



**Metro Finance Committee**  
(Finance Advisory Committee to Metro JPA)

**TO:** Finance Committee Members and Metro Commissioners

**DATE:** Wednesday, July 22, 2020

**TIME:** 10:00 a.m.

**LOCATION:** DUE TO THE STAY AT HOME ORDER IN CALIFORNIA AND IN ACCORDANCE WITH THE GOVERNOR'S EXECUTIVE ORDERS N-25-20 AND N-29-20, MEMBERS OF THE METRO JPA FINANCE COMMITTEE WILL BE PARTICIPATING REMOTELY FOR THIS MEETING AND THERE WILL BE NO LOCATION FOR IN-PERSON ATTENDANCE. METRO JPA IS PROVIDING ALTERNATIVES TO IN-PERSON ATTENDANCE FOR OBSERVING AND PARTICIPATING IN THE MEETING. FURTHER DETAILS ARE BELOW.

**Note:** Any member of the public may provide comments to the Finance Committee on any agenda item or on a matter not appearing on the agenda, but within the jurisdiction of the Committee. Public comments must be submitted to [peoples@chulavistaca.gov](mailto:peoples@chulavistaca.gov). Please indicate whether your comment is on a specific agenda item or a non-agenda item. When providing comments to the Committee, it is requested that you provide your name and city of residence for the record. Commenter's are requested to address their comments to the Committee as a whole through the Chair. Comments are limited to four hundred (400) words on the form. If you have anything that you wish to be distributed to the Committee, please provide it to the Secretary via [peoples@chulavistaca.gov](mailto:peoples@chulavistaca.gov), who will distribute the information to the Members. It is requested that comments and other information be provided at least two (2) hours before the start of the Board meeting. All comments received by such time will be provided to the Committee members in writing. In the discretion of the Chair, the first five (5) comments received on each agenda item, or on non-agenda matters, may be read into the record at the meeting. Comments received after the two (2) hour limit will be collected, sent to the Committee members in writing, and be part of the public record.

This agenda will be updated with videoconference/teleconference information on Monday, July 20, 2020.

UPDATE:

Metro JPA Finance Committee  
<https://us02web.zoom.us/j/88216224022>

Meeting ID: 822 1622 4022

Dial by your location: +1 669 900 9128 US (San Jose)

The health and well-being of the Metro JPA Finance Committee members/alternates and participating staff during the COVID-19 outbreak remains our top priority. The Metro Finance Committee is taking steps to ensure the safety of all involved by holding its July meeting electronically via Zoom.

An e-mail containing information on how to participate in the meeting will be distributed to the Metro Finance Committee members e-mail list and approved San Diego City Staff by Monday, July 20, 2020 at 5:00 p.m. If you do not receive the e-mail, please contact Lori Peoples at [lpeoples@ci.chula-vista.ca.us](mailto:lpeoples@ci.chula-vista.ca.us)

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

---

1. **Roll Call**
2. **Public Comments**  
*Persons speaking during Public Comment may address the Members of the public may provide comments to the Metro Finance Committee on any subject matter within the jurisdiction of the Metro Finance Committee that is not listed as an agenda item. Comments are limited to three (3) minutes. Please complete a Speaker Slip and submit it prior to the meeting. Comments may be submitted as described above.*
3. **ACTION:** Approval of Minutes from the May 27, 2020 Finance Committee Meeting (**Attachment**)
4. **ACTION:** Consideration and Possible Action to Recommend to the Metro Commission/Metro Wastewater JPA Approval of the FY 2018 Exhibit E Audit (Charles Modica/Edgar Patino) (**Attachment**)
5. **ACTION:** Consideration and Possible Action to Recommend to the Metro Commission/Metro Wastewater JPA Approval of the FY 2018 JPA Budget Reconciliation (Karen Jassoy/Karyn Keese) (**Attachment**)
6. Review of Items to be Brought Forward to the Metro Commission/Metro JPA
7. Other Business of the Finance Committee
8. Adjournment

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

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

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

*Metro JPA meetings comply with the protections and prohibitions of the Americans with Disabilities Act. Individuals with a disability who require a modification or accommodation, including auxiliary aids or services, in order to participate in the public meeting may contact [lpeoples@chulavistaca.gov](mailto:lpeoples@chulavistaca.gov). Requests for disability-related modifications or accommodations require different lead times and should be provided at least 72-hours in advance of the public meeting.*

# ATTACHMENT 1

## ACTION MINUTES FOR THE MEETING OF MAY 27, 2020



Metro Wastewater JPA Finance Committee  
May 27, 2020  
Minutes

Meeting called to order: 10:00 a.m. via Zoom by Committee Chairman Mullin

**1. Roll Call**

**Attendees:**

John Mullin, Chair, Poway  
Jim Peasley, Vice Chair, Padre  
Sherryl Parks, Del Mar (became an observer at 10:05 am)  
Ed Spriggs, Imperial Beach (logged in at 10:05 am)  
Jerry Jones, Lemon Grove Sanitation District  
Bill Baber, La Mesa

**Support Staff:**

Karyn Keese, The Keze Group, LLC (Called In)  
Nicholas Norvell, BBK Law  
Eric Minicilli, Vice Metro TAC Chair  
Lori Anne Peoples, Metro JPA Board Secretary

**City of San Diego Staff:**

Charles Modica, Public Utilities Department, City of San Diego (PUD)  
Edgar Patino, Public Utilities Department, City of San Diego (PUD)

**General Public:**

There were no general public members.

**1. Roll Call**

Meeting attendance is noted above. There was a quorum for the meeting.

**2. Public Comment**

There was no public comment.

**3. Approval of Minutes from the September 25, 2019 Finance Committee Meeting**

**ACTION:** Upon motion by Committee Member Jones, seconded by Committee Member Parks, the September 25, 2019 Minutes were approved unanimously.

MetroTAC Vice Chair Minicilli thanked Metro Support Staff Karyn Keese, Karen Jassoy, Nicholas Norvell and Lori Anne Peoples for their assistance in preparing the reports.

**4. Consideration and Possible Action to Approve the Amendment to the Treasurer's Contract with Padre Dam Municipal Water District for FY 2021**

MetroTAC Vice Chair Eric Minicilli provided a brief overview of the item. He noted that other than the amendment of the contract date, the not to exceed amount had been reduced by \$1,000.

**ACTION:** Motion by Committee Member Jones, seconded by Committee Member Parks, to approve the recommendation and move the item forward. The motion carried unanimously.

**5. Consideration and Possible Action to Approve the FY 2021 Professional Services Agreement with The Keze Group, LLC for Financial Management Services**

MetroTAC Vice Chair Eric Minicilli provided a brief overview of the item. He noted that other than the amendment of the contract date, the only changes had been made to include: and updated scope of work for FY 2021. There is no change in the not-to-exceed limit of the contract as essentially the work that was anticipated to be completed in FY 2020 and has been stalled due to COVID, the lawsuit, etc. is being carried over to FY 2021.

**ACTION:** Motion by Committee Member Jones, seconded by Vice Chair Peasley, to approve the recommendation and move the item forward. The motion carried unanimously

**6. Consideration and Possible Action to Approve the FY 2021 Professional Services Agreement with NV5 for Engineering Services**

MetroTAC Vice Chair Eric Minicilli provided a brief overview of the item. He noted that in addition to the amendment of the contract date, the contract amount had been reduced from \$50,000 to \$30,000.

Committee Member Jones inquired as to whether the reduction was due to Scott Tulloch retiring. Ms. Keese responded not yet, but it was due to not utilizing NV5 staff other than Mr. Tulloch whose billings had not gotten close to the amount projected so Ms. Kasner of NV5 recommended it be reduced.

**ACTION:** Motion by Vice Chair Peasley, seconded by Committee Member Jones, to approve the recommendation and move the item forward. The motion carried unanimously

**7. Consideration and Possible Action to Approve the FY 2021 Professional Services Agreement with Dexter Wilson Engineering for Engineering Services**

MetroTAC Vice Chair Eric Minicilli provided a brief overview of the item. He noted that in addition to the amendment to the contract date, there was also an increase in the potential monthly hours as well as a cost of living increase raising the contract amount from \$106,000 to \$108,000.

Ms. Keese explained that Mr. Wilson would be assisting her on the engineering side during the audit. It is anticipated that the Pure Water Phase I projects will be bid and final contract costs will be known by the end of calendar 2020. At that time the project cost allocation and financial split will be calculated between water and wastewater. The revised cost allocation will then be applied to PWP engineering and capital costs from the projects inception (2014) to present. This would be a huge reconciliation project which they were unable to do in FY 2020. An additional reconciliation will be needed at the end of the contract as well based on final project costs and change orders. Also the Amended/restated Agreement has 10 items that are financial in nature that need to be worked out following implementation of the agreement once approved, hopefully within the next few months.

Committee Member Jones inquired as to whether the funding would be sufficient as he saw this as being an accelerated year and was assured it would.

**ACTION:** Motion by Committee Member Jones, seconded by Committee Member Spriggs, to approve the recommendation and move the item forward. The motion carried unanimously

#### **8. Consideration and Possible Action to Approve the FY 2021 Professional Services Agreement with Granicus for Website Hosting**

MetroTAC Vice Chair Eric Minicilli provided a brief overview of the item and thanked Chair Mullin for the assistance provided to Metro Secretary Peoples in resolving the prior issues. In addition to the change in the contract date, there was a minor increase from \$1,396.67 to \$2,747.76 and they will not make us upgrade to their larger more expensive program as originally anticipated.

**ACTION:** Motion by Committee Member Jones, seconded by Committee Member Spriggs, to approve the recommendation and move the item forward. The motion carried unanimously

Committee Member Baber left the meeting out of an abundance of caution on this item.

#### **9. FY 2021 Budgets for Legal Counsel (Best Best & Krieger LLP and Procopio, Cory, Hargreaves & Savitch LLP)**

MetroTAC Vice Chair Eric Minicilli provided a brief overview of the item noting that these contracts do not change and therefore do not require an annual renewal. Both have cost of living increases annually and not to exceed caps.

**ACTION:** Motion by Committee Member Jones, seconded by Vice Chair Peasley, to approve the recommendation and move the item forward. The motion carried unanimously

Committee Member Baber returned to the meeting.

## **10. Consideration and Possible Action to Approve the FY 2021 Metro Wastewater JPA Budget**

Metro JPA Treasurer Jassoy provided a verbal overview of the FY 2021 Proposed Budget. She noted on Page 2 – Initial Billing FY 2021 (before true up) the amount was less than last year.

Committee Member Spriggs stated he appreciated the summary.

Committee Member Jones noted that the Per Diems of the Board and TAC Expenses had been reduced. Ms. Jassoy responded this was done as they generally come under budget. General discussion ensued with consensus to put them back up to the original \$18,000.

**ACTION:** Motion by Vice Chair Peasley, seconded by Committee Member Spriggs, to approve the recommendation with the increase of the per diem back up to the original \$18,000 and move the item forward. The motion carried unanimously

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

Finance Committee Chair Mullin noted that all items would move forward to the Metro Comm/Metro Wastewater JPA at their next meeting for approval.

## **12. Other Business of the Finance Committee**

Chair Mullin expressed thanks to MetroTAC Vice Chair Minicilli along with the other support staff for a job well done. This was echoed by the other committee members.

Ms. Keese stated that the next meeting required of the Finance Committee would be on the FY 2018 Exhibit E Audit. The audit was almost complete and City of San Diego Staff is projecting to receive it in June so the meeting will be held in June or possibly July.

## **13. Adjournment**

The meeting was adjourned at 10:45 a.m.



# ATTACHMENT 4

## FY 2018 Exhibit E Audit

- A. Staff Report
- B. Auditor's Reports
- C. Metro Year-End  
Reconciliation

## **Fiscal Year 2018 Exhibit E Summary Staff Report**

Fiscal Year 2018's "Schedule of Allocation for Billing to Metropolitan Wastewater Utility and Independent Auditors Report" (Exhibit E Audit) was completed on June 26, 2020. A copy of the Auditor's Report and the Reconciliation of Fiscal Year 2018 based on the audited numbers are attached.

The final operating and capital expenses can be found on Page 3 of the Auditor's Report. The fiscal year-end total \$231.4 million is approximately (\$28.5) million (14%) higher than Fiscal Year 2017. The major variances in the areas of expenditures & Income Credits for the year are:

### **EXPENDITURES & INCOME CREDITS**

#### **Transmission:**

- Transmission costs decreased due to Pump Station 1 and 2 overhauled maintenance expenses that were incurred in Fiscal Year 2017. Decrease \$2.4 Million.

#### **Capital Improvement Expense:**

- Increase in design, engineering and property acquisition costs for various Pure Water Projects. Increase in construction and engineering costs related to the PS2 Power Reliability Project. Increase \$24 Million.

#### **Debt Service:**

- The increase over last fiscal year is due to the start of repayment period on SRF loans and bond principal and interest. Increase \$8.2 Million.

#### **Income Credits:**

- There was a decrease in income credits related to SRF. This decrease in income credits over Fiscal Year 2018 has a direct correlation to the increase in Capital Expense, it is anticipated that Fiscal Year 2019 will see an increase in income credits due to timing of reimbursements. Decrease \$5 Million.

### **PURE WATER**

- Metropolitan Wastewater Fund costs \$ 31.7 million for Pure Water O&M and related CIP costs. The final cost allocation of O&M task orders, as well as capital improvement projects is currently in progress. Once finalized, if changes to the draft cost allocation of project costs between water and wastewater is necessary, an adjustment will be made during the Exhibit E audit.

### **TABLE B**

- The year-end reconciliation shows the total PA share of the Fiscal Year 2018 operations and CIP costs less income credits of \$74.4 million. Fiscal Year 2018 PAs were collectively been billed \$70 million which results in deficit of \$4.4 million owed to San Diego. Table B reflects the individual PA's annual contributions, actual expenses, and reflect either a credit amount (refund) or debit owed.

**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, 2018



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, 2018

***Table of Contents***

	<i><b>Page</b></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  
City of San Diego California

### **Report on the Schedule**

We have audited the accompanying modified cash basis Schedule of Allocation for Billing to Metropolitan Wastewater Utility (the Schedule) of the City of San Diego Public Utilities Department (PUD), an enterprise fund of the City of San Diego, California (the City) for the fiscal year ended June 30, 2018, and the related notes to the Schedule, as listed in the table of contents.

### ***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 Allocation for Billing to Metropolitan Wastewater Utility of the PUD pursuant to the Regional Wastewater Disposal Agreement (Agreement) between the City and the Participating Agencies in the Metropolitan Wastewater System dated May 18, 1998 as amended on May 15, 2000 and June 3, 2010, respectively, for the fiscal year ended June 30, 2018, 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 26, 2020 on our consideration of the PUD's internal control over financial reporting as it relates to the Schedule and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the PUD's internal control over financial reporting or on compliance related to the Schedule. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PUD's internal control over financial reporting and compliance related to the Schedule.

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

San Diego, California  
June 26, 2020

**CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT**  
**Schedule of Allocation for Billing to Metropolitan Wastewater Utility**  
**For the Fiscal Year Ended June 30, 2018**

	<b>Operating Expenses</b>		
	<b>Municipal System</b>	<b>Metropolitan System</b>	<b>Total</b>
<b>Transmission</b>			
Main Cleaning .....	\$ 12,307,306	\$ -	\$ 12,307,306
Sewer Pump Stations.....	4,753,959	-	4,753,959
Other Pump Stations.....	5,525,618	571,506	6,097,124
Pump Station 1.....	-	1,918,982	1,918,982
Pump Station 2.....	-	6,359,493	6,359,493
Other Muni Agencies.....	5,972,933	-	5,972,933
Pipeline Maintenance and Repair.....	11,962,739	103,314	12,066,053
Wastewater Collection (WWC) Engineering and Planning.....	2,317,947	-	2,317,947
<b>Total Transmission.....</b>	<b>42,840,502</b>	<b>8,953,295</b>	<b>51,793,797</b>
<b>Treatment and Disposal</b>			
Point Loma Wastewater Treatment Plan (PTLWWTP).....	-	23,376,544	23,376,544
North City Water Reclamation Plant (NCWRP).....	-	11,232,382	11,232,382
South Bay Water Reclamation Plant (SBWRP).....	-	9,292,184	9,292,184
Metropolitan Biosolids Center (MBC).....	-	16,607,023	16,607,023
Cogeneration Facilities.....	-	295,004	295,004
Gas Utilization Facility (GUF).....	-	723,547	723,547
Wastewater Treatment and Disposal (WWTD) Plant Engineering.....	-	810,195	810,195
<b>Total Treatment and Disposal.....</b>	<b>-</b>	<b>62,336,879</b>	<b>62,336,879</b>
<b>Quality Control</b>			
Sewage Testing and Control.....	350,426	393,017	743,443
Marine Biology and Ocean Operations.....	2	5,231,075	5,231,077
Wastewater Chemistry Services.....	960,307	5,832,956	6,793,263
Industrial Permitting and Compliance.....	4,940,359	31,408	4,971,767
<b>Total Quality Control.....</b>	<b>6,251,094</b>	<b>11,488,456</b>	<b>17,739,550</b>
<b>Engineering</b>			
Program Management and Review.....	2,971,482	8,961,584	11,933,066
Environmental Support.....	2,771,977	245,715	3,017,692
<b>Total Engineering.....</b>	<b>5,743,459</b>	<b>9,207,299</b>	<b>14,950,758</b>
<b>Operational Support</b>			
Central Support: Clean Water Operations Management Network (Comnet)...	175,550	3,162,673	3,338,223
Operational Support.....	1,293,278	6,082,028	7,375,306
<b>Total Operational Support.....</b>	<b>1,468,828</b>	<b>9,244,701</b>	<b>10,713,529</b>
<b>General and Administrative</b>			
Business Support Administration.....	23,394,744	25,088,359	48,483,103
Operating Division Administration.....	6,204,464	5,088,880	11,293,344
<b>Total General and Administrative.....</b>	<b>29,599,208</b>	<b>30,177,239</b>	<b>59,776,447</b>
<b>TOTAL EXPENSES.....</b>	<b>85,903,091</b>	<b>131,407,869</b>	<b>217,310,960</b>
<b>CAPITAL IMPROVEMENT EXPENSE.....</b>	<b>68,608,811</b>	<b>48,914,684</b>	<b>117,523,495</b>
<b>DEBT SERVICE ALLOCATION.....</b>	<b>33,744,804</b>	<b>75,045,785</b>	<b>108,790,589</b>
<b>METROPOLITAN SYSTEM INCOME CREDITS.....</b>			
Operating Revenue.....	-	(13,616,591)	(13,616,591)
Capital Improvement Project (CIP) - Revenue Bond Issue.....	-	-	-
Operating - Grant Revenue.....	-	-	-
CIP - Grant/SRF Revenue.....	-	(10,306,385)	(10,306,385)
<b>TOTAL METROPOLITAN SYSTEM INCOME CREDITS.....</b>	<b>-</b>	<b>(23,922,976)</b>	<b>(23,922,976)</b>
<b>TOTAL ALLOCATION FOR BILLING PURPOSES.....</b>	<b>\$ 188,256,706</b>	<b>\$ 231,445,362</b>	<b>\$ 419,702,068</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, 2018

**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 a Regional Wastewater Disposal Agreement dated May 18, 1998 as amended on May 15, 2000 and June 3, 2010, respectively, for their respective share of usage and upkeep of the Metropolitan Wastewater Utility. The accompanying Schedule of Allocation for Billing to Metropolitan Wastewater Utility (the Schedule), represents the allocation of expenses for billing related to the Metropolitan Wastewater Utility of the Participating Agencies.

The Metropolitan System and Municipal System are accounted for as enterprise funds and reported in the Sewer Utility Fund in the City's 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. Unbudgeted expenses related to compensated absences, liability claims, capitalized interest, other postemployment benefits, and net pension obligation are excluded from the Schedule.

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



## **CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT**

Notes to the Schedule of Allocation for Billing to Metropolitan Wastewater Utility (Continued)  
For the Fiscal Year Ended June 30, 2018

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

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

### **Note 5 – Debt Service Allocation**

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

### **Note 6 – Metropolitan System Income Credits**

Metropolitan System income credits are revenues earned by the Metropolitan System for costs incurred during the current or previous fiscal years. The PUD has agreed to share the income credits from the South Bay Water Reclamation Facility in accordance with the 1998 Regional Wastewater Disposal Agreement. An agreement was reached in FY 2015 regarding revenue generated from the South Bay Water Reclamation Facility and revenue sharing payments were issued for FY 2006 through FY 2014 to the Participating Agencies. During the fiscal year ended June 30, 2018, revenue sharing payments for FY 2018 of approximately \$3.4 million were transferred from the City's Water Fund and are included in the Schedule as part of the income credits.

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

### **Note 7 – Total Allocation for Billing Purposes**

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

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

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

**CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT**

**Notes to the Schedule of Allocation for Billing to Metropolitan Wastewater Utility (Continued)**  
**For the Fiscal Year Ended June 30, 2018**

**Note 8 – Administrative Protocol**

In May 2010, the City and all Participating Agencies signatory to the Regional Wastewater Disposal Agreement established an Administrative Protocol (Protocol) which was effective beginning in FY 2010. The Protocol established a requirement that the Participating Agencies maintain a 1.2 debt service coverage ratio on parity debt, fund a 45-day operating reserve, and earn interest on the operating and unrestricted reserve accounts. All interest earned during FY 2018 was credited to the operating reserve, which ended the fiscal year above the required 45-day reserve.

**Note 9 – Pure Water Program**

In 2014 the City began planning for the Pure Water Program. The Pure Water Program is the City's phased, multi-year program that will provide one-third, or 83 million gallons per day (MGD), of San Diego's water supply locally by 2035. The Pure Water Program uses proven technology to clean recycled water to produce safe, high-quality drinking water while providing the benefit of continuing advanced primary treatment at the Point Loma Wastewater Treatment Plant. This program is being jointly funded by both water and wastewater ratepayers, and the Participating Agencies represent approximately 35% of the wastewater portion of this program. During FY 2018 the following Pure Water Program costs were incurred that were charged to the Metropolitan Wastewater Fund:

	<u><b>FY 2018 Pure Water Program Costs</b></u>
Total operating and maintenance costs	<u>\$ 6,012,202</u>
Capital improvement costs:	
Morena Blvd. Pump Station and Pipelines	13,105,870
North City Water Reclamation Plant Expansion	9,302,856
Metropolitan Biosolids Center (MBC) Improvements	3,322,308
Total capital improvement costs	<u>25,731,034</u>
Total Pure Water Program – Metropolitan Wastewater Fund costs	<u>\$ 31,743,236</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. Once finalized, if changes to the draft cost allocation of project costs between water and wastewater is needed, an adjustment will be made during the audit of the Schedule.



**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  
City of San Diego California

We have audited, in accordance with the 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, 2018, and the related notes to the Schedule, and have issued our report thereon dated June 26, 2020. Our report contains an explanatory paragraph indicating that the Schedule was prepared for the purpose of complying with, and in conformity with, the accounting practices prescribed by the Regional Wastewater Disposal Agreement between the City and the Participating Agencies in the Metropolitan Wastewater System dated May 18, 1998 as amended on May 15, 2000 and June 3, 2010, respectively.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the Schedule, we considered the PUD's internal control over financial reporting (internal control) 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 related to the Schedule. Accordingly, we do not express an opinion on the effectiveness of the PUD's internal control related to the Schedule.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the PUD's Schedule is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the Regional Wastewater Disposal Agreement between the City and the Participating Agencies dated May 18, 1998 as amended on May 15, 2000 and June 3, 2010, respectively, noncompliance with which could have a direct and material effect on the 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*, including the requirements of the Regional Wastewater Disposal Agreement between the City and the Participating Agencies dated May 18, 1998 as amended on May 15, 2000 and June 3, 2010, respectively.

## **Purpose of this Report**

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

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

San Diego, California  
June 26, 2020

TABLE A

CITY OF SAN DIEGO - PUBLIC UTILITIES DEPARTMENT  
FISCAL YEAR 2018 ESTIMATED UNIT COSTS  
FUNCTIONAL-DESIGN COST ALLOCATION METHOD

TREATMENT PARAMETER	FY 2018 BUDGET		UNITS	COST PER UNIT
WASTEWATER FLOW	AMOUNT	%		
	\$115,904,233	50.1%	56,409 (a)	\$2,054.71 /per Million Gallons
SUSPENDED SOLIDS	\$60,271,912	26.0%	180,265 (b)	\$334.35 /per Thousand Pounds
CHEMICAL OXYGEN DEMAND	\$55,269,218	23.9%	335,931 (c)	\$164.53 /per Thousand Pounds
TOTAL	\$231,445,362	100%		

(a) Units of Flow - Million Gallons Per Year

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

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

TABLE B

CITY OF SAN DIEGO - PUBLIC UTILITIES DEPARTMENT  
PROJECTED DISTRIBUTION OF SYSTEM WASTEWATER COSTS - FISCAL YEAR 2018  
FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

AGENCY	ALLOCATION OF COSTS BY FLOW, SUSPENDED SOLIDS AND CHEMICAL OXYGEN DEMAND				TOTAL PAID FOR FY 2018	DIFFERENCE
	FLOW (a)	SS (a)	COD (a)	TOTAL FLOW, SS & COD		
CHULA VISTA	\$11,603,651	\$6,152,883	\$5,672,837	\$23,429,371	\$21,512,440	\$1,916,931
CORONADO	\$1,039,050	\$617,180	\$430,533	\$2,086,763	\$3,204,904	(\$1,118,141)
DEL MAR	\$203,795	\$121,322	\$64,356	\$389,473	\$40,768	\$348,705
EAST OTAY MESA	\$191,673	\$99,982	\$86,054	\$377,710	\$216,824	\$160,886
EL CAJON	\$4,829,294	\$3,176,159	\$2,449,849	\$10,455,302	\$9,978,712	\$476,590
IMPERIAL BEACH	\$1,557,258	\$635,259	\$558,650	\$2,751,167	\$2,670,648	\$80,519
LA MESA	\$3,221,801	\$1,549,577	\$1,276,639	\$6,048,017	\$5,312,344	\$735,673
LAKESIDE/ALPINE	\$2,160,879	\$1,212,854	\$1,024,236	\$4,397,969	\$3,821,460	\$576,509
LEMON GROVE	\$1,187,640	\$526,989	\$507,116	\$2,221,745	\$2,781,944	(\$560,199)
NATIONAL CITY	\$2,850,892	\$1,308,894	\$1,351,747	\$5,511,534	\$4,921,664	\$589,870
OTAY	\$234,597	\$320,360	\$142,853	\$697,810	\$589,748	\$108,062
PADRE DAM	\$1,839,590	\$1,735,937	\$1,318,092	\$4,893,619	\$4,721,564	\$172,055
POWAY	\$1,753,296	\$903,115	\$693,595	\$3,350,006	\$3,272,536	\$77,470
SPRING VALLEY	\$3,258,489	\$1,649,453	\$1,436,844	\$6,344,786	\$5,675,048	\$669,738
WINTERGARDENS	\$691,899	\$422,875	\$324,940	\$1,439,715	\$1,280,412	\$159,303
SUBTOTAL PARTICIPATING AGENCIES	\$36,623,805	\$20,432,837	\$17,338,343	\$74,394,985	\$70,001,016	\$4,393,969
SAN DIEGO	\$79,280,428	\$39,839,075	\$37,930,874	\$157,050,377		
TOTAL	\$115,904,233	\$60,271,912	\$55,269,218	\$231,445,362		

TABLE C

CITY OF SAN DIEGO - PUBLIC UTILITIES DEPARTMENT  
SYSTEM WASTEWATER CHARACTERISTICS - FISCAL YEAR 2018  
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)	2018 FLOWS million gallons	SS thousand pounds	COD thousand pounds	2018 FLOWS million gallons	Flow Difference (c)	FY 2018 Billing Flows	SS thousand pounds	COD thousand pounds
CHULA VISTA	15.516	278	743	5,663.402	13,155	35,108	6,023.836	(376.503)	5,647.332	18,402	34,480
CORONADO	1.389	312	630	507.130	1,319	2,665	539.405	(33.714)	505.691	1,846	2,617
DEL MAR	0.273	313	480	99.467	259	398	105.797	(6.613)	99.184	363	391
EAST OTAY MESA	0.256	274	682	93.550	214	533	99.504	(6.219)	93.285	299	523
EL CAJON	6.458	345	771	2,357.037	6,790	15,162	2,507.045	(156.696)	2,350.349	9,499	14,890
IMPERIAL BEACH	2.082	214	545	760.052	1,358	3,457	808.423	(50.528)	757.895	1,900	3,396
LA MESA	4.308	252	602	1,572.466	3,313	7,901	1,672.542	(104.538)	1,568.005	4,635	7,760
LAKESIDE/ALPINE	2.889	295	720	1,054.662	2,593	6,339	1,121.783	(70.114)	1,051.669	3,627	6,225
LEMON GROVE	1.588	233	649	579.652	1,127	3,138	616.543	(38.535)	578.008	1,576	3,082
NATIONAL CITY	3.812	241	721	1,391.437	2,798	8,366	1,479.992	(92.503)	1,387.489	3,915	8,216
OTAY	0.314	717	925	114.500	685	884	121.787	(7.612)	114.175	958	868
PADRE DAM	2.460	495	1,089	897.850	3,711	8,158	954.991	(59.689)	895.302	5,192	8,011
POWAY	2.344	270	601	855.732	1,931	4,293	910.193	(56.889)	853.304	2,701	4,216
SPRING VALLEY	4.357	266	670	1,590.373	3,526	8,892	1,691.588	(105.728)	1,585.860	4,933	8,733
WINTERGARDENS	0.925	321	714	337.696	904	2,011	359.188	(22.450)	336.737	1,265	1,975
SUBTOTAL PARTICIPATING AGENCIES	48.973	293	719	17,875.005	43,684	107,305	19,012.618	(1,188.332)	17,824.286	61,112	105,384
SAN DIEGO	106.012	264	727	38,694.451	85,174	234,749	41,157.070	(2,572.410)	38,584.660	119,153	230,547
REGIONAL SLUDGE RETURNS	9.864	342	194	3,600.231	10,263	5,824					
FLOW DIFFERENCE	(10.303)			(3,760.742)	41,144	(11,948)					
TOTAL	154.545	383	714	56,408.946	180,265	335,931	60,169.687	(3,760.742)	56,408.946	180,265	335,931

TABLE D

CITY OF SAN DIEGO - PUBLIC UTILITIES DEPARTMENT  
ALLOCATION OF FISCAL YEAR 2018 ESTIMATED BUDGET  
FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

DESCRIPTION	FY 2018 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	\$8,953,295	100.0%	\$8,953,295	0.0%	\$0	0.0%	\$0	\$8,953,295
OPERATIONS & MAINTENANCE	\$60,508,133	39.0%	\$23,575,215	32.6%	\$19,706,586	28.5%	\$17,226,332	\$60,508,133
TECHNICAL SERVICES	\$11,064,031	30.0%	\$3,319,209	40.0%	\$4,425,612	30.0%	\$3,319,209	\$11,064,031
COGENERATION	(\$389,270)	0.0%	\$0	60.0%	(\$233,562)	40.0%	(\$155,708)	(\$389,270)
METRO ADMIN & GENERAL EXPENSES - 41508	\$24,775,500	44.7%	\$11,082,947	29.8%	\$7,388,680	25.4%	\$6,303,873	\$24,775,500
METRO ADMIN & GENERAL EXPENSES - 41509	\$14,696,994	44.7%	\$6,574,479	29.8%	\$4,383,015	25.4%	\$3,739,500	\$14,696,994
TOTAL OPERATIONS AND MAINTENANCE	\$119,608,682	44.73%	\$53,505,146	29.82%	\$35,670,331	25.44%	\$30,433,206	\$119,608,682
<u>CAPITAL IMPROVEMENT PROGRAM :</u>								
PAY-AS-YOU-GO METRO 41508	\$885,683	55.8%	\$494,165	22.0%	\$194,831	22.2%	\$196,687	\$885,683
PAY-AS-YOU-GO METRO 41509	\$35,905,212	55.8%	\$20,033,253	22.0%	\$7,898,348	22.2%	\$7,973,612	\$35,905,212
DEBT SERVICE	\$75,045,785	55.8%	\$41,871,669	22.0%	\$16,508,403	22.2%	\$16,665,713	\$75,045,785
TOTAL CAPITAL IMPROVEMENT PROGRAM	\$111,836,680	55.8%	\$62,399,087	22.0%	\$24,601,581	22.2%	\$24,836,012	\$111,836,680
TOTAL O&M & CAPITAL IMPROVEMENT PROGRAM	\$231,445,362	<b>50.1%</b>	\$115,904,233	<b>26.0%</b>	\$60,271,912	<b>23.9%</b>	\$55,269,218	\$231,445,362



# ATTACHMENT 5

## FY 2018 JPA Budget Reconciliation

**METRO WASTEWATER JPA**  
**FINAL AGENCY BILLING FY '21 (WITH FY '18 TRUE-UP)**

	FY '21 BUDGET SPLIT		REVISED AGENCY BILLING	
	Initial %	Allocation \$	FY '18 Audit Adjustment	Adjusted Billing
Chula Vista	30.63%	\$ 88,624	\$ 2,995	\$ 91,619
Coronado	3.45%	\$ 9,974	\$ (6,972)	\$ 3,002
County of SD *	16.44%	\$ 47,561	\$ 4,630	\$ 52,191
Del Mar	0.06%	\$ 165	\$ 1,829	\$ 1,994
El Cajon	14.87%	\$ 43,033	\$ (792)	\$ 42,241
Imperial Beach	3.78%	\$ 10,931	\$ (460)	\$ 10,471
La Mesa	8.39%	\$ 24,270	\$ 2,125	\$ 26,395
Lemon Grove	3.43%	\$ 9,932	\$ (3,882)	\$ 6,050
National City	7.21%	\$ 20,866	\$ 1,485	\$ 22,351
Otay Water District	0.70%	\$ 2,040	\$ 375	\$ 2,415
Padre Dam MWD	6.72%	\$ 19,432	\$ (657)	\$ 18,775
Poway	4.33%	\$ 12,522	\$ (676)	\$ 11,846
Total (FY '21 Budget)	100.00%	\$ 289,350	\$ -	\$ 289,350

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

FY '18 AUDIT ADJUSTMENT CALCULATION					
Agency	Adopted/Billed FY '18		Audited FY'18		
	Estimated Flow/Strength Distribution	Total Agency Billings	Audited Flow/Strength Distribution	Revised Agency Billings Per Audit	Adjustment
Chula Vista	30.73%	\$ 120,806	31.49%	\$ 123,801	\$ 2,995
Coronado	4.58%	\$ 17,998	2.80%	\$ 11,026	\$ (6,972)
County of SD	15.71%	\$ 61,737	16.88%	\$ 66,367	\$ 4,630
Del Mar	0.06%	\$ 229	0.52%	\$ 2,058	\$ 1,829
El Cajon	14.26%	\$ 56,037	14.05%	\$ 55,245	\$ (792)
Imperial Beach	3.82%	\$ 14,997	3.70%	\$ 14,537	\$ (460)
La Mesa	7.59%	\$ 29,832	8.13%	\$ 31,957	\$ 2,125
Lemon Grove	3.97%	\$ 15,622	2.99%	\$ 11,740	\$ (3,882)
National City	7.03%	\$ 27,638	7.41%	\$ 29,123	\$ 1,485
Otay Water District	0.84%	\$ 3,312	0.94%	\$ 3,687	\$ 375
Padre Dam MWD	6.74%	\$ 26,515	6.58%	\$ 25,858	\$ (657)
Poway	4.67%	\$ 18,377	4.50%	\$ 17,701	\$ (676)
Total Flow & Strength	100.00%	\$ 393,100	100.00%	\$ 393,100	\$ -