT CODE SECTION  
64956.9(d) (4)  
NUMBER OF POTENTIAL CASES: 1**

Assistant General Counsel Norvell stated Closed Session was not needed.

**17. ADJOURNMENT**

At 1:40 p.m., there being no further business, Chair Jones declared the meeting adjourned.

---

Recording Secretary

**Attachment 5A**  
**FY 2016**  
**Exhibit E Audit**

## Fiscal Year 2016 Exhibit E Summary

FYE 2016's "Schedule of Allocation for Billing to Metropolitan Wastewater Utility and Independent Auditors Report" (Exhibit E Audit) was completed on June 15, 2018. A copy of the Auditor's Report and the Reconciliation of FYE 2016 based on the audited numbers are attached to this report. The following is a joint staff report prepared by PUD audit staff and the Metro Commission/JPA's auditor. The Metro Commission/JPA would like to thank PUD audit team staff for all their hard work, diligence, and dedication to this process.

### EXPENDITURES & INCOME CREDITS

The final operating and capital expenses can be found on Page 3 of the Auditor's Report. The year-end total \$181.2 million is approx. (\$10.7) million (6%) lower than FYE 2015. The major variances in the areas of expenditures & Income Credits for the year are:

### EXPENDITURES

- Transmission costs decreased at Pump Station 1 and 2 due to a large onetime credit owed to Metro by SDGE and also a temporary period of non-billing due to a billing reconciliation project. It is anticipated that future fiscal years SDGE billings will return to historical levels plus an increase due to increases in energy rates. Decrease in FY16 was (\$7.5 Million). This accounts for the majority of the \$10.7 million in decrease in the FYE 2016 year-end reconciliation. It should be noted that this WILL NOT occur again in FY 2017 and subsequent years as this was a onetime event.
- Quality Control increased due to a new contract with UCSD for the design and purchase of real-time oceanographic mooring systems as part of the City's enhanced ocean monitoring efforts. Increase in FY16 was \$1 Million.
- Engineering increased due to Pure Water MWH Consultant Contract to provide program management services for Pure Water. Increase in FY16 was \$1.2 Million.
- General and Administrative increase in FY16 due to an increase in Pure Water general related administrative expenses and non capitalizable expenses. Increase in FY16 was \$1.3 Million.
- Debt service allocation represents principal and interest payments relating to the Senior Sewer Revenue Bonds Series 2009A, 2009B, 2010A, 2015, and 2016A, and State Revolving Fund (SRF) loans from the State of California. Beginning in FY16 there was a small change in the internal City process that determines the total annual Metro Fund debt which caused the Metro fund to be underbilled, this correction is not retroactive.



The majority of the increase over last fiscal year is due to the start of repayment period on previous received SRF loans proceeds. SRF Loans when made have a grace repayment start window and this increase is due to several loans entering repayment status and increases in payments of bond principal & interest. The increase FYE 2016 is \$9 million.

## INCOME CREDITS

- There was a major offset to the CIP and overall annual expenses by Metro income credits increase \$16.8 million over FYE 2015 which was due to more SRF reimbursements being received in FY16 for seven SRF reimbursements compared to the two reimbursements received in FY15.
- South Bay Recycled Water revenue Income Credits was \$3.2 Million in Fiscal Year 2016. The amount transferred from the City's Water Fund consisted of \$1.2 million from FY15 and \$2.0 million for FY16 which are reflected in the schedules as part of income credits.

## ADDITIONAL HIGHLIGHTS

- The City's auditor controller's office prepared a journal entry at year end for a \$1.2 million transfer from the Metro fund to the water fund for repayment of accumulated recycled water used for wash-down, etc. at the Metropolitan Biosolids Center (MBC) from FY2010 – FY2016 and produced at North City. This was discovered during the fieldwork process by the JPA auditor and was questioned. After review of the Memorandum of Understanding between the Metropolitan Wastewater Department and Water Department for FY2001 concerning the use of Reclaimed Water and discussion with PUD management and staff, it was determined to reverse the charge and any ongoing accounts payable eliminated.
- Total Pure Water Program – Metropolitan Wastewater Fund costs \$ 6,899,462 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 and is expected to be finalized soon once the capital projects are bid this fall. If changes to the draft cost allocation are necessary the City has proposed a clean-up adjustment to be completed during the FYE 2018 audit. As of June 30, 2016 there were 35 task/purchase orders that fell into this category.

## TABLE B

The year-end reconciliation shows the total PA share of the FYE 2016 operations and CIP costs less income credits of \$59,021,272. The PAs had collectively been billed \$65,029,096 which results in a refund of \$6,007,824 due to the PAs. Table B shows the individual PA's annual contributions, actual expenses, and reflect either a credit amount (refund) or debit owed.

### **FYE 2017 DRAFT AUDIT PROJECTIONS**

The FYE 2017 audit is in progress and preliminary numbers indicate that FYE 2017 will not have a similar large credit balance to FYE 2016 and discussed earlier in this memo. Two major factors are contributing to this:

- The SDG&E credit enjoyed in FYE 2016 will not be repeated and all costs associated with SDG&E have been billed to Metro facilities in FYE 2017.
- FYE 2017 was billed to the PA's based on the established Administrative Protocol of \$65 million per year for their collective costs. This Protocol did not anticipate Pure Water Program planning and design costs which continued in FYE 2017.

Preliminary discussions with City audit staff indicate that the FYE 2017 year-end costs will be closer to \$70 million as opposed to \$65 million. It is suggested that the PAs plan according. It is anticipated that the FYE 2017 audit will be completed by May 2019 and additional billings will be sent to PAs by the close of FYE 2019 if required.

**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, 2016



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, 2016

*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 City  
Council of the City of San Diego  
San Diego, California

### **Report on the Schedule**

We have audited the accompanying 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, 2016, and the related notes to the Schedule.

### ***Management's Responsibility for the Schedule***

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 Schedule, 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 presents fairly, in all material respects, the modified cash basis allocation for billing to the 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 and amended on May 15, 2000 and June 3, 2010, for the fiscal year ended June 30, 2016, in accordance with the modified cash basis of accounting as described in Note 3.

***Basis of Accounting***

We draw attention to Note 3 of the Schedule, which describes that 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 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 June 15, 2018 on our consideration of the PUD's internal control over financial reporting 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 the PUD's internal control over financial reporting or on compliance. 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.

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  
June 15, 2018

**CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT**  
**Schedule of Allocation for Billing to Metropolitan Wastewater Utility**  
**For the Fiscal Year Ended June 30, 2016**

	Municipal System	Metropolitan System	Total
<b>OPERATING EXPENSES:</b>			
<b>Transmission</b>			
Main Cleaning .....	\$ 13,158,631	\$ -	\$ 13,158,631
Sewer Pump Stations.....	5,275,120	-	5,275,120
Other Pump Stations.....	5,287,809	445,736	5,733,545
Pump Station 1.....	-	1,399,178	1,399,178
Pump Station 2.....	-	3,297,154	3,297,154
Other Muni Agencies.....	3,347,001	-	3,347,001
Pipeline Maintenance and Repair.....	11,136,478	188,421	11,324,899
Wastewater Collection (WWC) Engineering and Planning.....	2,489,863	-	2,489,863
<b>Total Transmission.....</b>	<b>40,694,902</b>	<b>5,330,489</b>	<b>46,025,391</b>
<b>Treatment and Disposal</b>			
Point Loma Wastewater Treatment Plant (PTLWWTP).....	-	22,473,867	22,473,867
North City Water Reclamation Plant (NCWRP).....	-	9,185,938	9,185,938
South Bay Water Reclamation Plant (SBWRP).....	-	8,293,168	8,293,168
Metropolitan Biosolids Center (MBC).....	-	15,671,958	15,671,958
Cogeneration Facilities.....	-	1,255,043	1,255,043
Gas Utilization Facility (GUF).....	-	1,844,210	1,844,210
Wastewater Treatment and Disposal (WWTD) Plant Engineering.....	-	785,166	785,166
<b>Total Treatment and Disposal.....</b>	<b>-</b>	<b>59,509,350</b>	<b>59,509,350</b>
<b>Quality Control</b>			
Sewage Testing and Control.....	1,383,708	336,661	1,720,369
Marine Biology and Ocean Operations.....	-	6,497,400	6,497,400
Wastewater Chemistry Services.....	597,951	5,290,037	5,887,988
Industrial Permitting and Compliance.....	3,922,409	-	3,922,409
<b>Total Quality Control.....</b>	<b>5,904,068</b>	<b>12,124,098</b>	<b>18,028,166</b>
<b>Engineering</b>			
Program Management and Review.....	3,357,100	7,311,587	10,668,687
Environmental Support.....	1,042,960	226,448	1,269,408
<b>Total Engineering.....</b>	<b>4,400,060</b>	<b>7,538,035</b>	<b>11,938,095</b>
<b>Operational Support</b>			
Central Support: Clean Water Operations Management Network (Comnet).....	135,744	2,795,659	2,931,403
Operational Support.....	1,340,883	6,487,047	7,827,930
<b>Total Operational Support.....</b>	<b>1,476,627</b>	<b>9,282,706</b>	<b>10,759,333</b>
<b>General and Administrative</b>			
Business Support Administration.....	21,491,032	19,892,457	41,383,489
Operating Division Administration.....	7,282,556	5,561,566	12,844,122
<b>Total General and Administrative.....</b>	<b>28,773,588</b>	<b>25,454,023</b>	<b>54,227,611</b>
<b>TOTAL OPERATING EXPENSES.....</b>	<b>81,249,245</b>	<b>119,238,701</b>	<b>200,487,946</b>
<b>CAPITAL IMPROVEMENT EXPENSE.....</b>	<b>76,693,620</b>	<b>24,077,048</b>	<b>100,770,668</b>
<b>DEBT SERVICE ALLOCATION.....</b>	<b>41,540,590</b>	<b>64,666,834</b>	<b>106,207,424</b>
<b>METROPOLITAN SYSTEM INCOME CREDITS.....</b>			
Operating Revenue.....	-	(10,133,529)	(10,133,529)
Capital Improvement Project (CIP) - Revenue Bond Issue.....	-	-	-
Operating - Grant Revenue.....	-	-	-
Capital Improvement Project (CIP) - Grant/SRF Revenue.....	-	(16,680,514)	(16,680,514)
<b>TOTAL METROPOLITAN SYSTEM INCOME CREDITS.....</b>	<b>-</b>	<b>(26,814,043)</b>	<b>(26,814,043)</b>
<b>TOTAL ALLOCATION FOR BILLING PURPOSES.....</b>	<b>\$ 199,483,455</b>	<b>\$ 181,168,540</b>	<b>\$ 380,651,995</b>

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, 2016**

#### **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) have entered into the Regional Wastewater Disposal Agreement dated May 18, 1998 and amended on May 15, 2000 and June 3, 2010, 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 Comprehensive Annual 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 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. Exclusion in the Schedule for unbudgeted expenses related to compensated absences, liability claims, capitalized interest, pollution remediation, other postemployment benefits, net pension obligation, and landfill closure and postclosure care costs.

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, 2016**

#### **Note 4 – Capital Improvement Expense**

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

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 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, 2010A, 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 FY2015 regarding revenue generated from the South Bay Water Reclamation Facility and revenue sharing payments were issued for FY2006 through FY2014 to the Participating Agencies. During FY2016, revenue sharing payments for FY2015 of approximately \$1.2 million and FY2016 of approximately \$2.0 million were transferred from the City's Water Fund and are included in the Schedule as part of the income credits. During the fiscal year ended June 30, 2016, Metropolitan Biosolids Center (MBC) was charged for accumulated recycled water use from FY2010 – FY2016. In FY2017 after review of the Memorandum of Understanding between the Metropolitan Wastewater Department and Water Department for FY2001 concerning Reclaimed Water and discussion with PUD management and staff, it was determined that this charge be reversed and any ongoing accounts payable eliminated. As such, this charge for recycled water use from FY2010 – FY2016 is not reported in the FY2016 Schedule due to its subsequent reversal.

#### **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 plants sampled daily. Beginning in FY2014, 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.

## 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, 2016

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.

#### Note 8 – Administrative Protocol

In May 2010, the City of San Diego and all Participating Agencies signatory to the Regional Wastewater Disposal Agreement established an Administrative Protocol (Protocol) which was effective beginning in fiscal year 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 fiscal year 2016 was credited to the operating reserve, which ended the fiscal year with the required 45-day reserve.

#### Note 9 – Pure Water Program

In 2014 the City of San Diego 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 FY2016 the following Pure Water Program costs were incurred that were charged to the Metropolitan Wastewater Fund:

	<b>FY2016 Pure Water Program Costs</b>
Operating and maintenance costs:	
Environmental	\$ 2,111,632
Program management	789,142
Other	1,770
Total operating and maintenance costs	<u>2,902,544</u>
Capital improvement costs:	
North City Water Reclamation Plant expansion	2,349,630
Morena Blvd. pump station and pipeline	<u>1,647,288</u>
Total capital improvement costs	<u>3,996,918</u>
Total Pure Water Program – Metropolitan Wastewater Fund costs	<u>\$ 6,899,462</u>

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 and is expected to be finalized in FY2018. At that time, if changes to the draft cost allocation of project costs between water and wastewater is needed, an adjustment will be made during the FY2018 audit of the Schedule.



**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 City  
Council of the City of San Diego  
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, 2016, and the related notes to the Schedule, and have issued our report thereon dated June 15, 2018. Our report contained 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 of San Diego and the Participating Agencies in the Metropolitan Wastewater System dated May 18, 1998 and amended on May 15, 2000 and June 3, 2010.

**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) to determine the 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. Accordingly, we do not express an opinion on the effectiveness of the PUD's internal control.

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, noncompliance with which could have a direct and material effect on the determination of Schedule amounts. 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*.

**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. 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. 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

June 15, 2018

TABLE A

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT  
FISCAL YEAR 2016 ESTIMATED UNIT COSTS  
FUNCTIONAL-DESIGN COST ALLOCATION METHOD

TREATMENT PARAMETER	FY 2016 BUDGET		UNITS		COST PER UNIT
WASTEWATER FLOW	AMOUNT \$83,472,843	% 46.1%	57,508	(a)	\$1,451.50 /per Million Gallons
SUSPENDED SOLIDS	\$51,799,793	28.6%	180,914	(b)	\$286.32 /per Thousand Pounds
CHEMICAL OXYGEN DEMAND	\$45,895,901	25.3%	318,457	(c)	\$144.12 /per Thousand Pounds
TOTAL	\$181,168,537	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 - METROPOLITAN WASTEWATER DEPARTMENT  
 PROJECTED DISTRIBUTION OF SYSTEM WASTEWATER COSTS - FISCAL YEAR 2016  
 FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

AGENCY	ALLOCATION OF COSTS BY FLOW, SUSPENDED SOLIDS AND CHEMICAL OXYGEN DEMAND				TOTAL PAID FOR FY 2016	DIFFERENCE
	FLOW (a)	SS (a)	COD (a)	TOTAL FLOW, SS & COD		
CHULA VISTA	\$8,609,356	\$5,361,944	\$4,866,801	\$18,838,101	\$17,975,408	\$862,693
CORONADO	\$688,000	\$473,864	\$333,521	\$1,495,385	\$2,829,916	(\$1,334,531)
DEL MAR	\$287,428	\$220,925	\$103,021	\$611,374	\$281,928	\$329,446
EAST OTAY MESA	\$23,502	\$14,604	\$12,305	\$50,411	\$42,604	\$7,807
EL CAJON	\$3,892,749	\$2,732,079	\$2,128,389	\$8,753,216	\$9,315,460	(\$562,244)
IMPERIAL BEACH	\$1,200,401	\$558,315	\$507,178	\$2,265,894	\$2,242,532	\$23,362
LA MESA	\$2,304,930	\$1,306,998	\$1,022,202	\$4,634,130	\$4,480,624	\$153,506
LAKESIDE/ALPINE	\$1,487,801	\$1,040,771	\$887,305	\$3,415,877	\$3,623,460	(\$207,583)
LEMON GROVE	\$896,523	\$450,664	\$437,894	\$1,785,081	\$2,301,960	(\$516,879)
NATIONAL CITY	\$2,164,141	\$1,167,117	\$1,185,953	\$4,517,211	\$5,187,792	(\$670,581)
OTAY	\$78,884	\$247,191	\$93,837	\$419,912	\$812,536	(\$392,624)
PADRE DAM	\$1,208,174	\$1,428,352	\$961,628	\$3,598,153	\$4,218,144	(\$619,991)
POWAY	\$1,380,175	\$855,618	\$638,151	\$2,873,944	\$3,525,716	(\$651,772)
SPRING VALLEY	\$2,222,320	\$1,324,423	\$1,117,647	\$4,664,391	\$7,087,320	(\$2,422,929)
WINTERGARDENS	\$485,464	\$347,901	\$264,827	\$1,098,192	\$1,103,696	(\$5,504)
SUBTOTAL PARTICIPATING AGENCIES	\$26,929,849	\$17,530,764	\$14,560,658	\$59,021,272	\$65,029,096	(\$6,007,824)
SAN DIEGO	\$56,542,994	\$34,269,029	\$31,335,243	\$122,147,265		
TOTAL	\$83,472,843	\$51,799,793	\$45,895,901	\$181,168,537		

TABLE C

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT  
SYSTEM WASTEWATER CHARACTERISTICS - FISCAL YEAR 2016  
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)	2016 FLOWS million gallons	SS thousand pounds	COD thousand pounds	2016 FLOWS million gallons	Flow Difference (c)	FY 2016 Billing Flows	SS thousand pounds	COD thousand pounds
CHULA VISTA	15.438	277	743	5,650.389	13,046	35,024	6,113.671	(182.315)	5,931.356	18,727	33,769
CORONADO	1.234	306	637	451.540	1,153	2,400	488.562	(14.569)	473.992	1,655	2,314
DEL MAR	0.515	341	471	188.641	538	741	204.108	(6.087)	198.022	772	715
EAST OTAY MESA	0.042	276	688	15.425	36	89	16.690	(0.498)	16.192	51	85
EL CAJON	6.980	312	718	2,554.842	6,647	15,317	2,764.316	(82.434)	2,681.882	9,542	14,768
IMPERIAL BEACH	2.153	207	555	787.833	1,358	3,650	852.428	(25.420)	827.008	1,950	3,519
LA MESA	4.133	252	583	1,512.744	3,180	7,356	1,636.776	(48.810)	1,587.966	4,565	7,093
LAKESIDE/ALPINE	2.668	311	784	976.456	2,532	6,386	1,056.517	(31.506)	1,025.010	3,635	6,157
LEMON GROVE	1.608	223	642	588.395	1,097	3,151	636.638	(18.985)	617.653	1,574	3,038
NATIONAL CITY	3.881	240	720	1,420.343	2,840	8,535	1,536.799	(45.829)	1,490.970	4,076	8,229
OTAY	0.141	1,392	1,563	51.772	601	675	56.017	(1.670)	54.347	863	651
PADRE DAM	2.166	525	1,046	792.934	3,475	6,920	857.948	(25.585)	832.363	4,989	6,672
POWAY	2.475	275	608	905.820	2,082	4,592	980.089	(29.227)	950.862	2,988	4,428
SPRING VALLEY	3.985	265	661	1,458.527	3,222	8,043	1,578.113	(47.061)	1,531.052	4,626	7,755
WINTERGARDENS	0.871	318	717	318.614	846	1,906	344.738	(10.280)	334.457	1,215	1,838
SUBTOTAL PARTICIPATING AGENCIES	48.290	289	710	17,674.276	42,654	104,787	19,123.409	(570.278)	18,553.132	61,227	101,032
SAN DIEGO	101.392	269	728	37,109.619	83,379	225,506	40,152.279	(1,197.378)	38,954.901	119,687	217,425
REGIONAL SLUDGE RETURNS	12.273	260	180	4,491.793	9,743	6,760					
FLOW DIFFERENCE	(4.830)			(1,767.655)	45,138	(18,595)					
TOTAL	157.126	377	664	57,508.033	180,914	318,457	59,275.688	(1,767.655)	57,508.033	180,914	318,457

TABLE D

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT  
 ALLOCATION OF FISCAL YEAR 2016 ESTIMATED BUDGET  
 FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

DESCRIPTION	FY 2016 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	\$5,330,489	100.0%	\$5,330,489	0.0%	\$0	0.0%	\$0	\$5,330,489
OPERATIONS & MAINTENANCE	\$55,624,931	37.7%	\$20,975,183	33.4%	\$18,573,436	28.9%	\$16,076,312	\$55,624,931
TECHNICAL SERVICES	\$11,787,437	30.0%	\$3,536,231	40.0%	\$4,714,975	30.0%	\$3,536,231	\$11,787,437
COGENERATION	\$1,895,099	0.0%	\$0	60.0%	\$1,137,060	40.0%	\$758,040	\$1,895,099
METRO ADMIN & GENERAL EXPENSES - 41508	\$23,504,134	40.0%	\$9,397,472	32.7%	\$7,691,791	27.3%	\$6,414,872	\$23,504,134
METRO ADMIN & GENERAL EXPENSES - 41509	\$13,223,600	40.0%	\$5,287,087	32.7%	\$4,327,458	27.3%	\$3,609,054	\$13,223,600
TOTAL OPERATIONS AND MAINTENANCE	\$111,365,690	39.98%	\$44,526,462	32.73%	\$36,444,720	27.29%	\$30,394,508	\$111,365,690
<u>CAPITAL IMPROVEMENT PROGRAM :</u>								
PAY-AS-YOU-GO METRO 41508	\$3,220,783	55.8%	\$1,797,030	22.0%	\$708,501	22.2%	\$715,252	\$3,220,783
PAY-AS-YOU-GO METRO 41509	\$1,915,230	55.8%	\$1,068,599	22.0%	\$421,308	22.2%	\$425,323	\$1,915,230
DEBT SERVICE	\$64,666,834	55.8%	\$36,080,751	22.0%	\$14,225,264	22.2%	\$14,360,818	\$64,666,834
TOTAL CAPITAL IMPROVEMENT PROGRAM	\$69,802,847	55.8%	\$38,946,381	22.0%	\$15,355,073	22.2%	\$15,501,393	\$69,802,847
TOTAL O&M & CAPITAL IMPROVEMENT PROGRAM	\$181,168,537	<b>46.1%</b>	\$83,472,843	<b>28.6%</b>	\$51,799,793	<b>25.3%</b>	\$45,895,901	\$181,168,537



**Attachment 5B**  
**Metro**  
**Wastewater JPA**  
**FY 2016 Budget**  
**to Audit**  
**Reconciliaton**



July 19, 2018

TO: Metro Wastewater JPA Finance Committee

FROM: Paula de Sousa-Mills, Karyn Keese, Karen Jassoy

At the May 2018 Finance Committee Meeting the Committee asked, as part of the FYE 2019 budget discussions, whether the JPA budget was retroactively adjusted when the Metro Exhibit E audit was completed. Each year the JPA budget is allocated based on the January Metro budget projections cost allocations for flow and strength for the upcoming year. However, it has not been the JPA's past practice to reconcile the JPA budget to the Exhibit E final revised cost allocations. It was decided that this should be explored by the JPA's legal and financial staff and a review be brought back to the Committee for discussion at its next meeting.

The language in the JPA Agreement regarding the annual budget and administrative expenses provides as follows:

**Section 6.05. Annual Budget and Administrative Expenses.** The Board may adopt a budget for administrative expenses, which shall include all expenses not included in any financing transaction of the JPA, annually prior to July 1 of each year. These expenses shall be designated Administrative Expenses of the JPA and shall be allocated by the Board proportionately to each of the Participating Agencies based on its Proportionate Flow in the Metropolitan Sewerage System and the strength of its wastewater as determined by the City of San Diego pursuant to the Regional Wastewater Disposal Agreement.

In addition to the review of the JPA agreement by legal staff, financial staff was asked to prepare a reconciliation for review by the Committee. With the recent completion of the FY 2016 Exhibit E audit financial staff prepared a retroactive adjustment to the FYE 2016 JPA budget. This reconciliation is summarized in the following table:

	Adopted/Billed FY '16		Metro Audited FY'16		
	Commission Flow Distribution	Total Agency Billings	Audit Flow/Strength Distribution	Total Agency Billings Per Audit	Over/ (Under) Budget
	%		%		
Chula Vista	27.57%	\$ 70,757	31.917%	\$ 81,903	\$ 11,146
Coronado	4.30%	\$ 11,035	2.534%	\$ 6,502	\$ (4,533)
County of SD *	18.68%	\$ 47,933	15.64%	\$ 40,125	\$ (7,808)
Del Mar	0.91%	\$ 2,342	1.036%	\$ 2,658	\$ 316
El Cajon	13.48%	\$ 34,587	14.83%	\$ 38,057	\$ 3,470
Imperial Beach	3.91%	\$ 10,032	3.84%	\$ 9,852	\$ (180)
La Mesa	8.01%	\$ 20,552	7.85%	\$ 20,148	\$ (404)
Lemon Grove	3.85%	\$ 9,883	3.024%	\$ 7,761	\$ (2,122)
National City	8.08%	\$ 20,743	7.654%	\$ 19,640	\$ (1,103)
Otay Water District	0.68%	\$ 1,740	0.711%	\$ 1,826	\$ 86
Padre Dam MWD	4.93%	\$ 12,648	6.096%	\$ 15,644	\$ 2,996
Poway	5.60%	\$ 14,358	4.869%	\$ 12,495	\$ (1,863)
Total Flow	100.00%	\$ 256,610	100.000%	\$ 256,610	\$ 0
Total Required Agency Billings from P&L		\$ 256,610			

\* County of SD includes East Otay Mesa, Lakeside/Alpine, Spring Valley and Wintergardens

The concept of retroactively adjusting the JPA budget to Exhibit E was discussed in general concepts with the Metro TAC at its June meeting. It was the consensus that if permitted under the JPA Agreement:

1. The JPA budget should be reconciled to the Exhibit E audit for that year once completed as it is not a labor intensive process.
2. That the credits and/or additional billings should be made in conjunction with the annual billing to JPA member for the upcoming year's budget and not be the subject of a special billing or adjustment if the Exhibit E audit should not be completed in June of each year.
3. That this should start with the FYE 2016 Exhibit E audit/JPA budget year and that no retro-adjustments for prior years should be pursued.

Should the Committee agree with the concept of the retroactive adjustment it would move forward to the Metro JPA for review and potential approval at its August meeting. The adjustments would be made to the FYE 2019 JPA budget billings for the FYE 2016 audit which will be sent out in August after the Metro Commission/JPA meeting and will not constitute a special billing.

Attachment 5C  
Metro  
Wastewater JPA  
FY 2014 to FY  
2015 Audit

Board of Directors  
Metro Wastewater Joint Powers Authority  
Santee, California

We have audited the financial statements of the Metro Wastewater Joint Powers Authority (the Authority) for the two-years ended June 30, 2015 and have issued our report thereon dated June 15, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in the engagement letter dated December 9, 2015. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Matters:**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Metro Wastewater Joint Powers Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the two-years ended June 30, 2015. We noted no transactions entered into by Metro Wastewater Joint Powers Authority during the two-years for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statement was the member agency assessment that is based on each agency's projected treated wastewater flow discharge.

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

*Difficulties Encountered in Performing the Audit*

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

## **Significant Audit Findings (Continued)**

### *Corrected and Uncorrected Adjustments*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no known or likely adjustments identified during the audit, other than those that are clearly trivial.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 15, 2018.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### *Other Matters*

We applied certain limited procedures to Management's Discussion and Analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

*Restriction on Use*

This information is intended solely for the use of the Board of Directors and management of the Metro Wastewater Joint Powers Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

*White Nelson Nick Evans LLP*

June 15, 2018  
Carlsbad, CA

METRO WASTEWATER JOINT POWERS AUTHORITY

BASIC FINANCIAL STATEMENTS

WITH REPORT ON AUDIT BY  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

FOR THE TWO-YEAR PERIOD ENDED JUNE 30, 2015



**BASIC FINANCIAL STATEMENTS****TWO-YEAR PERIOD ENDED JUNE 30, 2015**

	<u>Page Number</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (Required Supplementary Information)	3 - 5
Basic Financial Statements	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 14

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Metro Wastewater Joint Powers Authority  
Santee, California

We have audited the accompanying financial statements of the Metro Wastewater Joint Powers Authority (the Authority) as of and for the two-year period ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Authority's preparation and fair presentation of the financial statements 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 Authority'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 financial statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of the Metro Wastewater Joint Powers Authority as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the two-years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as identified in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

*White Nelson Dick Evans LLP*

Carlsbad, California  
June 15, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

My discussion and analysis of Metro Wastewater Joint Powers Authority's (JPA) financial performance provides an overview of Metro's financial activities for the two year period ended June 30, 2015. Please read it in conjunction with the JPA's financial statements, which follow this section. The year ended June 30, 2013 is provided for reference.

### **Financial Statements**

This discussion and analysis provides an introduction and a brief description of the JPA's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The JPA's financial statements include four components:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to Basic Financial Statements

The statement of net position includes all of the JPA's assets and liabilities, with the difference between the two reported as net position. There were no deferred outflows or deferred inflows of resources for the year ended June 30, 2015. The JPA's entire net position is unrestricted.

The statement of revenues, expenses and changes in net position presents information which shows how the JPA's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses and changes in net position measures the success of the JPA's operations over the past year and determines whether the JPA has recovered its costs through member agency assessments.

The statement of cash flows provides information regarding the JPA's cash receipts and cash disbursements during the year. This statement reports the JPA's cash activity as either Operating or Investing; the JPA had no Capital and Related Financing Activities or Noncapital and Related Financing Activities for the year. The statement of cash flows differs from the statement of revenues, expenses and changes in net position because it accounts only for transactions that result in cash receipts or cash disbursements.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

### **Financial Highlights**

For the two year period ended June 30, 2015, the JPA's total net position decreased by \$20,035. The JPA's operating revenues of \$475,225 increased by \$5,000 from fiscal year 2013 to fiscal year 2014 and \$18,195 from fiscal year 2014 to fiscal year 2015. Operating expenses of \$495,362 increased by \$75,860 from fiscal year 2013 to fiscal year 2014 and decreased by \$41,677 from fiscal year 2014 to fiscal year 2015. Non-operating revenues decreased by \$11 from fiscal year 2013 to 2014 and \$34 from fiscal year 2014 to 2015. There were no non-operating expenses.

**Financial Analysis of the Financial Statements****Net Position**

The JPA's net position at June 30, 2015 totaled \$126,475 compared to \$146,510 at June 30, 2013. The decrease in net position is attributed to an operating loss for the two year period, net of operating expenses, of \$20,137 and \$102 of nonoperating revenue. The following is a summary of the JPA's statement of net position:

	<u>June 30, 2015</u>	<u>June 30, 2013</u>	<u>Difference</u>
<b>Assets</b>			
Current Assets	<u>\$ 197,101</u>	<u>\$ 222,089</u>	<u>\$ (24,988)</u>
Total Assets	<u>197,101</u>	<u>222,089</u>	<u>(24,988)</u>
<b>Liabilities</b>			
Current Liabilities	<u>70,626</u>	<u>75,579</u>	<u>(4,953)</u>
Total Liabilities	<u>70,626</u>	<u>75,579</u>	<u>(4,953)</u>
<b>Net Position</b>			
Unrestricted	<u>126,475</u>	<u>146,510</u>	<u>(20,035)</u>
Total Net Position	<u>\$ 126,475</u>	<u>\$ 146,510</u>	<u>\$ (20,035)</u>

**Revenues, Expenses and Changes in Net Position**

This audit covers the two year period from July 1, 2013 to June 30, 2015. The prior audit was for the year ended June 30, 2013. For this reason, this section compares the change in revenues, expenses and net position on a year by year basis.

The JPA reported a negative change in net position of \$20,035 for the two year period ended June 30, 2015 or a negative \$39,936 for the fiscal year ended June 30, 2014 and a positive \$19,901 for the fiscal year ended June 30, 2015; this is a decrease of \$70,876 from fiscal year 2013 to 2014 and an increase of \$59,837 from fiscal year 2014 to 2015. Revenues for the two year period were \$475,327 or \$228,583 for the fiscal year ended June 30, 2014 and \$246,744 for the fiscal year ended June 30, 2015; this is an increase of \$4,983 from fiscal year 2013 to 2014 and an increase of \$18,161 from fiscal year 2014 to 2015 due to increased contributions from member agencies. Operating expenses for the two year period were \$495,362 or \$268,519 for the fiscal year ended June 30, 2014 and \$226,843 for the fiscal year ended June 30, 2015. This is an increase of \$75,859 from fiscal year 2013 to 2014 and a decrease of \$41,677 from fiscal year 2014 to 2015. The increase from fiscal year 2013 to 2014 was primarily due to additional legal work by BB&K, additional consulting work by Atkins, a redesign of the JPA website and additional JPA meetings/expenses. The decrease from fiscal year 2014 to 2015 was primarily due to no website redesign in 2015, a decrease in legal work from BB&K, a decrease in consulting work from Atkins and a reduction in JPA meetings/expenses.

**Financial Analysis of the Financial Statements (continued)****Revenues, Expenses and Changes in Net Position (continued)**

The following is a summary of the JPA's statement of revenues, expenses and changes in net position:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Difference FY15 to FY13</u>	<u>Difference FY14 to FY13</u>
Operating Revenues	\$ 246,710	\$ 228,515	\$ 223,515	\$ 23,195	\$ 5,000
Nonoperating Revenues	34	68	85	(51)	(17)
Total Revenues	<u>246,744</u>	<u>228,583</u>	<u>223,600</u>	<u>23,144</u>	<u>4,983</u>
Operating Expenses	<u>226,843</u>	<u>268,519</u>	<u>192,660</u>	<u>34,183</u>	<u>75,859</u>
Total Expenses	<u>226,843</u>	<u>268,519</u>	<u>192,660</u>	<u>34,183</u>	<u>75,859</u>
Changes in Net Position	19,901	(39,936)	30,940	(11,039)	(70,876)
Net Position at Beg of Year	<u>106,574</u>	<u>146,510</u>	<u>115,570</u>	<u>(8,996)</u>	<u>30,940</u>
Net Position at End of Year	<u>\$ 126,475</u>	<u>\$ 106,574</u>	<u>\$ 146,510</u>	<u>\$ (20,035)</u>	<u>\$ (39,936)</u>

**Long-Term Debt and Capital Assets**

The JPA has no long-term debt or capital assets.

**Conditions Affecting Current Financial Position**

There are no known facts, decisions, or conditions that are expected to have a significant effect on the JPA's net position or future results of operations.

**Contacting the JPA's Financial Manager**

This financial report is designed to provide Metro Wastewater JPA's member agencies, their constituents and the State of California with a general overview of the JPA's finances and to demonstrate the JPA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the JPA's treasurer, Karen Jassoy.

**METRO WASTEWATER  
JOINT POWERS AUTHORITY**

---

STATEMENT OF NET POSITION  
June 30, 2015

ASSETS

Current Assets:

Cash and cash equivalents	\$ 163,657
Accounts receivable	33,444
Total Current Assets	<u>197,101</u>

TOTAL ASSETS	<u>197,101</u>
--------------	----------------

LIABILITIES

Current Liabilities:

Accounts payable	70,626
Total Current Liabilities	<u>70,626</u>

TOTAL LIABILITIES	<u>70,626</u>
-------------------	---------------

NET POSITION

Unrestricted	<u>126,475</u>
--------------	----------------

TOTAL NET POSITION	<u>\$ 126,475</u>
--------------------	-------------------

**METRO WASTEWATER  
JOINT POWERS AUTHORITY**

---

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the two-year period ended June 30, 2015

OPERATING REVENUES	
Member agency assessments	\$ 475,225
Total Operating Revenues	475,225
OPERATING EXPENSES	
Engineering	301,713
Directors meetings	49,662
General and administrative	78,875
Legal	65,112
Total Operating Expenses	495,362
OPERATING INCOME	(20,137)
NONOPERATING REVENUES	
Investment income	102
Total Nonoperating Revenues	102
Change in Net Position	(20,035)
Net Position, Beginning of Period	146,510
Net Position, End of Period	\$ 126,475

See accompanying notes to basic financial statements.



**METRO WASTEWATER  
JOINT POWERS AUTHORITY**

---

STATEMENT OF CASH FLOWS  
For the two-year period ended June 30, 2015

**Cash Flows from Operating Activities:**

Cash receipts from membership agency assessments	\$ 472,862
Cash paid to vendors and suppliers for materials and services	<u>(522,292)</u>
Net Cash Used by Operating Activities	<u>(49,430)</u>

**Cash Flows from Investing Activities:**

Interest earnings	<u>102</u>
Net Cash Provided by Investing Activities	<u>102</u>

Net Decrease in Cash and Cash Equivalents	(49,328)
---	----------

<b>Cash and Cash Equivalents, Beginning of Period</b>	<u>212,985</u>
---	----------------

<b>Cash and Cash Equivalents, End of Period</b>	<u><u>\$ 163,657</u></u>
---	--------------------------

**Reconciliation of Operating Loss to Net Cash Flows Used by Operating Activities:**

Operating loss	<u>\$ (20,137)</u>
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Changes in operating assets and liabilities:	
Increase in accounts receivable	(24,340)
Decrease in accounts payable	<u>(4,953)</u>
Total Adjustments	<u>(29,293)</u>
Net Cash Used by Operating Activities	<u><u>\$ (49,430)</u></u>

June 30, 2015

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Organization and Operations of the Reporting Entity:

The Metropolitan Wastewater Commission was formed in 1998 pursuant to the terms of the 1998 Regional Wastewater Disposal Agreement between the City of San Diego and the following municipalities collectively referred to as the Participating Agencies: Cities of Chula Vista, Coronado, Del Mar, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, the Otay Water District, Padre Dam Municipal Water District, East Otay Mesa, Lakeside/Alpine, Spring Valley, and Winter Gardens Sanitation District. The Metropolitan Wastewater Commission is an advisory body to the City of San Diego, advising the City on matters affecting the Metro System, owned by the City of San Diego.

In 2001 the Metro Wastewater Joint Powers Authority (the Authority) was formed to provide the Participating Agencies with a stronger voice in the operations of the Metro System, for which they collectively pay approximately 35% of the operation and capital costs. As of October 2007, all Participating Agencies of the Metropolitan Wastewater Commission are members of the Authority.

The Authority, along with the Metropolitan Wastewater Commission acts as partners with the City of San Diego and the City's Metropolitan Wastewater Department in planning and budget development, and through its participation in the Metro Technical Advisory Committee, monitors the implementation of the City of San Diego Metropolitan Wastewater Plan and the City's Metropolitan Wastewater Department's engineering and financial practices.

b. Measurement Focus, Basis of Accounting and Financial Statements Presentation:

"Measurement focus" is a term used to describe *which* transactions are recorded within the various financial statements. "Basis of accounting" refers to *when* transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus", and the "accrual basis of accounting". Under the economic resources measurement focus all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating revenues, mainly member agency assessments, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, result from non-exchange transactions, in which, the Authority receives value without directly giving value in exchange.

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

b. Measurement Focus, Basis of Accounting and Financial Statements Presentation (continued):

The basic financial statements of the Metro Wastewater Joint Powers Authority have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes.

Net position of the Authority is classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. The Authority has no net investment in capital assets at June 30, 2015.

Restricted Net Position

This component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Authority has no amounts in restricted net position at June 30, 2015.

Unrestricted Net Position

This component of net position consists of net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

When both restricted and unrestricted resources are available for use, it is the Authority’s practice to use restricted resources first, then unrestricted resources as they are needed.

c. New Accounting Pronouncements:

**Implemented:**

- GASB 65 - “*Items Previously Reported as Assets and Liabilities*”, required to be implemented during the two year period ended June 30, 2015 and did not impact the Authority.
- GASB 66 - “*Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62*”, required to be implemented during the two year period ended June 30, 2015 and did not impact the Authority.
- GASB 67 - “*Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*” required to be implemented during the two year period ended June 30, 2015 and did not impact the Authority.
- GASB 68 - “*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*”, required to be implemented during the two year period ended June 30, 2015 and did not impact the Authority.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

c. New Accounting Pronouncements (Continued):

**Implemented (continued):**

- GASB Statement No. 69 - *“Government Combinations and Disposals of Government Operations”*, required to be implemented during the two year period ended June 30, 2015 and did not impact the Authority.
- GASB 70 - *“Accounting and Financial Reporting for Nonexchange Financial Guarantees”*, required to be implemented during the two year period ended June 30, 2015 and did not impact the Authority.
- GASB 71 - *“Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB No. 68”*, required to be implemented during the two year period ended June 30, 2015 and did not impact the Authority.

**Pending Accounting Standards:**

GASB has issued the following statements which may impact the Authority’s financial reporting requirements in the future:

- GASB 72 - *“Fair Value Measurement and Application”*, effective for periods beginning after June 15, 2015.
- GASB 73 - *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68”*, effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*, effective for periods beginning after June 15, 2016.
- GASB 75 - *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*, effective for periods beginning after June 15, 2017.
- GASB 76 - *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*, effective for periods beginning after June 15, 2015.
- GASB 77 - *“Tax Abatement Disclosure”*, effective for periods beginning after December 15, 2015.
- GASB 78 - *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”*, effective for periods beginning after December 15, 2015.
- GASB 79 - *“Certain External Investment Pools and Pool Participants”*, the certain provisions on portfolio quality, custodial credit risk, and shadow pricing, is effective for periods beginning after December 15, 2015.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

**Pending Accounting Standards** (continued):

GASB has issued the following statements which may impact the District's financial reporting requirements in the future:

- GASB 80 - *Blending Requirements for Certain Component Units*, effective for periods beginning after June 15, 2016.
- GASB 81 - *Irrevocable Split-Interest Agreements*, effective for periods beginning after December 15, 2016.
- GASB 82 – *Pension Issues -An Amendment of GASB Statement No. 67, No. 68, and No.73*, effective for periods beginning after June 15, 2016.
- GASB 83 – “*Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018.
- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017.
- GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* for periods beginning after June 15,2018.

d. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Authority considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

e. Accounts Receivable:

Management believes that all receivables are fully collectible; therefore no allowance for doubtful accounts was recorded as of June 30, 2015.

f. Budgetary Controls:

The Authority prepares a budget that is approved by the Board of Directors. Unspent appropriations for the operating budget lapse at fiscal year-end unless designated by Board action to be carried forward to the next budget period.

**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**g. Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**h. Subsequent Events:**

Events occurring after June 30, 2015 have been evaluated for possible adjustments to the financial statements or disclosures as of June 15, 2018, which is the date these financial statements were available to be issued.

**2. CASH AND INVESTMENTS:**

At June 30, 2015, the \$163,657 of cash and cash equivalents shown on the Statement of Net Position are deposits with financial institutions.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2015, there were no deposits with financial institutions in excess of the Federal insurance limits.

**3. MEMBER AGENCY ASSESSMENTS:**

The Authority prepares an expense budget, then calculates member agency assessments to cover budgeted expenses. Member agency assessments are based on each agency's projected treated wastewater flow discharge. The projected discharge is based on the actual figures from the prior year.

	For the Fiscal Year Ending June 30, 2014		For the Fiscal Year Ending June 30, 2015		
	Commission		Commission		
	Flow		Flow		
	Distribution		Distribution		
Agency	Percentage	Billings	Percentage	Billings	Total Billings
Chula Vista	28.34	\$ 64,761	28.31	\$ 69,843	\$ 134,604
Coronado	3.62	8,268	4.22	10,411	18,679
County of San Diego	19.27	44,037	18.95	46,752	90,789
Del Mar	0.95	2,169	0.42	1,036	3,205
El Cajon	13.49	30,818	13.68	33,750	64,568
Imperial Beach	3.70	8,456	3.84	9,474	17,930
La Mesa	7.96	18,179	7.63	18,824	37,003
Lemon Grove	3.70	8,471	3.77	9,301	17,772
National City	7.52	17,179	7.78	19,194	36,373
Otay Water District	0.65	1,485	0.67	1,653	3,138
Padre Dam	4.93	11,275	4.67	11,521	22,796
Poway	5.87	13,417	6.06	14,951	28,368
Total	100.00	\$ 228,515	100.00	\$ 246,710	\$ 475,225

Attachment 6  
Amdt. 1 to Agmt  
with CH2M Hill  
Engineers



**METRO JPA/TAC**  
**Staff Report**  
**Date: July 18, 2018**

**Project Title:**

Pure Water Program – Amendment No. 1 to the Agreement with CH2M Hill Engineers, Inc. for Design Engineering Services for the North City Water Reclamation Plant Expansion and Influent Conveyance Project

**Requested Action:**

Approve Amendment No. 1 to the design engineering services agreement between the City of San Diego and CH2M Hill Engineers, Inc. for the North City Water Reclamation Plant Expansion and Influent Conveyance Project and forward item to Metro JPA/ Metro Commission for approval. Amendment No. 1 is for a total not to exceed amount of \$2,500,000, which will be utilized for design and construction support services.

**Recommendations:**

Approve Amendment No. 1 to the agreement

Metro TAC:	Approve the subject item and forward to Metro JPA/ Metro Commission for approval
IROC:	N/A
Prior Actions: (Committee/Commission, Date, Result)	N/A

**Fiscal Impact:**

Is this projected budgeted?	Yes <u>X</u> No ____
Cost breakdown between Metro & Muni:	It is estimated that the funding will be allocated as follows: Water: 23% (approximately \$587,000), Wastewater: 77% (approximately \$1,913,000) (Metro: 100%, Muni: 0%).
Fiscal impact to the Metro JPA:	33.5% of Metro cost (approximately \$640,855)

**Capital Improvement Program:**

New Project?	Yes ____	No <u>X</u>	N/A ____
Existing Project?	Yes <u>X</u>	No ____	Upgrade/addition ____ Change ____

**Previous TAC/JPA Action:**

None.

**Additional/Future Action:**

Present item to Metro JPA/ Metro Commission for approval on September 6, 2018.

**City Council Action:**

City Council approval is anticipated on September 11, 2018.

**Background:** *Provide background information on the need for the project*

San Diego's imported water supplies face increasing stresses from a variety of sources. As a result, the region's supplies are becoming less reliable and more expensive. These circumstances, and the threat limitation on San Diego's water supplies, have intensified the need for new sources of water. Pure Water San Diego is the City of San Diego's (City) 20-year program to provide a safe, secure and sustainable local drinking water supply for San Diego. Recycled water will be turned into drinkable

water through the use of water purification technology. Further, Pure Water's system-wide reuse will significantly reduce flows to the Point Loma Wastewater Treatment Plant (PLWTP) and will make San Diego more water independent. On April 29, 2014, City Council adopted Resolution Number R-308906 supporting the Pure Water Program. Pure Water implementation includes design and construction of new treatment and conveyance facilities. To ensure quality design and construction of future Pure Water facilities, the Public Utilities Department has elected to obtain professional engineering and technical services for completing the design work.

One of the currently on-going projects that is being executed under the Pure Water Program is the expansion of the existing North City Water Reclamation Plant (NCWRP). The NCWRP treats wastewater from several San Diego Communities and distributes recycled water for irrigation and industrial purposes in the northern San Diego region. As part of the Pure Water Program implementation, the NCWRP will be expanded so the facility can treat an average annual flow of 52 million gallons per day (mgd), continue serving recycled water customers, and provide tertiary-treated water to the Pure Water Facility so it can produce 30 mgd of pure water.

In November 2017, the City awarded an agreement to CH2M Hill Engineers, Inc. to perform design and construction support services for the North City Water Reclamation Plant Expansion and Influent Conveyance project. The original Agreement is on file in the Office of the City Clerk as Document No. R-310738. The said Agreement was issued for an amount not to exceed \$17,198,752 for a duration of five (5) years.

**Discussion:** *Provide information on decisions made to advance the project*

Since the initiation of the design and through the continuing design efforts, it has been determined that additional design and construction support services are needed to complete the NCWRP Expansion project. Overall, the project has increased in complexity to include equipment improvements throughout various process areas to bring the plant up its original 30 mgd design capacity. These upgrades are necessary to ensure there are no equipment deficiencies and the plant is operating reliably before it is expanded under the Pure Water Program. A substantial amount of design efforts have been expended for these equipment improvements thus requiring an increase in the Additional Services Task to cover any additional design and construction support services.

The original agreement allocated \$1,500,000 for an Additional Services Task specifically dedicated for any additional design and construction support services not covered under the original agreement. However, as the design phase of the project progressed, unanticipated and unforeseen design and engineering support services were authorized, thus fully depleting the funding under the Additional Services Task. These services include upgrades to the plant equipment to bring the facility up to its original 30 mgd capacity, replacement of all sluice gates at the Headworks facility, design of utility relocations for the future Renewable Energy project located at the NCWRP, implementation of an alternate design concept to repurpose the secondary clarifiers which reduced the construction cost by approximately \$7.5 million, development of a sewer process model for facility control strategies, design of the replacement for the existing electrical substation and the design of the brine line that is within the NCWRP footprint. These items will be bid in conjunction with the NCWRP Expansion project and in turn will increase the overall construction scope. Furthermore, these items require highly technical coordination involving multiple disciplines and engineering support which necessitates an increase for the related construction support services. At this time, the existing agreement does not account for the construction support services associated with these additional items. Therefore, Amendment No. 1 will provide the necessary funding for any related design and construction support services by increasing the Additional Services Task by a not to exceed amount of \$2,500,000, in turn increasing the total contract amount from \$17,198,752 to \$19,698,752. Overall, this request will provide the essential engineering support and uninterrupted construction support services throughout the entire duration of the construction phase of the project.

**Bid Results:** *If bidding was done provide bidding format and results*  
N/A

# Public Utilities Department

## Amendment No. 1 to the Agreement with CH2M Hill Engineers, Inc. for Design Engineering Services for the North City Water Reclamation Plant Expansion and Influent Conveyance Project

Metro Technical Advisory Committee  
July 18, 2018

# Background

- NCWRP Expansion Project is a component of North City Phase 1 delivery of 30 mgd of Pure Water
- NCWRP will be expanded to treat an annual average flow of 52 mgd
- CH2M Hill Engineers, Inc. is the selected design firm
- Total agreement amount is \$17,198,752
- Original agreement allocated \$1,500,000 for an Additional Services Task

# Proposed Amendment

- Additional Services Amount exhausted for unanticipated engineering services:
  - Upgrades and improvements to existing equipment
  - Replacement of sluice gates at the Headworks facility
  - Alternate design concept to repurpose the secondary clarifiers (**Savings of \$7.5 M**)
  - Development of sewer process model
  - Replacement of electrical substations
  - Design of brine line
  - Site preparation for the future Renewable Energy Project
- Amendment No. 1 will replenish the Additional Services Task in an amount not to exceed \$2,500,000; New total agreement amount is \$19,698,752
- Additional funding will cover design and construction support services



# Schedule

ACTIVITY	DATE
Environment Committee	8/2/2018
Metro JPA/ Metro Commission	9/6/2018
City Council	9/11/2018

# Questions





Attachment 7  
Reso of Supt  
for Amd/  
Restated  
RWDA  
And  
City of La Mesa  
Approved  
Example

**RESOLUTION NO. \_\_\_\_\_**

**A JOINT RESOLUTION OF THE METRO WASTEWATER JPA AND METRO COMMISSION SUPPORTING THE COST ALLOCATION PRINCIPLES IN THE PROPOSED AMENDED AND RESTATED REGIONAL WASTEWATER DISPOSAL AGREEMENT BETWEEN THE CITY OF SAN DIEGO AND THE PARTICIPATING AGENCIES IN THE METROPOLITAN SEWERAGE SYSTEM**

**WHEREAS**, the Metro Wastewater JPA is a joint powers agency composed of twelve public agencies located in San Diego County, each having the authority to provide and contract for the conveyance, treatment, and disposal of wastewater; and

**WHEREAS**, the members of the Metro Wastewater JPA are also the Participating Agencies (“Participating Agencies”) in the 1998 Regional Wastewater Disposal Agreement (the “Regional Agreement”) between the City of San Diego (“City”) and the Participating Agencies, which establishes, among other things, the capacity owned by each of the Participating Agencies in the Metro System and a mechanism to fund the planning, design, construction, operation, and maintenance of the Metro System by the City and the Participating Agencies; and

**WHEREAS**, the Metro Commission, the members of which are each of the Participating Agencies, is the advisory body created by the Regional Agreement to provide advice and input to the City regarding the planning and operation of the Metropolitan Sewerage System; and

**WHEREAS**, the City intends to move forward with implementation of the Pure Water San Diego Program, as envisioned by an April 2014 resolution of the San Diego City Council (Resolution No. R308906), which expressed the City’s intent to implement a phased, multi-year program to regionally produce 83 million gallons per day of safe, reliable potable water using new, expanded, or modified facilities, some of which will include Metro System facilities, in order to achieve secondary equivalency under the Clean Water Act at the Point Loma Wastewater Treatment Plant; and

**WHEREAS**, in October 2014, the Metro JPA/Metro Commission adopted a resolution supporting the City’s NPDES permit application for the Point Loma Wastewater Treatment Plant, which recognized that the Pure Water Program would benefit wastewater customers if secondary equivalency were recognized through federal legislation amending the Clean Water Act; and

**WHEREAS**, in order to comprehensively and equitably address the costs and revenues associated with the Pure Water Program, and the related construction, expansion, and/or modification of Metro System facilities, representatives of the City and Metro JPA/Metro Commission have met, discussed, and negotiated principles of cost allocation over the previous two (2) years; and

**WHEREAS**, as a result of such work, representatives of the City and Metro JPA/Metro Commission have prepared the proposed Amended and Restated Regional Wastewater Disposal Agreement, attached hereto, to be considered for approval by the City and the individual Participating Agencies.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of the Metro Wastewater JPA and Metro Commission as follows:

The Metro JPA/Metro Commission supports the cost allocation principles contained in the proposed Amended and Restated Regional Wastewater Disposal Agreement, and encourages the City and the Participating Agencies to approve the Amended and Restated Regional Wastewater Disposal Agreement in substantially the form attached hereto.

**PASSED AND ADOPTED** at a regular meeting of the Board of the Metro Wastewater JPA and Metro Commission on the 2nd day of August, 2018:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

---

Jerry Jones, Chair

**ATTEST:**

---

Lori Anne Peoples, Secretary

RESOLUTION NO. 2018-078

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LA MESA APPROVING THE AMENDED AND RESTATED WASTEWATER DISPOSAL AGREEMENT, DIRECTING THE METRO COMMISSION/METRO JPA REPRESENTATIVE TO SUPPORT THE AGREEMENT AT THE METRO COMMISSION/METRO JPA MEETING AND AUTHORIZING THE MAYOR TO SIGN THE AGREEMENT

---

WHEREAS, the City of La Mesa has a strategic goal to continue to improve high quality municipal services;

WHEREAS, the NPDES permit for the Point Loma Wastewater Treatment Plant submitted in 2015 included a goal of offloading 83 million gallons a day of wastewater and turning it into potable drinking water by 2035. This project is titled Pure Water San Diego;

WHEREAS, the Point Loma offloading as planned will bring the solids discharged from the plant down to a level that would be equivalent to that of converting the plant to secondary treatment;

WHEREAS, wording for Federal legislation to protect Point Loma from having to convert to the secondary treatment level has been agreed to by local stakeholders including environmental groups, but has not yet been approved at the Federal level;

WHEREAS, the 1998 Regional Wastewater Disposal Agreement between the City of San Diego and the participating agencies governs the planning, capacity rights and cost allocation of wastewater facilities in the Metropolitan Wastewater System;

WHEREAS, the 1998 Agreement did not contemplate the complexities of the Pure Water program and needs to be amended to adequately address the proposed facilities, allocation of costs and long-term financial protection of wastewater rate payers;

WHEREAS, staff from the City of San Diego and the participating agencies have been working since 2014 on deal points for the Pure Water program and those deal points have been incorporated into an Amended and Restated Wastewater Disposal Agreement; and

WHEREAS, the Amended and Restated Agreement will be considered by the Metro Commission/Metro JPA on August 2nd, 2018.

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED, by the City Council of the City of La Mesa, California, that the City Council directs the Metro Commission/Metro JPA representative to support the Amended and Restated Wastewater Disposal Agreement at the Metro Commission/Metro JPA meeting and authorizes the Mayor to sign the Agreement.

BE IT FURTHER RESOLVED, should the Agreement be modified and if the modifications are non-substantive changes and do not impact the City of La Mesa then the Mayor is authorized to sign such a modified agreement at the discretion of the City Manager.

PASSED AND ADOPTED at a Regular meeting of the City Council of the City of La Mesa, California, held the 24th day of July 2018, by the following vote, to wit:

AYES: Councilmembers Alessio, Baber, McWhirter, Parent and Mayor Arapostathis

NOES: None

ABSENT: None

CERTIFICATE OF CITY CLERK

I, MEGAN WIEGELMAN, City Clerk of the City of La Mesa, California, do hereby certify the foregoing to be a true and exact copy of Resolution No. 2018-078, duly passed and adopted by the City Council of said City on the 24th of July 2018, and by the vote therein recited.

A handwritten signature in dark ink, appearing to read 'Megan Wiegelman', with a large, sweeping flourish extending to the right.

MEGAN WIEGELMAN, CMC, City Clerk

(SEAL OF CITY)

IN WITNESS WHEREOF, the Parties have executed this Amendment and Restated Regional Wastewater Disposal Agreement as of the date first set forth above.

**CITY OF CHULA VISTA**

Approved as to Form:

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CITY OF CORONADO**

Approved as to Form:

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CITY OF DEL MAR**

Approved as to Form:

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CITY OF EL CAJON**

Approved as to Form:

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CITY OF IMPERIAL BEACH**


Approved as to Form:

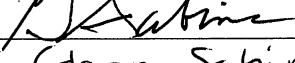
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CITY OF LA MESA**

Approved as to Form:

  
Name: MARK AGOSTINI  
Title: Mayer

  
Name: Glenn Sabine  
Title: City Atty

**LEMON GROVE SANITATION DISTRICT**

Approved as to Form:

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CITY OF NATIONAL CITY**

Approved as to Form:

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Attachment 8  
MetroTAC  
Update/Report

**Metro TAC Work Plan  
Active & Pending Items  
June 2018**  
*Updated Items in Red Italics*

Active Items	Description	Member(s)
Muni Transportation Rate Study Working Group	San Diego has hired Carollo Engineers to review the existing transportation rate structure. A work group has been formed to review and give input. First meeting will be in December 2017. Although this is a muni issue it is included on the work plan due to its significance and potential effect on all Metro TAC members. 3/18: Technical consultants to meet with PUD staff and Carollo on 3/22/18 to review model in detail <i>6/18: JPA technical consultants continue to work with PUD staff on understanding rate calculations</i>	Roberto Yano Dan Brogadir Erin Bullers Mark Niemiec Yazmin Arellano Dexter Wilson Karyn Keese Carmen Kasner SD staff
Point Loma Permit Ad Hoc TAC	Metro Commission/JPA Ad Hoc established 9/17. GOAL: Create regional water reuse plan so that both a new, local, diversified water supply is created AND maximum offload at Point Loma is achieved to support legislation for permanent acceptance of Point Loma as a smaller advanced primary plant. Minimize ultimate Point Loma treatment costs and most effectively spend ratepayer dollars through successful coordination between water and wastewater agencies. 10/17: Group has met several times. Discussions are ongoing. <i>3/18: Group continues to meet at least monthly. 6/18: Group continues to meet monthly. Outreach subgroup formed.</i>	Jerry Jones Jim Peasley Ed Spriggs Bill Baber Steve Padilla Metro TAC staff & JPA consultants
Pure Water EIR Comment Ad Hoc Sub Committee	Created at September 2017 Metro TAC meeting. Purpose to provide technical review of the Pure Water Program EIR and provide draft comments for Metro TAC/JPA review. 10/17: Dexter Wilson & Carmen Kasner reviewed their comments w/Metro TAC. They will forward comments to Chair Humora & he will forward to San Diego. 3/18: Comments submitted to EIR staff. Response from San Diego does not address all issues. Technical consultants and Ad Hoc working with City staff on issues. <i>6/18: One lawsuit filed by La Jolla Planning Group against the EIR. San Diego extends JPA tolling agreement for 60 days.</i>	Roberto Yano Dexter Wilson Carmen Kasner Lisa Coburn-Boyd Paula de Sousa Mills
Pure Water Facilities Working Group	This subcommittee was formed by Metro TAC and is a technical group of engineers and supporting financial staff to work with San Diego staff and consultants on cost allocations for proposed Pure Water facilities. This group meets at least monthly. Current projects include North City and MBC expansions. First meeting was 3/24/17. Roberto Yano is the chair. 5/17: Group continues to meet monthly with PUD and PWP consultants. Reviewed and accepted cost allocation for MBC. 7/17: Facilities WG has submitted their comments to the City of SD on the 30% design of the North City Expansion Project. They are working cooperatively with PUD staff and consultants in the review of the design and their comments. 9/17: Positive progress, reviewed Construction package 1 and 3 and provided comments 10/17: Continued work w/SD on cost allocation of major PWP facilities. Projected draft cost allocation document in November/December 2017. 3/18: Working group have reviewed all four construction design packages and has turned in comments & questions to PUD staff. Work on cost allocation continues. <i>6/18: Continued review of designs &amp; questions.</i>	Yazmin Arellano Dan Brogadir Steve Beppler Al Lau Scott Tulloch Dexter Wilson Roberto Yano SD staff & consultants



**Metro TAC Work Plan  
Active & Pending Items  
June 2018**  
*Updated Items in Red Italics*

Active Items	Description	Member(s)
Sample Rejection Protocol Working Group	7/16: The sample rejection protocol from the B&C 2013 report has been under discussion between PUD staff and Metro TAC. A working group was formed to deal with this highly technical issue and prepare draft recommendations on any changes to current sampling procedures. The existing protocol is to be used through FY17. If changes are approved to the protocol they will be implemented in FY18. 1/17: Work group continues to meet monthly. 6/17: Working Group has complete their review. Three work items to be brought forward at June Metro TAC and during the next fiscal year quarter: 1) Edgar Patino will write memo to support decisions of working group. 2) PUD financial staff to provide workshop for PAs during next fiscal year quarter to go over strength based billing and how to understand sampling data and quarterly billings. Training session to be videotaped and uploaded to the JPA website 3) Dexter Wilson to provide draft protocol on how to read and validate quarterly billings. March 2018: PUD staff has prepared the draft memo and has distributed it to the working group <i>6/18: Memo presented to TAC and accepted as Protocol #3. Only remaining task is SBB training session.</i>	Dennis Davies Dan Brogadir Al Lau Dexter Wilson Erin Bullers SD staff
PLWTP Permit Ad Hoc Working Group	1/17: Greg Humora and Scott Tulloch continue to meet with stakeholders. . Milestones are included in each month Metro TAC and Commission agenda packet.	Greg Humora Scott Tulloch SD staff & consultants Enviro members
Flow Commitment Working Group	6/16: Upon the request of Metro Com Chair Jim Peasley Chairman Humora created a working group to review the Flow Commitment section of the Regional Agreement and make recommendations on the fiscal responsibilities of members who might withdraw their flow from the Metro System. The Work Group held their first meeting June 24, 2016. Yazmin Arellano chairs the work group. 1/17: Work group continues to meet monthly. 4/17: Group has prepared draft RFP to hire engineering consultant to update Pt. Loma capacities. 7/17: Working Group is waiting for additional data from PUD staff and is finalizing the scope and selection of a consultant for the Pt. Loma Cost Capacity Study 10/17: Metro System Sewage Generated Flow projections worksheet handed out. Copy attached. 3/18: Working group continues to meet monthly; presentation made at March Metro TAC meeting. Agencies to review draft capacity numbers and provide comments by April Metro TAC meeting. <i>6/18: New capacity numbers developed and incorporated into draft Amendment.</i>	Yazmin Arellano Roberto Yano Erin Bullers Eric Minicilli Al Lau Dexter Wilson Karyn Keese SD staff

**Metro TAC Work Plan  
Active & Pending Items  
June 2018**  
*Updated Items in Red Italics*

Active Items	Description	Member(s)
Secondary Equivalency	5/14: Definition of secondary equivalency for Point Loma agreed to be enviros 12/14: Cooperative agreement signed between San Diego and enviros to work together to pass legislation for secondary equivalency (until 8/1/19) San Diego indicated that passage of Federal legislation is not possible under the current political environment. San Diego is exploring options for State legislation 9/15: Letter received from EPA endorsing modified permit for Point Loma 6/16: Pursuit of Federal Legislation will be held off until after the November 2016 election. City of San Diego to consult with DC lobbyists on 2/4/17 6/17: Mayor Faulconer to meet with EPA Washington re: proceeding with Admin Fix. JPA to send letter stating that they do not support Admin Fix and request pursuit of permanent legislation instead. 10/17: SD is pursuing both Admin Fix and Secondary Equivalency legislation in Washington; Ad Hoc to monitor efforts. Updates to be provided by SD staff/consultants at each Metro Commission meeting.	Greg Humora Scott Tulloch
Pure Water Program Cost Allocation Working Group	A working group was formed to discuss Pure Water program cost allocation policies. 9/16: Concepts to be refined by Metro TAC and San Diego staff for presentation to Commission 1/17: 4/17: This group is currently being supported on a technical level by the Pure Water Facilities Subcommittee. 7/17: Working group is reviewing full PWP components list with PUD staff. 3/18: Cost allocation continues. Phase I cost allocation to be set based on outcome of bids for 13 PWP construction packages due to be bid in the fall of 2018. <i>6/18: Award of blanket contract approval by San Diego City Council moved to 10/2/18.</i>	Greg Humora Scott Tulloch Roberto Yano Karyn Keese SD staff & consultants
Pure Water Program Cost Allocation Metro TAC Working Group	5/14: Draft facility plan and cost allocation table provided to Metro TAC working group 3/15: Draft cost allocation presentation provided to Metro TAC	Greg Humora Scott Tulloch Rick Hopkins Roberto Yano Al Lau Bob Kennedy Karyn Keese
Exhibit E Audit	6/16: FY 2013 audit accepted by Metro Commission; 9/16: FYE 2014 audit accepted by Metro Commission. FYE 2015 audit report to be issued by end of 2016 and then all audits will be caught up. 1/17: FYE 2015 to be issued in February 2017. FYE 2016 fieldwork is underway with anticipated draft 7/17. 3/17: FYE 2015 audit report issued. Acceptance pending resolution of PWP cost allocation for cost incurred in that fiscal year. 5/17: FYE 2015 audit to move forward as requested costs have been received. FYE 2016 audit field work complete. 6/17: FYE 2015 audit accepted by JPA with assurances that once the PWP cost allocation is complete and approved by all parties that incurred costs will be adjusted as necessary to approved split of shared costs between water and wastewater. FYE 2016 audit field work complete. Completion anticipated in October 2017. 10/17: FYE 2017 Exhibit E Audit has begun. 3/18: FYE 2016 audit completion date moved to 4/18. FYE 2017 preliminary draft number prior to fieldwork is showing an increase from \$65 million PA share to \$70 million. <i>6/18: Exhibit E 2016 audit completion projected to be 7/18.</i>	Karyn Keese Karen Jassoy

**Metro TAC Work Plan  
Active & Pending Items  
June 2018**  
*Updated Items in Red Italics*

Active Items	Description	Member(s)
Amend Regional Wastewater Disposal Agreement	The addition of Pure Water facilities and costs will likely require the amendment of the 1998 Regional Wastewater Disposal Agreement. The Padre Dam billing errors have led to a need to either amend the Agreement and/or develop administrative protocols to help resolve potential future billing errors. After Pure Water cost allocation had been agreed to this effort will begin.	Greg Humora Roberto Yano Dan Brogadir Karyn Keese Paula de Sousa Mills
Debt Allocation Working Group	3/18: Working group has been preparing an MOU and draft Amendment to the Regional Disposal Agreement to incorporate cost allocation “deal points” into a formal document. Draft MOU and Agreement has been reviewed by Ad Hoc and will go to Metro TAC at their March meeting. <i>6/18: Draft amendment is still under negotiation with San Diego staff. 5/14/18 version presented to Metro TAC and JPA/Commission.</i>	Greg Humora Roberto Yano Scott Tulloch Dexter Wilson Karyn Keese Paula de Sousa Mills Nicholas Norvell
IRWMP	8/15 RAC minutes included in August Metro TAC agenda. Padre Dam received a \$6 million grant for their project. 9/16: June 2, 2016 and August 3, 2016 minutes presented to Metro TAC. 12/16: Roberto Yano and Yazmin Arellano appointed to IRWMP. 5/17: Roberto Yano providing monthly updates as well as grant funding opportunities 6/17: Robert Yano urged Metro TAC members to visit the IRWMP website to keep on top of funding opportunities: <a href="http://www.sdirwmp.org">http://www.sdirwmp.org</a> ; Yazmin to attend June meeting. 10/17: Roberto Yano requested comments from TAC on storm water presentation to be provided to IRWMP 10/17: Yazmin gave update on Prop 1 and other funding sources. Members should monitor funding opportunities at: <a href="http://www.sdirwmp.org">http://www.sdirwmp.org</a>	Roberto Yano Yazmin Arellano
Strength Based Billing Evaluation	San Diego will hire a consultant every three years to audit the Metro metered system to insure against billing errors.	Al Lau Dan Brogadir Karyn Keese
Changes in water legislation	Metro TAC and the Board should monitor and report on proposed and new legislation or changes in existing legislation that impact wastewater conveyance, treatment, and disposal, including recycled water issues	Paula de Sousa Mills

# Metro TAC

## Participating Agencies

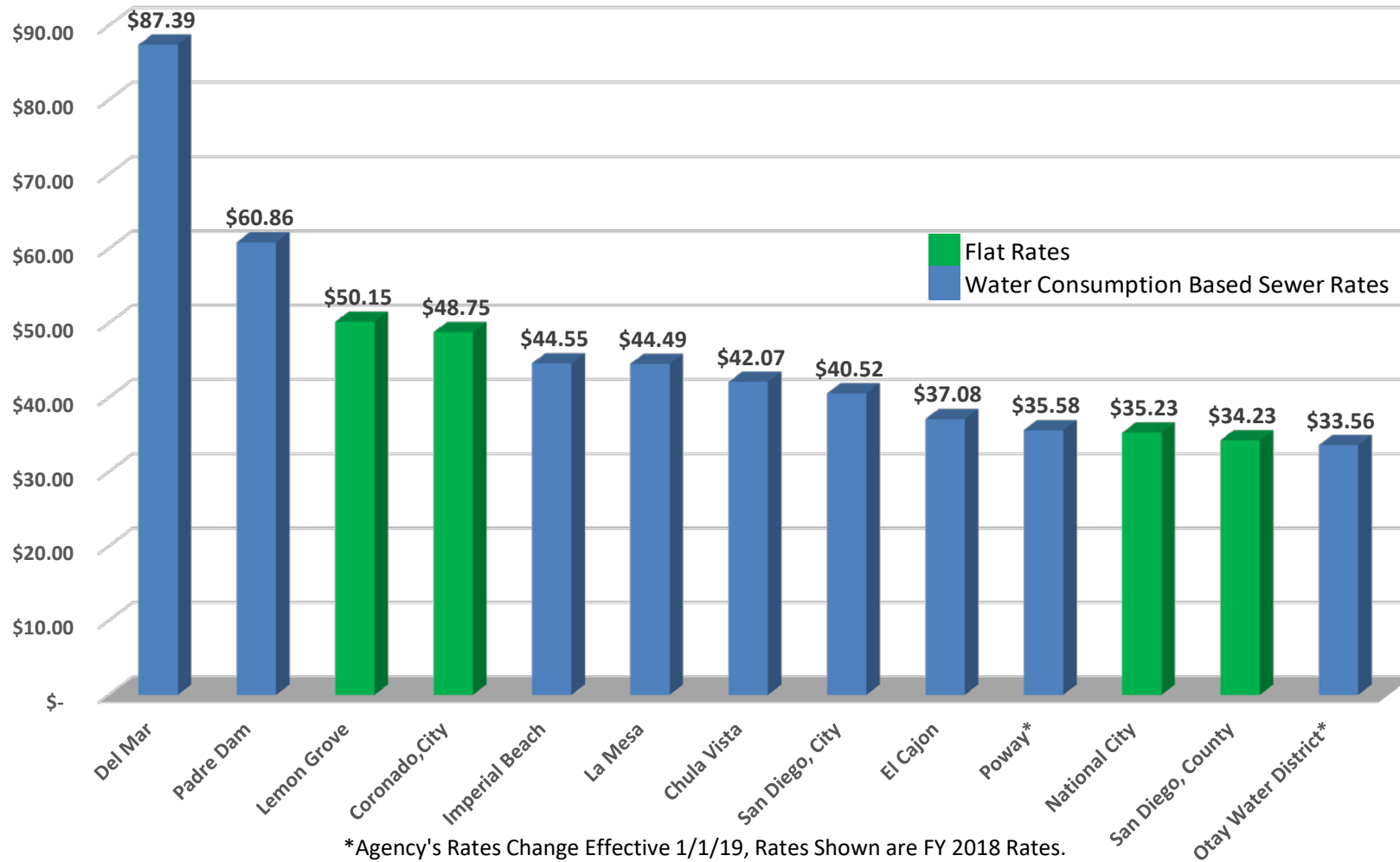
### Selection Panel Rotation

Agency	Representative	Selection Panel	Date Assigned
County of San Diego	Dan Brogadir	As-Needed Condition Assessment Contract	3/24/2015
Chula Vista	Roberto Yano	Out on Leave	6/10/15
La Mesa	Greg Humora	North City to San Vicente Advanced Water Purification Conveyance System	6/10/15
Poway	Mike Obermiller	Real Property Appraisal, Acquisition, and Relocation Assistance for the Public Utilities Department	11/30/15
El Cajon	Dennis Davies	PURE WATER RFP for Engineering Design Services	12/22/15
Lemon Grove	Mike James	PURE WATER RFP Engineering services to design the North City Water reclamation Plant and Influence conveyance project	03/16/15
National City	Kuna Muthusamy	Passes	04/04/2016
Coronado	Ed Walton	As-Needed Environmental Services - 2 Contracts	04/04/2016
Otay Water District	Bob Kennedy	As Needed Engineering Services Contract 1 & 2	04/11/2016
Del Mar	Eric Minicilli	Pure Water North City Public Art Project	08/05/2016
Padre Dam	Al Lau	Biosolids/Cogeneration Facility solicitation for Pure Water	08/24/2016
County of San Diego	Dan Brogadir	Pure Water North City Public Art Project	08/10/2016
Chula Vista	Roberto Yano	Design Metropolitan Biosolids Center (MBC) Improvements Pure Water Program	9/10/2016
La Mesa	Greg Humora	Design of Metropolitan Biosolids Center (MBC) Improvements	9/22/16
Poway	Mike Obermiller	Electrodialysis Reversal (EDR) System Maintenance	12/7/16
El Cajon	Dennis Davies	As-Needed Construction Management Services for Pure Water	3/13/17
Lemon Grove	Mike James	Morena Pipeline, Morena Pump Station, Pure Water Pipeline and Dechlorination Facility, and the Subaqueous Pipeline	8/7/17
National City	Vacant	North City and Miramar Energy Project Landfill Gas and Generation- Pass	1/31/2018
Coronado	Ed Walton	North City and Miramar Energy Project Landfill Gas and Generation	1/31/2018
Otay Water District	Bob Kennedy	As Needed Engineering Services - Contracts 3 and 4 (H187008 & H187009)	2/16/2018
Del Mar	Joe Bride	Request for Proposal Owner Controlled Insurance Program (OCIP) Pure Water – 1 <sup>st</sup> email sent on 5/23/18 & 2 <sup>nd</sup> email sent on 5/29/18	5/23/18
Padre Dam	Al Lau	Request for Proposal Owner Controlled Insurance Program (OCIP) Pure Water (Mark Niemiec will participate)	5/31/18
County of San Diego	Dan Brogadir		

Chula Vista	Frank Rivera		
Imperial Beach	Eric Minicilli		
La Mesa	Greg Humora		
Poway	Mike Obermiller		
El Cajon	Dennis Davies		
Lemon Grove	Mike James		
National City	Roberto Yano		
Coronado	Ed Walton		
Otay Water District	Bob Kennedy		
Del Mar	Joe Bride		
Padre Dam	Al Lau		
County of San Diego	Dan Brogadir		
Chula Vista	Frank Rivera		
Imperial Beach	Eric Minicilli		
La Mesa	Greg Humora		
Poway	Mike Obermiller		
El Cajon	Dennis Davies		
Lemon Grove	Mike James		
National City	Roberto Yano		
Coronado	Ed Walton		
Otay Water District	Bob Kennedy		
Del Mar	Joe Bride		
Padre Dam	Al Lau		
County of San Diego	Dan Brogadir		
Chula Vista	Frank Rivera		
Imperial Beach	Eric Minicilli		
La Mesa	Greg Humora		
Poway	Mike Obermiller		
El Cajon	Dennis Davies		
Lemon Grove	Mike James		
National City	Roberto Yano		
Coronado	Ed Walton		



**Sewer Rate Comparison for Metro Participating Agencies**  
**Single Family Monthly Rates Based on 7 HCF of Water Usage**  
**Effective July 1, 2018 for FY 2019**



Attachment 14  
Action Minutes  
of May 23, 2018  
And  
Updated 2018  
Meeting  
Calendar





Metro Wastewater JPA Finance Committee  
May 23, 2018  
Minutes

Meeting called to order: 10:05 a.m. at PUD MOC 11 (Room 2F-Second Floor) 9192 Topaz Way, San Diego, CA by Committee Chairman Mullin

**1. Roll Call**

**Attendees:**

John Mullin, Chair, Poway  
Jim Peasley, Vice Chair, Padre  
Jerry Jones, Lemon Grove Sanitation District  
Bill Baber, La Mesa  
Ed Spriggs, Imperial Beach

**Support Staff:**

Karyn Keese, The Keze Group, LLC  
Paula de Sousa Mills, BBK Law  
Roberto Yano, Vice Metro TAC Chair  
Karen Jassoy, Metro JPA Treasurer  
Lori Anne Peoples, Metro JPA Board Secretary

**City of San Diego Staff:**

Edgar Patino, Public Utilities Department, City of San Diego (PUD)  
Mark Gonzalez, Public Utilities Department, City of San Diego (PUD)  
Charlotte Strong-Williams, Public Utilities Department, City of San Diego, Pure Water (PUD)

**General Public:**

There were no general public members.

**1. Roll Call**

Meeting attendance is noted above. There was a quorum for the meeting. As there were several new people, introductions were made.

**2. Public Comment**

There was no public comment.

**3. Approval of Minutes from the May 24, 2017 Finance Committee Meeting**

**ACTION:** Upon motion by Vice Chair Jones, seconded by Committee Member Spriggs, the May 24, 2017 Minutes were approved unanimously.

**4. Approval of 2018 Calendar of Metro JPA Finance Committee Meetings**

Chair Mullin suggested the committee only earmark months where they were anticipating a meeting such as June or July for the Audit and then June for the JPA Budget so possibly April, May, June and July of 2019. Committee Member Spriggs stated he felt having the dates reserved year round worked better for him.

**ACTION:** Upon motion by Committee Member Peasley, seconded by Committee Member Baber, the calendar was tabled for now. Substitute motion by Committee Member Peasley, second by Committee Member Baber, to postpone consideration until staff brings back a calendar next month for discussion and action. Motion carried unanimously.

**5. Approval of the FY 2019 Proposed City of San Diego Metro Wastewater Utility Budget**

Mark Gonzalez, City of San Diego, presented an overview of his handout (attached as Exhibit A to these Minutes). He included an overview of the budget process including key budget dates; Fiscal Year 2019 Metro Fund reductions; FY 2019 Proposed Budget (Metro Sewer Fund Summary); FY 18 vs. FY 19 Personnel Expense Allocation; Fiscal Year 2019 Proposed Budget – Position Additions; Fiscal Year 2019 Proposed Budget – Expense; Fiscal Year 2019 Proposed Budget – Revenue; Summary of Major Revenue Changes; Summary of Major Expense Changes; Pure Water FY 2019 Proposed Budget Wastewater Detail and Fiscal Year 2019 CIP Proposed Budget – Metro Fund.

Karyn Keese stated that there was a huge improvement in the accounting process in having the recycled water personnel and expenses transferred from water to Metro because now the revenue from recycled water and the expenses for producing it are in the Metro Fund making it much cleaner and not subject to spread sheet calculations. This improves the audit efficiency and the calculation of the revenues due to the PAs. There is a 14.3% net increase in Metro personnel cost for FY 2019 and the JPA pays 34% of Metro expenses (and receives 34% of Recycled Water revenues). Karyn requested a change to slide 5, “FY 18 v FY 19 Personnel Expense Allocation” to include the totals for each year prior to the JPA meeting to reflect how the net change allocation for Metro went down and is a cost savings to JPA members.

**ACTION:** Upon motion by Committee Member Peasley, seconded by Vice Chair Jones, the FY 2019 Proposed City of San Diego Metro Wastewater Utility Budget was approved unanimously.

**6. Approval of Amendment to the Treasurers Contract with Padre Dam Municipal Water District FY 2019**

Karyn Keese provided a brief overview of the contract. The only changes included an increase from \$19,000 to \$21,000 in the budget due to the JPA audit administration and additional work load associated with monthly monitoring of consultant contracts due to their increased workload during the upcoming year.

**ACTION:** Upon motion by Committee Member Baber, seconded by Vice Chair Jones, the FY 2019 Amendment to the Treasurers Contract with Padre Dam Municipal Water District was approved unanimously.

**7. Approval of FY 2019 Contract with The Keze Group, LLC for Financial Support Services**

Roberto Yano, MetroTAC Vice Chair, provided an overview of the contract with Karyn Keese noting that the only change to last year was an increase of \$2,700 due to the review of journal entries for 55+ Pure Water Task Order changing them from a past 50/50 cost sharing split with water to something lower for wastewater based on the upcoming bids for the capital projects. Current projections have lowered the split to 39% wastewater potentially resulting in a \$1 million savings to the JPA members.

**ACTION:** Upon motion by Committee Member Peasley, seconded by Vice Chair Jones, the Contract was approved unanimously.

**8. Approval of Amendment to the Agreement for Administrative Support Services with Lori Anne Peoples through FY 2022**

Karyn Keese explained that the changes to the contract were a Cost of Living Adjustment of 5% taking the hourly rate from \$52.50/hour to \$55/hour. The past agreement with the JPA was for two year and the current agreement is for four years to coincide with the City of San Diego Reimbursement Agreement. In addition, there is an inclusion of a debit or credit card in the amount of \$500 so that Lori does not have to use her own funds as in the past and wait for quarterly reimbursement of expenses incurred on the JPA's behalf.

**ACTION:** Upon motion by Committee Member Peasley, seconded by Vice Chair Jones, Amendment to the Agreement with Lori Anne Peoples for Administrative Support Services was approved unanimously.

**9. Approval of Reimbursement Agreement with the City of San Diego for Administrative Support Services with Lori Anne Peoples through FY 2022**

Paula de Sousa Mills explained that this agreement was a counterpart to the prior agreement to reimburse the Metro Wastewater JPA for Lori's services for the Metro Commission costs which the City reimburses the JPA. Karyn Keese explained the changes to the contract were similar to those in the JPA contract: increase in hourly rate, four year term, etc.

**ACTION:** Upon motion by Vice Chair Jones, seconded by Committee Member Peasley, Reimbursement Agreement with the City of San Diego for Administrative Support Services was approved unanimously.

**Items 12 and 13 were heard at this time as Committee Member Baber recused himself from items 10, 11, and 14 under an abundance of caution. Committee Member Baber left the meeting after the hearing of Item 12 and did not return.**

#### **10. Approval of the FY 2019 NV5 Contract for Engineering Services**

Karyn Keese explained that this contract covered Scott Tulloch, Carmen Kasner, and other NV5 staff who were providing engineering services to the MetroTAC. Scott had taken a lead role in working on the engineering team consisting of Roberto Yano, Dexter Wilson, and himself regarding review of all Pure Water Program designs and cost sharing. Carmen Kasner took a lead role with Dexter Wilson on review and comments on the EIR. Additionally, NV5 has also assisted with Public Outreach efforts. The contract has been lowered from \$75,000 to \$50,000 per request of NV5 which has helped the JPA budget substantially.

**ACTION:** Upon motion by Vice Chair Jones, seconded by Committee Member Peasley, to approve the FY 2019 Contract with NV5 and sent accolades to the JPA team (Dexter Wilson, Carmen Kasner, Scott Tulloch, Roberto Yano, Karyn Keese, and Paula de Sousa Mills and BBK staff) for their dedication and support provided to the JPA during the past year). Motion carried unanimously with Committee Member Baber absent.

#### **11. Approval of FY 2019 Scope of Work for Lemon Grove Sanitation District Consultant Wilson Engineering; Amendment to Reimbursement Agreement with Lemon Grove Sanitation District for Engineering Support Services of Wilson Engineering for FY 2019 and Authorizing the Chair or Designee to execute Amendment to Reimbursement Agreement with Lemon Grove Sanitation District.**

Paula clarified that the titles on this item should read Lemon Grove Sanitation District not City of Lemon Grove.

Karyn Keese explained that the changes to the contract were for the inclusion of one task (Task 5) to assist with preparation of an amendment to Wastewater Disposal Agreement to clarify and support the Pure Water Program. This work is underway and will proceed into FY 2019. The total increase is \$10,500 for this task. There are no other increases in proposed hours or increases in hourly rates.

**ACTION:** Upon motion by Vice Chair Jones, seconded by Committee Member Peasley, the items were approved unanimously with Committee Baber Absent.

**Items 12 and 13 were heard prior to Items 10, 11 and 14**

#### **12. Approval of FY 2019 Budget for Legal Counsel (Best Best & Krieger LLP)**

Karyn Keese explained that this was a very busy year for our General Counsel. Further, that both Karyn and Paula had discussed that the budget for legal counsel, like all other contracts, should be conservative to avoid supplemental billings to JPA members for the upcoming fiscal year. The changes to the contract contain a budgeted amount for FY 2019 of \$130,000 which is the expected FY 2018 year end amount as similar additional work will be required in the upcoming year.

**ACTION:** Upon motion by Vice Chair Jones, seconded by Committee Member Peasley, the FY 2019 Budget for Legal Counsel was approved unanimously.

**13. Approval of Metro Commission/Metro Wastewater JPA FY 2019 Budget**

Karen Jassoy provided an overview of the budget noting that the allocation of the JPA Operating Budget to members is always based on the City of San Diego projected Budget provided in January of each year per the Regional Disposal Agreement. Discussion was held amongst Committee Members whether the JPA budget should be based on projected Metro budgets or Metro Exhibit E audited allocations. Paula de Sousa Mills stated she will look at the agreement and bring a report back as to what budget versus actual might look like and if the JPA should also do a true-up of budgeted costs when actual audited costs are known similar to the Metro Exhibit E Audit process.

**ACTION:** Upon motion by Vice Chair Jones, seconded by Chair Mullins, the budget was approved unanimously.

**14. Approval of Amendment to Increase Work in FY 2017-2018 in the amount of \$10,500 with a corresponding Revision to Exhibits A and B for Lemon Grove Sanitation District Consultant Wilson Engineering for Engineering Support Services**

Karyn Keese explained that the changes to the contract and increased costs were for the assistance with the preparation of an amendment to Wastewater Disposal Agreement to incorporate Pure Water Program cost sharing and protections to JPA members that were not anticipated when the Lemon Grove agreement was approved in last year's budget. An estimate of costs incurred to date for this additional task is \$10,500.

**ACTION:** Upon motion by Committee Member Peasley, seconded by Chair Mullins, the Amendment was approved unanimously with Committee Member Baber absent.

**15. Review of Items to be Brought Forward to the Metro Commission/Metro Wastewater JPA**

All Finance Committee approved items will move forward to the Metro Commission/Metro Wastewater JPA meeting in June.

**16. Other Business of the Finance Committee**

There was no other additional business of the Finance Committee.

**17. Adjournment**

The meeting was adjourned at 12:02 p.m. The next regularly scheduled meeting of the Finance Committee will be July 25, 2018.

---



## METRO WASTEWATER JOINT POWERS FINANCE COMMITTEE MEETING CALENDAR FOR 2018

January 24, 2018  
February 28, 2018  
March 28, 2018  
April 25, 2018  
May 23, 2018  
June 27, 2018  
July 25, 2018  
August 22, 2018  
September 26, 2018  
October 24, 2018  
November 28, 2018  
December 26, 2018

\*NOTE: August through December, 2018 Meetings  
Cancelled per Committee action July 25, 2019