



METRO TAC AGENDA
(Technical Advisory Committee to Metro JPA)

TO: Metro TAC Representatives and Metro Commissioners

DATE: Wednesday, May 19, 2010

TIME: 11:00 a.m. to 1:30 p.m.

LOCATION: MWWD, 9192 Topaz Way, (MOCII Auditorium) – Lunch will be provided

****PLEASE DISTRIBUTE THIS NOTICE TO METRO COMMISSIONERS AND METRO TAC REPRESENTATIVES****

1. Review and Approve MetroTAC Action Minutes for the Meeting of [April 21, 2010](#) (**Attachment**)
2. Metro Commission/JPA Board Meeting Recap (Standing Item)
3. Financial Update (Karyn Keese)
4. PBS&J FY 2011 As Needed Financial and Engineering Services Contract (Karyn Keese) (**Attachment**)
5. Review and Approval of Metro Wastewater JPA FY 2011 Operating Budget (Doug Wilson)
6. Review and Acceptance of 2008 Exhibit E Audit (Karyn Keese) (**Attachment**)
7. Revisions to Wastewater Bid to Goal Program (Tom Crane) (**Attachments**)
8. Recycled Water Master Plan Draft Technical Memorandum No. 3, Framework Planning (Scott Huth/Dean Gipson)
9. Metro Wastewater Update
10. Update on Pt. Loma Waiver Process
11. Allocation of Capacity in Southbay WRP (Standing Item)
12. MetroTAC Work Plan (Standing Item) (**Attachment**)
13. Transportation Agreement (Standing Item)
14. Review of Items to be Brought Forward to the Metro Commission/Metro JPA Meeting of [June 3, 2010](#)
15. Other Business of Metro TAC
16. Adjournment ([To the next Regular Meeting, June 16, 2010](#))

Metro TAC 2010 Meeting Schedule

January 20	May 19	September 15
February 17	June 16	October 20
March 17	July 21	November 17
April 21	August 18	December 15

AGENDA ITEM 1

Attachment



Metro TAC
(Technical Advisory Committee to Metro JPA)

ACTION MINUTES

DATE OF MEETING: April 21, 2010

TIME: 11 AM

LOCATION: MWWD, MOC II, Auditorium

MEETING ATTENDANCE:

Roberto Yano, Chula Vista
Scott Huth, Chair, Coronado
Dan Brogadir, County of San Diego
David Scherer, Del Mar
Dennis Davies, El Cajon
Erin Bullers, La Mesa
Manny Magaña, Otay Water District
Neal Brown, Padre Dam MWD
Augie Caires, Padre Dam MWD
Augie Scalzitti, Padre Dam MWD
Doug Wilson, Padre Dam MWD
Kristen Crane, Poway
Tom Howard, Poway
Jeannie Cole, City of San Diego

Tom Crane, City of San Diego
Amy Dorman, City of San Diego
Harry Herman, City of San Diego
Isam Hireish, City of San Diego
Edgar Patino, City of San Diego
Rod Greek, City of San Diego
Lee Ann Jones-Santos, City of San Diego
Peggy Merino, City of San Diego
Steve Meyer, City of San Diego
Jamie Richards, City of San Diego
Ann Sasaki, City of San Diego
Bill Kennedy, B&C
Karyn Keese, PBS&J
Dean Gipson, PBS&J

1. Review and Approve Metro TAC Action Minutes for the Meeting of March 17, 2010

The Minutes were approved.

2. Metro Commission/JPA Board Meeting Recap

- Strategic Plan presented and the JPA Board asked MetroTAC to prepare success measures for the elements and develop a timeline to work on and implement the measures

3. Financial Update

- Karyn Keese passed out the current billing formulas provided by the City of San Diego, and asked the PAs to review, sign, and return to Peggy Merino of the City of San Diego
- Finance Sub-Committee meeting will occur on Wednesday, April 28, 2010, starting at 8:30 at the law office of Best, Best, and Krieger, downtown San Diego
- City budget was released by Mayor Sanders recently; MetroTAC members requested a briefing at next month's meeting

4. Update on RFP process: Selection of Sewer Flow Monitoring Service Contractor

- City received 3 submittals and selected ADS for a \$5.8M contract over 5 years
- ADS will replace meters in the 3rd year of contract with Flow Shark meters
- Target to have approved by City Council prior to June 30, 2010, when current contract expires

RECOMMENDATION: *Present Metering Contract to JPA for approval*

5. Metro Wastewater Update

- Rod Greek has resigned his position with the City; Lee Ann Jones-Santos will be acting Deputy Director
- Bond refinancing went well in early April with a 4.7% net present value in savings resulting in a savings of \$41.5M.
- Exhibit E refund checks and invoices have not yet been sent; anticipate the mailings to occur the 2nd week of May 2010
- Bid to Goal update:
 - Draft MOU for Bid to Goal Public Contract Operations Agreement handed out
 - On Rules Committee 5/19/10 agenda
 - Goal is to get Council approval for FY11 MOU

RECOMMENDATION: *Present overall B2G program and implementation of the 14 recommended improvements to JPA*

ACTION: *Karyn Keese to e-mail the B2G audit committee's 14 recommendations to MetroTAC members*

6. Update on the Point Loma Waiver Process

- EPA is preparing the final permit; City anticipates receiving final permit in July 2010

7. Allocation of Capacity in Southbay WRP

- City of San Diego is completing the Exhibit B for the allocation
- City anticipates routing document in about 2 weeks with approval in about 4 weeks

8. MetroTAC Work Plan

- Reviewed list and asked for comments on items
- "No Drugs Down the Drain"
 - County Sheriff will be accepting illegal narcotics at any of its offices

- Committee should investigate the medications mail back program
- Lateral Issues
 - Include defining ownership of laterals as an issue (possible pending legislation in Sacramento)
- Power Tariff
 - Consider changing this title to SUSTAINABILITY
 - Look into SCAP's ability to help leverage improvements in reducing power prices during emergencies
- Recycled Water Study
 - Add evaluation of grey water policies and regulations
- Metro JPA Strategic Initiatives (NEW)
 - Develop success measures and timing

ACTION: *PBS&J to research assignments for work plan items and present at next meeting*

ACTION *Prepare draft success measures and schedule for the Metro JPA's Strategic Initiatives*

9. Operating Reserve & Debt Financing

- A draft of the Administrative Protocol and the agreement between the City of San Diego and the Metro JPA was handed out
- Rod Greek signed for the City of San Diego; Scott Huth signed for MetroTAC

ACTION: *Karyn Keese to take originals to the Finance Sub-Committee meeting to obtain Chairman Ewin's signature*

10. Transportation Agreement

- Three PAs (Chula Vista, Poway, & Imperial Beach) are finalizing their agreements

11. Review of Items to be Brought Forward to the Metro Commission/Metro JPA Meeting of May 6, 2010

- Presentation of the Sewer Flow Monitoring Service Contract selection process

12. Other Business of Metro TAC

- For next MetroTAC Meeting:
 - City of San Diego to present the 2011 City Metro Sewer Budget including Exhibit E
 - Discuss the Strategic Initiatives item on the work plan

- Present FY11 Bid to Goal program (implementation of 14 recommendations and goals)
- PDMWD briefly shared with MetroTAC that it is attempting to amicably resolve a discrepancy with local Native Americans whether all appropriate steps have been taken at a new construction site, where construction is currently halted, to properly and respectfully preserve the project site's sacredness stemming from artifacts and remains unearthed on the site during the environmental documentation process. PDMWD solicited the PAs for advice on how they have handled similar situations and whether they could offer suggestions to timely resolve the issue.

13. Adjournment

**MetroTAC
Participating Agencies Selection Panel Rotation**

Agency	Representative	Selection Panel	Date Assigned
Padre Dam	Neal Brown	IRWMP – Props 50 & 84 Funds	2006
El Cajon	Dennis Davies	Old Rose Canyon Trunk Sewer Relocation	9/12/2007
La Mesa	Greg Humora	As-Needed Piping and Mechanical	11/2007
National City	Joe Smith	MBC Additional Storage Silos	02/2008
Otay Water District	Rod Posada	As-Needed Biological Services 2009-2011	02/2008
Poway	Tom Howard	Feasibility Study for Bond Offerings	02/2008
County of San Diego	Dan Brogadir	Strategic Business Plan Updates	02/2008
Coronado	Scott Huth	Strategic Business Plan Updates	09/2008
Coronado	Scott Huth	As-needed Financial, HR, Training	09/2008
PBS&J	Karyn Keese	As-needed Financial, Alternate HR, Training	09/2008
Otay Water District	Rod Posada	Interviews for Bulkhead Project at the PLWTP	01/2009
Del Mar	David Scherer	Biosolids Project	2009
Padre Dam	Neal Brown	Regional Advisory Committee	On-going
County of San Diego	Dan Brogadir	Large Dia. Pipeline Inspection/Assessment	10/2009
Chula Vista	Roberto Yano	Sewer Flow Monitoring Renewal Contract	12/2009
La Mesa	Greg Humora	Sewer Flow Monitoring Renewal Contract	12/2009
Poway	Tom Howard	Fire Alarm Panels Contract	12/2009
El Cajon	Dennis Davies	MBC Water System Improvements D/B	01/2010
Lemon Grove	Patrick Lund		
National City	Joe Smith		
Coronado	Scott Huth		
Otay Water District	Rod Posada		
Del Mar	David Scherer		
Padre Dam	Neal Brown		
County of San Diego	Dan Brogadir		
Chula Vista	Roberto Yano		
La Mesa	Greg Humora		
Poway	Tom Howard		
El Cajon	Dennis Davies		

Updated 01/2010

METRO SYSTEM CAPACITY FORMULA
CITY OF IMPERIAL BEACH
 (with all Inter-agency sewage flows)

+	+	+	+	+	-	-	=
9th & Imp.	Elder St.	Palm Ave.	N.A.S.	Georgia	Palm	Eboe	Imperial
Meter	Meter	Meter	Ream Field	Street	Avenue	Avenue	Beach
(IB1)	(IB2)	(IB3M)	0.034 MGD	170.50 EDU's	29.50 EDU's	25.00 EDU's	Net

- + = Imperial Beach metered and un-metered flow.
- = San Diego metered and un-metered flow.

The formula above reflects the inter-agency flow for the City of Imperial Beach for FY 2010 billing. Un-metered flow (housecounts) may change over time; it is the responsibility of the impacted Agencies to determine, confirm, modify and come to agreement on housecounts for inter-agency flow.

This formula must be reviewed annually for modifications and it is the responsibility of the Agencies with inter-agency flows to report those changes to the Metropolitan Wastewater Department.

Hank Levien	Date
Public Works Director	
City of Imperial Beach	

Alex Ruiz **Date**
Interim Director, Public Utilities Department
City of San Diego

Agenda 4/2/10 ITIM#3

METRO SYSTEM CAPACITY FORMULA
CITY OF LA MESA
(with all Inter-agency sewage flows)

+	+	-	-	-	-	-	-	-	-
La Mesa North LM3 Meter	Colorado	73rd & Sar.	Alvarado Treatment	Alvarado Lab	Alvarado Trng Center	Blue Lake	East Lake	Jackson	Keeny
	16.00 EDU's	22.00 EDU's	7.00 EDU's	7.00 EDU's	7.00 EDU's	69.00 EDU's	349.00 EDU's	279.00 EDU's	28.00 EDU's
-	-	+	+	+	+	+	+	-	-
Lake Arago	Lake Murray	La Mesa South LM1A Meter	LM7 Meter	68th & Univ.	67th & Valencia	Alamo	Vigo	69th & Celia	69th & Univ
292.70 EDU's	119.80 EDU's			91.00 EDU's	178.50 EDU's	4.00 EDU's	204.00 EDU's	73.00 EDU's	34.00 EDU's
-	-	+	+	+	-	-	=		
70th & Colony	73rd & El Cajon	To SV	To LG	To LG LM8 Meter	From EC LM4 Meter	From EC	La Mesa Net		
551.50 EDU's	15.60 EDU's	2712.06 EDU's	920.70 EDU's			311.00 EDU's			

+ = La Mesa metered and un-metered flow.
- = San Diego metered and un-metered flow and El Cajon metered and un-metered flow.

The formula above reflects the inter-agency flow for the City of La Mesa for FY 2009 billing. Un-metered flow (housecounts) may change over time; it is the responsibility of the impacted Agencies to determine, confirm, modify and come to agreement on housecounts for inter-agency flow.

This formula must be reviewed annually for modifications and it is the responsibility of the Agencies with inter-agency flows to report those changes to the Metropolitan Wastewater Department.

Greg Humora **Date**
Director of Public Works / City Engineer
City of La Mesa

Patrick Lund **Date**
Public Works Director/City Engineer
City of Lemon Grove

Alex Ruiz **Date**
Interim Director, Public Utilities Department
City of San Diego

Dan Brogadir	Date
LUEG Manager	
County of San Diego	

Rob Turner **Date**
Director of Public Works
City of El Cajon

+	+	+	+	+	+	+	+	-	-
Winnett & Oriole St Meter (LG1M)	Akins & 69th Meter (LG2)	Imperial & Viewcrest Meter (LG4)	Total LG to SV 1547.63 EDU's	69th & Madera Meter (LG3)	Calvacado 121.00 EDU's	69th & Klauber 3.00 EDU's	Gold Lake 48.00 EDU's	From LM 920.70 EDU's	From LM Meter (LM8)
-	-	-	-	-	-	-	-	=	
Madera 4.00 EDU's	Angelus Avenue 12.00 EDU's	69th & Evelyn 4.00 EDU's	College Avenue 498.60 EDU's	Navy Housing 278.00 EDU's	College Grove 25.60 EDU's	69th & Gibson 3.00 EDU's	College Grove Way 161.00 EDU's	Lemon Grove Net	

This formula must be reviewed annually for modifications and it is the responsibility of the Agencies with inter-agency flows to report those changes to the Metropolitan Wastewater Department.

Patrick Lund **Date**
Public Works Director
City of Lemon Grove

Greg Humora **Date**
Director of Public Works / City Engineer
City of La Mesa

Dan Brogadir LUEG Manager County of San Diego	Date
--	-------------

Alex Ruiz **Date**
Interim Director, Public Utilities Department
City of San Diego

METRO SYSTEM FACILITY FORMULA
CITY OF NATIONAL CITY
(with all Inter-agency sewage flows)

+	+	+	+	+	+	+	+	+	+	+
33rd St Meter (NC2)	21st & Hoover Meter (NC3A)	2262 Hoover Meter (NC3B)	7th & Wilson Meter (NC5)	Nordica Meter (NC7M)	Stockman Meter (NC15)	West of I5 NCPS 10.00 EDU's	22nd & Hoover NC Yard & HC 2.00 EDU's	Southland Ind. Park 76.50 EDU's	Rachael Ave. North 46.00 EDU's	Olive Avenue 6.00 EDU's
+	+	+	+	-	-	-	-	-	-	-
Bonita Paradise 47.00 EDU's	Rachael Ave. South 43.00 EDU's	NC to SV I-A Compromise 16.80 EDU's	Plaza Bonita Meter (NC8M)	Sweetwater Rd Meter (NC13) 68.53%	Prospect St Meter (NC16) 36.74%	SV to NC I-A Compromise 29.60 EDU's	Harbor Drive Meter (NC6)	Delta St. Meter (NC9M)	Paradise Val Meter (NC10)	Olive Ave. Meter (NC11)
-	-	-	-	-	-	-	-	-	=	
18th & Rachael Meter (NC12)	Dalbergia 26.30 EDU's	Nordica 36.00 EDU's	Bryanview 16.00 EDU's	Lorenz 42.00 EDU's	Mariposa 18.00 EDU's	Ebbs 291.00 EDU's	Delta St 100.50 EDU's	Navy Sports Center 7.00 EDU's	National City Net	

- +** = National City metered and un-metered flow.
- = San Diego and Spring Valley metered and un-metered flow.

The formula above reflects the inter-agency flow for the City of National City for FY 2010 billing. Un-metered flow (housecounts) may change over time; it is the responsibility of the impacted Agencies to determine, confirm, modify and come to agreement on housecounts for inter-agency flow.

This formula must be reviewed annually for modifications and it is the responsibility of the Agencies with inter-agency flows to report those changes to the Metropolitan Wastewater Department.

Joe Smith
Public Works Director
City of National City
Date

Dan Brogadir
LUEG Manager
County of San Diego
Date

Alex Ruiz
Interim Director, Public Utilities Department
City of San Diego
Date

METRO SYSTEM CAPACITY FORMULA
PADRE DAM MUNICIPAL WATER DISTRICT
(with all Inter-agency sewage flows)

+	-	+	+	-	=
Padre Dam Meter (PD1B)	Lakeside Meter (LS2)	Simeon Dr. 413.00 EDU's	Padre Dam Meter (PD2)	Cowles Mtn. 266.00 EDU's	Padre Dam Net

- +** = Padre Dam metered and un-metered flow.
- = County metered flow and City of San Diego un-metered flow.

The formula above reflects the inter-agency flow for the Padre Dam Municipal Water District for FY 2010 billing. Un-metered flow (housecounts) may change over time; it is the responsibility of the impacted Agencies to determine, confirm, modify and come to agreement on housecounts for inter-agency flow.

This formula must be reviewed annually for modifications and it is the responsibility of the Agencies with inter-agency flows to report those changes to the Metropolitan Wastewater Department.

Neal Brown **Date**
Director of Engineering and Planning
Padre Dam Municipal Water District

Dan Brogadir **Date**
LUEG Manager
County of San Diego

Alex Ruiz **Date**
Interim Director, Public Utilities Department
City of San Diego

METRO SYSTEM CAPACITY FORMULA

(with all inter-agency sewage flows)

+	+	-	-	-	-	-	-	-	=
Springhurst Meter (PO2)	La Manda 42.00 EDU's	Camino Del Norte Meter (PO1)	Holland Canyon Meter (PO3M)	Eastview Ct. Meter (PO4)	Highland Ranch Meter (PO5)	Creek Road Meter (PO6)	Springhurst Street 72.00 EDU's	Stone Canyon 658.30 EDU's	Poway Net

+ = Poway metered and un-metered flow.
- = San Diego metered and un-metered flow.

The formula above reflects the inter-agency flow for the City of Poway for FY 2010 billing. Un-metered flow (housecounts) may change over time; it is the responsibility of the impacted Agencies to determine, confirm, modify and come to agreement on housecounts for inter-agency flow.

This formula must be reviewed annually for modifications and it is the responsibility of the Agencies with inter-agency flows to report those changes to the Metropolitan Wastewater Department.

Leah Browder
Director of Public Works
City of Poway

Date _____

Alex Ruiz	Date
Interim Director, Public Utilities Department	
City of San Diego	

Date _____

METRO SYSTEM CAPACITY FORMULA SPRING VALLEY SANITATION DISTRICT

+	+	+	+	+	-	-	-	-	-
Brisbane & 5th SV8M Meter	Lincoln Acres Alta Drive 84.40 EDU's	Sweetwater NC13 Meter (68.53%)	Prospect St NC16 Meter 36.74%	SV to NC Inter-Agency Compromise 29.60 EDU's	NC to SV Inter-Agency Compromise 16.80 EDU's	(From NC) NC8M Meter	SubTotal Chula Vista to SV (1)	SubTotal La Mesa To SV 2712.06 EDU's	SubTotal Lemon Grove To SV 1547.63 EDU's
-	-	-	-	-	-	-	-	-	-
Bonita BO1 Meter	Manzana Way 439.00 EDU's	Parbrook Street 197.00 EDU's	Noeline Avenue 109.00 EDU's	Worthington Street 64.00 EDU's	Innsdale Avenue 51.00 EDU's	Greenridge Avenue 10.00 EDU's	Ellenwood Circle North 9.00 EDU's	Delrose Avenue 109.00 EDU's	Crestmore Avenue 8.00 EDU's
-	-	-	=						
Potrero Street 61.00 EDU's	Carlsbad Street 41.00 EDU's	Otay Net	Spring Valley Net						

+ = Spring Valley metered and un-metered flow.

- = San Diego, National City, Chula Vista, Otay, La Mesa and Lemon Grove metered and un-metered flow.

(1) Includes the sum of meters CV5 through CV12; 1040.00 EDU's from Chula Vista less 4 EDU's from Spring Valley to Chula Vista.

The formula above reflects the inter-agency flow for the Spring Valley Sanitation District for FY 2010 billing. Un-metered flow (housecounts) may change over time; it is the responsibility of the impacted Agencies to determine, confirm, modify and come to agreement on housecounts for inter-agency flow.

This formula must be reviewed annually for modifications and it is the responsibility of the Agencies with inter-agency flows to report those changes to the Metropolitan Wastewater Department.

Dan Brogadir **Date**
LUEG Manager
County of San Diego

Patrick Lund **Date**
Public Works Director/City Engineer
City of Lemon Grove

Scott Tulloch **Date**
Director of Public Works
City of Chula Vista

Greg Humora **Date**
Director of Public Works / City Engineer
City of La Mesa

Mark Watton **Date**
District General Manager
Otay Water District

Joe Smith **Date**
Public Works Director
City of National City

Alex Ruiz	Date
Interim Director, Public Utilities Department	
City of San Diego	

**METRO SYSTEM CAPACITY FORMULA
WINTERGARDENS SEWER MAINTENANCE DISTRICT
(with all Inter-agency sewage flows)**

+	+	=
Wintergardens Meter (WG1M)	Housecount 1,383.00 EDU's	Wintergardens TOTAL

The formula above reflects the inter-agency flow for the Wintergardens Sewer Maintenance District for FY 2010 billing. Un-metered flow (housecounts) may change over time; it is the responsibility of the impacted Agencies to determine, confirm, modify and come to agreement on housecounts for inter-agency flow.

This formula must be reviewed annually for modifications and it is the responsibility of the Agencies with inter-agency flows to report those changes to the Metropolitan Wastewater Department.

Dan Brogadir
LUEG Manager
County of San Diego

Date

Alex Ruiz
Interim Director, Public Utilities Department
City of San Diego

Date

+	-	-	=
Ans-Bay Meter (C1M)	Amph. Base Meter (C2)	North Island 1st & Alameda Meter (C3)	Coronado Net

This formula must be reviewed annually for modifications and it is the responsibility of the Agencies with inter-agency flows to report those changes to the Metropolitan Wastewater Department.

Scott Huth	Date
Director of Public Services	
City of Coronado	

Scott Tulloch	Date
Director, Metropolitan Wastewater Department	
City of San Diego	

METRO SYSTEM CAPACITY FORMULA
CITY OF DEL MAR
(with all Inter-agency sewage flows)

+	+	-	+	+	-	=
DM1 Meter	DM2 Meter	Riviera Del Mar 110.00 EDU's	Conn. # 1 96.00 EDU's	Conn. # 2 20.00 EDU's	Del Mar Estates 25.00	Del Mar Net

+ = Del Mar metered and un-metered flow.
- = San Diego un-metered flow.

The formula above reflects the inter-agency flow for the City of Del Mar for FY 2010 billing. Un-metered flow (housecounts) may change over time; it is the responsibility of the impacted Agencies to determine, confirm, modify and come to agreement on housecounts for inter-agency flow.

This formula must be reviewed annually for modifications and it is the responsibility of the Agencies with inter-agency flows to report those changes to the Metropolitan Wastewater Department.

David Scherer	Date
Director of Public Works	
City of Del Mar	

Alex Ruiz **Date**
Interim Director, Public Utilities Department
City of San Diego

METRO SYSTEM CAPACITY FORMULA
CITY OF EL CAJON
(with all Inter-agency sewage flows)

+	+	+	-	-	=
El Cajon Meter (EC1B)	To La Mesa Meter (LM4)	To La Mesa 311.00 EDU's	Wintergardens Reported (WG1M)	Wintergardens 1383.0 EDU's	El Cajon Net

- +** = El Cajon metered flow.
- = County metered and un-metered flow.

The formula above reflects the inter-agency flow for the City of El Cajon for FY 2010 billing. Un-metered flow (housecounts) may change over time; it is the responsibility of the impacted Agencies to determine, confirm, modify and come to agreement on housecounts for inter-agency flow.

This formula must be reviewed annually for modifications and it is the responsibility of the Agencies with inter-agency flows to report those changes to the Metropolitan Wastewater Department.

Rob Turner **Date**
Director of Public Works
City of El Cajon

Dan Brogadir **Date**
LUEG Manager
County of San Diego

Greg Humora **Date**
Director of Public Works / City Engineer
City of La Mesa

Alex Ruiz **Date**
Interim Director, Metropolitan Wastewater Department
City of San Diego

METRO SYSTEM SEWAGE TREATMENT FORMULA
CITY OF CHULA VISTA
(with all inter-agency sewage flows)

+	+	+	+	+	+	+	+	-	+
Hollister & Main Meter (CV1)	"J" St Meter (CV2)	"G" ST Meter (CV3)	Waterpark & Amphitheater .030 mgd	Lagoon Drive 0.011 mgd	Bay Blvd North 106.00 EDU's	Bay Blvd South 16.00 EDU's	Gunpowder Point 51.00 EDU's	Acacia Ave (SV TO CV) 4.00 EDU's	Combined (CV TO SV) 1040.00
+	+	+	+	+	+	+	+	+	=
E. Flower Street Meter (CV5)	Plaza Bonita-1 Meter (CV6)	Plaza Bonita-2 Meter (CV7)	Las Flores Dr Meter (CV8)	N. Fifth Ave Meter (CV9)	Acacia Ave Meter (CV10)	Otay Lakes Rd Meter (CV11)	Proctor Valley Meter (CV12)	Salt Creek Meter (CV14)	Chula Vista Net

- +** = Chula Vista metered and un-metered flow.
- = Spring Valley un-metered flow.

The formula above reflects the inter-agency flow for the City of Chula Vista for FY 2010 billing. Un-metered flow (housecounts) may change over time; it is the responsibility of the impacted Agencies to determine, confirm, modify and come to agreement on housecounts for inter-agency flow.

This formula must be reviewed annually for modifications and it is the responsibility of the Agencies with inter-agency flows to report those changes to the Metropolitan Wastewater Department.

Scott Tulloch
Director of Public Works
City of Chula Vista

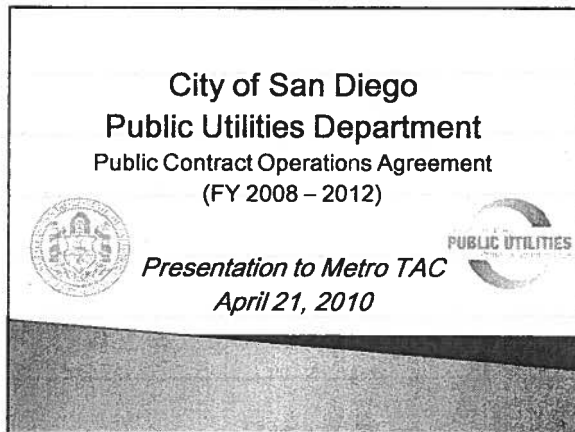
Date

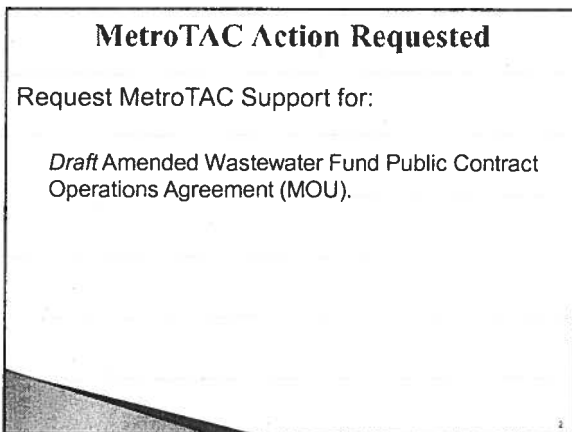
Dan Brogadir
LUEG Manager
County of San Diego

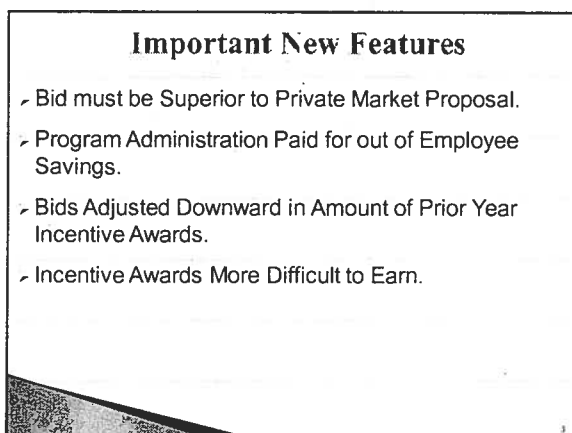
Date

Alex Ruiz
Interim Director, Public Utilities Department
City of San Diego

Date







Gainsharing Goals Are More

- Quantifiable
- Challenging
- Relevant
- Auditable

Performance Audit Found FY 2010 Goals to be, "More specific...and include more robust information on the relevance and justification, making them more measurable than goals in the previous two years."

Program Controls Overhauled

- All 14 Performance Audit Recommendations Implemented.
- Policies and Procedures Manual Issued. Training Completed.
- New Processes in Place.
- Identified Areas for Internal Audit.
- Increased Scope of External Auditor.

Memorandum of Understanding (MOU) Contents

- Scope of the Contract.
- Benchmarking Process Private Market Proposal
- Labor-Management Partnership (LMP) Bid must be superior to the PMP.
- Key Performance Service Levels.
- LMP Bid Process.

MOU Contents

- LMP Bid Financial Summary.
- Employee Efficiency Incentive Reserve Accountability.
- The Gainsharing Incentive Awards Process.
- Term of the Agreement.
- Termination Clauses. Added Potential for Cure.

MOU Contents

All Remaining Clauses are Unchanged from the Current Wastewater Agreement.

Recap of Improvements

- Improved Accounting Established.
- Bids Adjusted Downward in Amount of Prior Year Incentive Awards.
- More Disciplined Review and Auditing of Source of Savings.
- Program Administration Cost Paid from Employee Savings.
- More Challenging Gainsharing Goals.

Program Future

- Department Consolidation Studies Continuing. More Savings Expected.
- Participative Employee Culture Continues to Improve.
- Program Assists in Achieving Reduced Routine Operational Costs While Improving Service. Audited FY 05-08 Savings were \$116M.
- Good for Ratepayers. Good for Employees.

10

Metro TAC Action Requested

Request MetroTAC Support for:

Draft Amended Wastewater Fund Public Contract Operations Agreement (MOU).

11

Questions

DRAFT Fiscal Year 2010 Amendment 4/14/2010**Memorandum of Understanding****Public Utilities Department****Wastewater Fund Employees****Labor/Management Partnership****BID TO GOAL PUBLIC CONTRACT OPERATIONS AGREEMENT****I. PREAMBLE**

This Memorandum of Understanding (MOU) Amendment supersedes all prior agreements and constitutes the basis of the Wastewater Bid to Goal Agreement with Wastewater Fund employees and is effective July 1, 2007 through June 30, 2012. This agreement is between the Mayor, on behalf of the City of San Diego (City), the Public Utilities Department Director and Wastewater Management Team, and all employees compensated by the Wastewater Fund; hereafter referred to as the parties. The Labor-Management Partnership (LMP) is comprised of employees represented by the American Federation of State, County and Municipal Employees (AFSCME), Local 127; employees represented by the San Diego Municipal Employees' Association (MEA); as well as Classified Unrepresented Non-management employees and the Wastewater Management Team. Any employee of the Public Utilities Department who accomplishes work justifiably compensable from the Wastewater Fund is deemed to be a member of this LMP.

II. RECITALS

WHEREAS, Wastewater Fund Employees are responsible for the operation, maintenance and all support functions of the regional sewerage system (collectively the "system"), including the City sewerage collection system; and

WHEREAS, the City desires to have this system operated and maintained in the most efficient and effective manner possible; while complying with all federal, state, and local laws, rules, and regulations; and while protecting the environment and promoting the health, safety and well-being of system employees, ratepayers, and other stakeholders; and

WHEREAS, the efficient and effective operation and maintenance of the system requires unique, specialized skills and certifications together with experience and expertise in established and new technologies; and

WHEREAS, Wastewater Fund employees have acquired, refined, and maintained these same skills, certifications, and expertise; and

WHEREAS, with the assistance of external consultants, and review by citizen and employee groups, the parties have critically assessed the organization, processes, procedures, practices, budget, and staffing supported by the Wastewater Fund, including process improvements

analyzed through extensive business process reengineering, optimization efforts, and associated benchmarking;

NOW THEREFORE, the parties agree that the organizational arrangement, LMP, and accountability structure described in this document, referred to as Wastewater Bid to Goal Public Contract Operations Agreement (which is designed to combine the most beneficial aspects of the private and public sectors), is the current process to continue the optimization of the organization, policies, and practices of the Public Utilities Department.

III. SCOPE AND DEFINITIONS

The Wastewater Bid to Goal Public Contract Operations Agreement (Agreement) is hereby defined as a commitment by the parties to the goals related to meeting budgets (efficiency) and maintaining service levels (effectiveness) in a manner consistent with the findings of the business process reengineering process completed in fiscal year (FY) 2007 to validate and update appropriate service levels and practices. This MOU constitutes the entirety of the agreement along with the companion LMP Bid document as accepted by the Mayor of the City of San Diego.

Commencing on July 1, 2007, the Wastewater LMP shall operate and manage the system on a 24-hour per day, 7-days per week basis, and shall collect, receive, and treat wastewater; discharge the effluent; treat reclaimed water; transport and dispose of residuals and operating wastes; control odors; conduct sampling, monitoring, and reporting; provide appropriate support for the capital improvement program; and otherwise manage the business and operations of the City's wastewater infrastructure so as to comply with the requirements of this MOU and the LMP Bid document.

The scope of this Agreement includes the operations, maintenance and support services associated with all facilities and customer requirements recognized as supported by the Wastewater Fund at the conclusion of FY2007. It is the intent of this Agreement that service levels provided shall meet or exceed stated benchmarks, and in any event shall not be less than those service levels provided in FY2007 unless stipulated in this Agreement or by City Management for business reasons.

The Bid to Goal Program will be administered by the Public Utilities Department in accordance with Department Instruction 15.24.

Any new facilities and/or activities that have not been accounted for in the MOU or the LMP Bid document, or that were not part of the Wastewater Utility's mission and operating scope in FY2007 (acknowledged as the base year), shall not be within the scope of the Agreement. Changes in facilities or activities considered within the scope of the Agreement must be reflected in Amendments agreed to by all parties.

It is understood that the Goal represents the proposed cost to provide in scope services by the LMP and is based on performance service levels optimized at benchmarks determined by a third party industry expert to be within the competitive range for public and private Wastewater service providers nationally.

The LMP Bid is designed to yield economic benefits to ratepayers while maintaining the integrity and soundness of capital investments, infrastructure, and operations; and to ensure public safety and safeguard the environment. In addition, the LMP Bid is designed such that the City can continue to meet its commitments to employees and promote cooperative labor-management relations. In order to remain in compliance with federal/state mandates and bond covenants, operation and maintenance procedures and process modifications planned or executed to attain the goals are subject to review by an independent feasibility engineer or other competent agent, if deemed necessary by the Mayor of the City of San Diego. Results of such review may impact proposed modifications and future-year adjusted LMP Bid amounts. Key Performance Service Levels are specified in Table 1.

It is noted that the Bid to Goal concept embodies continual improvement through industry benchmarking and process assessment, both on an ongoing basis and periodically (approximately every 5 years) via a very rigorous and thorough review. The periodic major benchmarking and continuous process improvement effort is designed to account for such very significant changes in the operating environment as improved technology, enhanced industry best practices, and changes in the competitive marketplace. This aspect of the Bid to Goal Agreement is analogous to the periodic refreshment of private contract operations via re-negotiation of ongoing contracts with updated information.

The parties agree that the LMP Bid will be submitted after the City Council's ratification of this MOU, and that the Mayor will evaluate the LMP Bid and facilitate reasonable actions to achieve final acceptance assuming the LMP bid is responsive, responsible, and superior to the Private Market Proposal (PMP). The LMP Bid will be a plan offered by the LMP to meet the performance service levels indicated in this MOU, along with implementation and interpretive details. Operating as companion and complementary documents, this MOU plus the associated LMP Bid constitute the contract-like provisions needed to assure mutual accountability in delivering the functions and service levels specified in a clear and transparent manner.

IV. PROGRAM ELEMENTS

A. Key Performance Service Levels

All strategies employed to meet the LMP Bid will be consistent with the premise that primary service levels of core Wastewater Fund functions must be maintained at current standards, or better, unless otherwise noted in light of refreshed benchmarks or analyses of stakeholder requirements. The parties acknowledge that there may be reasonable differences of interpretation regarding service level components and standards. In this regard, the LMP Bid will provide clarifying information as appropriate. The performance service levels stipulated in Table 1 below are considered key metrics to overall Wastewater Fund service delivery.

Table 1: Key Performance Service Levels

Key Performance Metrics	Performance Goal
Sanitary Sewer Overflows: Number of SSO's per 100 miles of Main	FY 2008 to improve upon FY 2007 total. Goal thereafter to be reset each year.
Point Loma Wastewater Treatment Plant Permit Compliance:	80% TSS Removal (annual average), 58% BOD Removal (annual average)
North City Wastewater Reclamation Plant Permit Compliance:	30 mg/1 BOD and TSS for 30-day avg., 45 mg/1 BOD and TSS for daily max
South Bay Wastewater Reclamation Plant Permit Compliance:	30 mg/1 BOD and TSS for 30-day avg., 45 mg/1 BOD and TSS for daily max
Metro Biosolids Center Performance:	Maintain cake solids percent between 28% and 32%
ISO 140001 Certification for Wastewater Collection Division	Retain certification
ISO 140001 Certification for Wastewater Treatment and Disposal Division	Retain certification
ISO 140001 Certification for Environmental Monitoring and Technical Services Division	Retain certification

B. LMP Bid

A competitive budget objective (the Goal of the Bid to Goal program) was developed by an industry expert as a representative offering by a private sector firm to accomplish the mission of the Wastewater Fund. For in-scope services, the LMP is committed to continuing performance at the established service levels and the LMP Bid to reflect an optimized organization.

In response to the competitive budget objective for FY2008, the LMP arrived at a Total FY2008 Bid for in-scope services. Going forward, each fiscal year's LMP Bid will be recalculated with Non-Personnel Expenses (NPE) increasing/decreasing proportionate to the Consumer Price Index (CPI) using the All Urban Consumers index for the San Diego region as of June 30th and Personnel Expenses (PE) adjusted based on negotiated employee salary and compensation changes. In addition, commencing in FY2010, the LMP Bid will be adjusted down by the amount of any audited incentive award payout. This will provide a lower bid target in subsequent years in recognition of permanent efficiencies which have become institutionalized. In addition, by adjusting downward only by the amount of audit incentive award payout (not the

entire savings) the process recognizes the effort required to maintain ongoing savings and provides an incentive to the LMP for continual improvement. If the LMP Bid is adjusted down as a result of an incentive award payout, it may also be adjusted up in future years if the actual expenditures exceed the adjusted bid in any future year. The LMP Bid adjustment up shall equal an amount of the prior year actual expenditures, plus approved NPE and PE adjustments, however not to exceed the original LMP Bid amount, plus NPE and PE adjustments.

The LMP Bid excludes Out of Scope costs, which are not part of the Statement of Work and which would not be part of a private contractor bid. These costs include items specified in Table 2 as well as emergent costs that are out of the control of the LMP.

The parties acknowledge that on-going organizational process improvement necessary for optimized service delivery is a significant undertaking. The necessary changes to processes, work practices, and staffing must be carefully and conscientiously planned and implemented. When lawfully required, these proposed changes will be subject to the Meet and Confer process with formally recognized employee bargaining representatives.

Table 2: Fiscal Year 2008 Wastewater Fund Financial Summary

<u>CATEGORY</u>	<u>FY2008 Dollars</u>
LMP Bid	\$ 208,820,456
Personnel Expenditures (PE)	\$ 86,544,142
Non-Personnel Expenditures (NPE)	\$ 122,276,314
Total Pass-Through Items	\$ 262,822,846
O&M Service Level Agreements	\$ 15,698,605
Debt Service	\$ 100,110,283
Reserves	\$ 46,335,002
Capital Improvement Program (CIP)	\$ 100,678,956
Total	\$ 471,643,302

Fiscal accountability and audit of the LMP Performance will be based on total actual expenditures of all in-scope costs compared to the LMP Bid. The personnel and non-personnel components are presented for information only and shall not enter into comparisons. This means specifically that it is acceptable for operating trade-offs to be made between personnel and non-personnel expenditures as long as the total LMP Bid is not exceeded. As in previous Bid to Goal Agreements, it is understood that any significant changes in service levels required by the City will prompt the inclusion of an amendment to this Agreement. Other specific adjustments for costs related to unforeseen circumstances may be made only pursuant to the Administration of Agreement provisions in Section V of this document.

C. Accountability: Wastewater Fund Employee Efficiency Incentive Reserve and Resulting Operational Savings

The LMP Bid described in the above Section IV.B. reflects spending levels validated to be within the competitive range in the current marketplace for supporting, operating and maintaining the existing System. Results of this Agreement will be influenced by a number of factors, including achieving and maintaining specified service levels, and the ongoing ability of the City / Public Utilities Department to implement optimization measures, and to manage and accommodate challenges in the dynamic work environment. A key part of the Bid to Goal concept is accountability through the administration of appropriate performance measurement and management systems to provide transparency of results, alignment of common business goals and objectives, and encouragement of desirable outcomes.

To these ends, and to encourage future efficiency gains beyond the Agreement's LMP Bid, a performance management program modeled on private sector Gainsharing principles will be administered. To facilitate this performance management program, the Wastewater Employee Efficiency Incentive Reserve (EEIR) is implemented. The major intent of the EEIR is to motivate continual efficiencies beyond those determined in the extensive FY 2007 Business Process Reengineering effort and the resultant funds available for the benefit of sewer ratepayers. In this context, the parties agree that 50% of any positive variance between final annual validated in-scope expenditures and the in-scope LMP Bid shall be identified, deposited, and accounted for in the Wastewater EEIR. This deposit will be contingent upon validation of key performance service levels as identified in Section IV.A. above (including any applicable decrements from unmet key performance goals), and any analysis deemed necessary of all enterprise fund expenditures and legal obligations. Should any of these Key Performance Service Levels not be met, the deposit to the Wastewater Fund EEIR shall be decremented by 10% for each unmet key performance metric goal. This EEIR is capped at a \$10,000,000 cumulative balance (new share + existing balance from prior years), with all remaining funds designated as savings for the benefit of Wastewater ratepayers. It is important to note that the EEIR may at times exceed the \$10M cap if designation of funds to be expended precedes the execution of the actual debit to the EEIR. It is understood that undesignated funds may not exceed the \$10M account cap. Uncommitted funds – not encumbered officially (unapproved for spending by the Director) exceeding the \$10M cap on June 30th of each program year will be transferred into the Dedicated Reserve from Efficiency Savings (DRES). Expenditure of funds from the EEIR shall follow normal City rules and authorization processes with the additional requirements that they will be subject to specific authorization by the Director, Public Utilities Department, based upon recommendations from the Wastewater Fund Labor-Management Committee (LMC). The potential uses of this reserve include, but are not limited to:

- Credits toward meeting the LMP Bid in subsequent years if and when single year expenditures exceed the LMP Bid, and/or;
- Purchase of otherwise unfunded new technology, equipment, training, consultant services, and/or to promote the productivity and professionalism of Wastewater Fund employees, and/or,

- Funding of incentive awards to employees. Incentive awards are discussed in greater detail in section IV.D, below.

At the conclusion of the term of this Agreement (after a final determination is made of appropriate funds for the final year and final incentive awards if warranted), residual EEIR funds may be applied toward: a) an EEIR in a successor agreement, if any; or b) enhancing the productivity and/or professionalism of Wastewater Fund employees and the department, as recommended by the LMC and approved by the Director, Public Utilities Department. All residual funds utilization must be completed within 12 months of the issuance of the final year Audit Report. All unused residual funds will be transferred into the DRES.

Prior to any funds being available for use from the newly established Employee Efficiency Incentive Reserve, an amount equal to the funds appropriated for consultant assistance in the FY2007 Business Process Reengineering/Bid to Goal Optimization Study (\$1.1 million) shall be reimbursed from the validated savings (positive variance as described above). This amount was reimbursed from FY2008 savings. Commencing in FY2010, costs for maintaining the Agreement which will be calculated at the close of each program year will be deducted from the annually-established EEIR balance. If in any given year there are insufficient funds to pay for the administrative cost, this cost will be carried forward to succeeding years until the full obligation is met. This reimbursement must occur prior to any funds being available for other recommended use from the EEIR balance.

D. Gainsharing

The Gainsharing option for EEIR funds is defined as a team cash performance pay incentive award, and will be in-lieu of all other team incentives governed by the Public Utilities Department, such as the previously-existing Pay-for-Performance Program. Basic Gainsharing program guidelines are as follows:

- 1) This successor Wastewater Bid to Goal Gainsharing program is intended to be a unified performance pay incentive utilizing aspects of previous Bid to Goal Gainsharing and Pay-for-Performance programs. As a result, this redefined Gainsharing program consolidates the previously administered Gainsharing and Pay-for-Performance systems into one unified performance management system designed to appropriately recognize and provide accountability for achievement of organizational goals.
- 2) Subject to funds available in the Wastewater EEIR, actual individual incentive awards shall be recommended annually by the LMC and approved by the Director, Public Utilities Department. Individual incentive awards shall be capped at \$4,000 (net of taxes) per year, and shall be based on goal achievement at department and division/section levels, as well as individual employee

eligibility and performance. Department Instruction 15.24 provides details regarding how incentive awards are calculated and specific eligibility requirements.

3) Commencing in FY2010, when no savings are generated in any program year, no incentive awards will be authorized from existing EEIR balances for that year.

V. ADMINISTRATION OF AGREEMENT

A. Term of Agreement

This Agreement is effective on July 1, 2007. It is acknowledged that the extensive level of assessment and benchmarking undertaken to effect this Agreement is not cost-effective on a continual basis, but must be renewed periodically to appropriately account for potential changes in technology, industry best practices, and the relevant marketplace. Accordingly, it is the intent of this Agreement that the basic provisions remain in effect for five years until June 30, 2012, subject to the termination provisions described in V. B. and V. C. below. Other benchmarking and goal-setting actions appropriate for assuring quality service delivery shall be conducted within the provisions and intent of this Agreement.

B. Termination for Default

Commencing in FY2010, should in-scope spending exceed the adjusted LMP Bid by more than 10%, this Agreement may be deemed in default for inefficiency.

Should any three of the key performance service levels specified in Table 1 remain unmet at the end of a fiscal year, this Agreement may be deemed in default for ineffectiveness.

All prior annual LMP Bid expenditures over the original LMP Bid amount, plus any approved PE or NPE adjustments, must be repaid in total before a positive balance can be established in the EEIR and before funds can be expended from the EEIR. In-scope Wastewater spending (as defined in the LMP Bid) in excess of the original LMP Bid amount is defined as a Bid shortfall.

The parties recognize that if LMP performance results in default, as defined above, the Agreement may be terminated at the sole discretion of the Mayor of the City of San Diego. In addition, a competitive procurement pursuant to and consistent with applicable laws, regulations, and policies may be initiated at the sole discretion of the Mayor of the City of San Diego.

If the City does deem the Agreement in default, the City may terminate the contract or specify terms to remediate the unsatisfactory performance. Such terms may include suspension of incentive awards until the default condition is resolved or other specified provisions stated in writing are met.

C. Termination for Convenience

The Mayor of the City of San Diego shall have the right at any time after the completion of the first fiscal year of service, exercisable at his/her sole discretion, for his/her convenience and without cause, to terminate this Memorandum of Understanding upon 60 days written notice to the Wastewater LMP and the two signatory labor organizations.

D. Performance Monitoring

The parties agree that the methods to be used to monitor performance during the term of the Agreement shall be typical of the methods used by public agencies in assessing the performance and costs of private contract operators of Wastewater utilities. To that end, costs properly charged against this agreement will be limited to those associated with core operations and maintenance functions of the Wastewater Utility and those business support functions properly charged to the Wastewater Fund. As defined more thoroughly in the LMP Bid document, the costs charged would properly exclude:

- Unplanned costs directly associated with the Capital Improvement Program
- Employee time or Wastewater Fund resources, beyond current levels, for activities which are mandated by the City but are not associated with core or direct support functions.

Changes in revenues associated with operation will not directly impact system performance with respect to Goal attainment. However, revenue changes resulting from employee innovation and initiative may be discussed on a case by case basis with the Mayor's Office. The Mayor may, based upon the review, authorize some or all of the revenue to be allocated to the EEIR or other Wastewater Fund uses (including LMP Bid shortfalls) in accordance with the bond covenants.

Annually, no later than November 30, the Director, Public Utilities Department shall submit Performance Results to the Mayor's Office so that the annual audit may begin based on these performance results. The performance report shall include the following:

- Performance standards and actual performance (both financial & operational) - quantitative measures of performance which demonstrate level of services provided;
- Explanations for all instances where efficiency and/or performance standards are not met and an action plan for correcting the situation in the current year; A narrative description of issues and events bearing on current and prospective oversight of the Agreement; and
- A summary of performance and claim of savings resulting from efficiency gains to be deposited in the EEIR.

After its submission, the Annual Performance Report shall be reviewed by an independent auditor who shall issue a report to the Mayor and the Director, Public Utilities Department related to the review. A copy of the audit report shall be provided to each labor union and may be reviewed by other governing bodies as required. Results of this audit or review will be taken into account with regard to any amounts of claimed savings allocated to the EEIR. Employee Gainsharing may only be disbursed after the external audits are completed.

The form and content of performance monitoring will be further defined in the LMP Bid. It is understood that the LMP Bid as stated in this Agreement shall remain inviolate for the term of this Agreement, subject to adjustments pursuant to the express language of this MOU.

E. Uncontrollable Events/Change in Law

The Wastewater Bid to Goal Bid is based on reasonable assumptions of projected costs and savings. However, the parties understand and acknowledge that extraordinary unforeseen events, beyond the reasonable control of Wastewater employees and management, may result in costs and/or savings that could significantly affect their ability to meet the stated objectives.

To protect and promote the objectives of Bid to Goal, the parties agree that cost impacts associated with extraordinary and unforeseen events may lead to adjustments of the Bid for the purposes of assessing the performance in this program. Such events may include but are not limited to:

- Inflation in major NPE beyond appropriate consumer price indices;
- Mandates for increased and/or decreased service levels;
- Mandates for changes in governmental policy or regulations;
- Significant detrimental changes in influent characteristics;
- Catastrophic breakdowns of major equipment or capital; and
- Force Majeure.

Any other events beyond the reasonable control of employees and management, including changes in law, that have a material effect upon costs or their ability to perform to the terms of this Agreement and/or corollary service agreements may have the effect of re-opening negotiations between the Mayor of the City of San Diego and the LMP to make appropriate adjustments to the LMP Bid.

A Change in Law shall generally include any of the following events which occur after the Agreement date:

- a) the promulgation, modification, or written change in interpretation by a controlling authority of any applicable law unless the Public Utilities Department had or should have had notice and sufficient interpretive information of such a change as of the date of this Agreement; or
- b) the order or judgment of any court or other controlling authority as long as it was not the result of a willful or negligent act or lack of reasonable diligence by a party to this Agreement; or
- c) the inclusion of a new relevant permit condition or the denial of a permit application if such denial is not the result of a willful or negligent action or lack of diligence by a party to this Agreement.

A Change in Law shall not include a change in any tax or similar law.

The Director, Public Utilities Department or his designee shall be responsible for investigating uncontrollable events/changes in law to determine materiality, as detailed above. Upon such findings, the Director shall issue notice to the parties of this Agreement stating the cost and consequence of the event. Depending on the nature of the event and findings, associated costs may either be: a) removed from the total costs charged against the Wastewater Fund for assessing fiscal performance; or b) the parties of this Agreement shall reconvene to renegotiate the LMP Bid in light of the event. In the latter case, only the LMP Bid of this Agreement related to the specific event shall be reopened; all other terms and conditions shall remain unchanged.

F. Labor-Management Cooperation

The parties acknowledge that cooperative labor-management relations as typified by the relationship established in developing and successfully executing the Wastewater Bid to Goal Agreement, are critical to meeting the competitive challenge and objectives detailed in this document. The parties commit to maintaining the momentum, energy, and good will of this effort.

To that end, the Wastewater Fund employees, AFSCME Local 127, and MEA will participate in the LMC to monitor progress, identify issues, and eliminate barriers to success, and to otherwise maintain a mutual commitment to open communications and consensus.

G. Relationship with Labor Contracts

It is the intent of the parties that this Agreement be interpreted in harmony and compliance with the comprehensive labor contracts and/or provisions between the City of San Diego and authorized employee organizations representing Wastewater Funded employees.

H. Dispute Resolution

Any disputes (except for those concerning audits or reviews) that arise from a charge of a violation or misinterpretation of this Agreement shall be resolved through the applicable use of established processes within labor agreements in effect at the time of the dispute.

I. Applicable Law

In the event that any condition, covenant, or provision of this MOU is held to be invalid or void by any court of competent jurisdiction, or is deemed to be contrary to the law or any covenant or condition or provision of any contract to which the City is a party, the same shall be deemed severable from the remainder of this MOU and in no way shall affect any other covenant, condition, or provision. If any covenant, condition, or provision of this MOU is deemed to be invalid due to scope or breadth, such covenant, condition, or provision shall be deemed valid to the extent the scope or breadth is permitted by law.

J. Impacts on Staff

The parties agree that a top priority in the Wastewater Bid to Goal Agreement is to optimize the System operations and, in the process of doing so, to protect the employment rights of all affected employees as established under current City of San Diego policies and negotiated MOUs.

K. Successor Agreement

The parties recognize that insofar as it is in the mutual interest of the public and the parties, and that insofar that the parties will have met the terms and conditions of this and corollary service agreements, that it will be the option of the parties to negotiate a new agreement or extension of the existing agreement at the conclusion of the term of this Agreement.

This Agreement Amendment shall be effective commencing as of July 1, 2009 after its ratification of all parties listed below as evidenced by their respective signatures. This Agreement will have no force or final effect without City Council approval.

IN WITNESS WHEREOF, the undersigned agree to submit this Memorandum of Understanding to the appropriate bodies for approval and final ratification.

Date: _____

AMERICAN FEDERATION OF
STATE, COUNTY AND MUNICIPAL
EMPLOYEES, LOCAL 127, AFL-CIO

CITY OF SAN DIEGO

Mayor, City of San Diego

President

Chief Operating Officer, City of San
Diego

SAN DIEGO MUNICIPAL EMPLOYEES'

ASSOCIATION

Director, Public Utilities
Department

President



April 19, 2010

Rod Greek
Public Utilities Deputy Director
City of San Diego, Metropolitan Wastewater
9192 Topaz Way
San Diego, CA 92123

Re: Administrative Protocol on Allocation of Operating Reserves and Debt Service
Coverage to Participating Agencies

Dear Mr. Greek:

This letter is intended to memorialize the attached Administrative Protocol on Allocation of Operating Reserves and Debt Service Coverage to Participating Agencies ("Protocol") negotiated between the City of San Diego and Metro TAC/ Metro JPA/ Metro Commission, on behalf of the Participating Agencies under the Regional Wastewater Disposal Agreement. Your signature will indicate acceptance of the Protocol on behalf of the City.

By countersigning this letter, the City of San Diego and Metro TAC/ Metro JPA/ Metro Commission acknowledge and agree to the terms and conditions contained in the attached Protocol.

Sincerely,

for the Metro TAC/ Metro JPA/ Metro Commission

Enclosure

The Protocol is accepted by the City of San Diego pursuant to the terms and conditions set forth in the attachment hereto:

Date: _____

Rod Greek, Public Utilities Deputy Director

The Protocol is accepted by Metro TAC/ Metro JPA/ Metro Commission on behalf of the Participating Agencies pursuant to the terms and conditions set forth in the attachment hereto:

Date: _____

The Joint Powers Authority Proactively Addressing Regional Wastewater Issues

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

Administrative Protocol on Allocation of Operating Reserves and Debt Service Coverage to Participating Agencies

BACKGROUND:

In early 2008 the MetroTAC formed a working group in response to the City of San Diego's request for \$20 million in funding in FYE 2009 from the Participating Agencies ("PAs") for operating reserves and debt service coverage. The working group continued to meet with City of San Diego staff regarding the establishment of a mutually agreed upon protocol through early February 2010. A summary of the City of San Diego's 2008 proposal and the negotiated 2010 protocol is included as Attachment A.

At its regular meeting of February 17, 2010, the MetroTAC approved the following recommendations to move to the Finance Committee of the Metro Wastewater JPA and thereafter to the Metro Commission/ Metro Wastewater JPA for discussion and action:

- Proceed with PAs funding a 1.2 debt service ratio coverage
- Proceed with PAs funding a 45 day operating reserves
- The PAs will fund no other reserves
- FY07 and FY08 refund monies will be used to fund the operating reserves
- Interest accrual on operating reserves and undesignated accounts will start with FY10 (beginning on July 1, 2009)

The Finance Committee of the Metro Wastewater JPA, at its February 24, 2010 meeting, took action to recommend approval of the above, by the Metro Commission/ Metro Wastewater JPA. At its March 4, 2010 meeting, the Metro Commission/ Metro Wastewater JPA, comprised of representatives of the PAs, approved the components of the negotiated policy, with the understanding that any such policy would serve as an administrative protocol regarding the allocation of debt service coverage to the PAs and funding of operating reserves by the PAs.

PROTOCOL REGARDING PA FUNDING OF OPERATING RESERVES:

Background:

Operating reserves are established to provide funding for unforeseen events that might occur during the course of the fiscal year such as unforeseen major maintenance or capital projects. The PAs performed a survey of other regional wholesale agencies and determined that agencies such as the San Diego County Water Authority maintain a 45 day operating reserves. Although the City of San Diego's current policy is to increase operating reserves for its retail customers from 45 to 70 days, the City realizes that if a major maintenance incident should occur it can immediately request payment from the PAs per the Regional Wastewater Disposal Agreement. The City of San Diego's retail customer's rates cannot be immediately increased due to Proposition 218 requirements for noticing and public hearings.

Protocol:

Attachment B is a summary of the funding strategy showing each PAs 2007 and 2008 refunds based on recent City Metro Wastewater Exhibit E audits. The refunds will be used to fund the PAs 45 day operating reserves contribution. In the majority of cases most PAs will see a refund even after they have

fully funded their portion of the operating reserves. PAs that do not have adequate refunds will be billed for their portion of the reserve in the next quarterly 2010 billing. The operating reserves for each fiscal year will be established based on 45 days of operating revenues as determined by the following formula:

$$\frac{\text{Fiscal Year Estimated Operating Expenses (not including CIP and debt service)}}{365 \text{ days}} \times 45 \text{ days}$$

The number of days included in the calculation cannot be changed without prior consent of the PAs.

The operating reserves will be maintained by the City of San Diego and interest will accrue on a monthly basis based on actual interest rates on the City's investments. This interest revenue will be added to the PAs undesignated fund balance for that fiscal year. As part of each year's Exhibit E audit the actual required operating reserves and interest earned on it will be determined and audited by the City of San Diego's external auditors and PA representatives. A summary of the operating reserves balance and interest earned for each PA will be included as a footnote or attachment to the City Metro Wastewater Exhibit E Audit.

PROTOCOL REGARDING ALLOCATION OF DEBT SERVICE COVERAGE TO PAs

Background:

A 1.2 debt service coverage ratio is a requirement for all of the outstanding Metro parity debt. A cash flow prepared by the City of San Diego shows (Attachment C) that if the PAs are billed at the current level (\$65 million annually to cover the PAs portion of operations, pay-go capital, and debt service expense) for the next three to five years that this requirement can be achieved without additional contributions by the PAs. This provides the PAs a stable projected annual Metro contribution for the next three to five years.

Protocol:

The PAs will maintain through annual contributions and use of PA undesignated fund balance a positive cash flow not to exceed 1.2 times the PA share of the required annual debt service on Metro Debt. The debt service coverage ratio of 1.2 cannot be changed without prior consent of the PAs.

The undesignated fund balance will be maintained by the City of San Diego and interest will accrue on a monthly basis based on actual interest rates on the City's investments. This interest revenue will be added to the PAs undesignated fund balance for that fiscal year.

As part of each year's Exhibit E audit the actual required reserve coverage and interest earned on the undesignated fund balance will be determined and audited by the City of San Diego's external auditors and PA representatives. A summary of the debt service coverage requirement and portion of interest earned on the undesignated fund balance for each PA will be included as a footnote or attachment to the City Metro Wastewater Exhibit E Audit.

If the cash flow in any year does not provide the required 1.2 debt service coverage the PAs will be billed the additional required revenue including interest.

Attachment A

Original San Diego Proposal

Draft

FY 2009, and prospective years, Participating Agency funding process for the allocation of the MWWD Debt Service Coverage requirement:

Year 1

On October 1, 2008

1. Obtain the FY 2009 total MWWD debt service amount including SRF debt from the Administrative Services, Budget Section.
2. Calculate the debt service coverage dollar amount greater than 100%. The target debt service coverage percentage of 1.56 is the average debt service coverage ratio found in the current rate case model. The formula is: ([Current Debt Service Amount], $\$94,306,351 * .56 = \$52,811,557$).
3. Allocate the total debt service coverage amount between the Municipal and Metropolitan Systems using their respective debt service percentages of 77.91% for the Metropolitan System and 22.09% for the Municipal System.
4. Obtain final FY 2009 projected flow-based billing percentages for the Participating Agencies from Admin Services, Agency Contracts Section, (Peggy Merino).
5. Allocate the Metropolitan System portion of the debt service coverage amount to the City of San Diego and the 15 Participating Agencies using final FY 2009 projected flow-based billing percentages.
6. Update the Participating Agency Debt Coverage Payment Schedule.

On October 4, 2008

1. Forward the Participating Agency Debt Coverage Payment Schedule to the Admin Services, Agency Contracts Section, (Peggy Merino).

On November 1, 2008

1. Admin Services, Agency Contracts Section, (Peggy Merino) sends FY 2009 second quarter invoices to include as a second item, the debt service coverage amounts. The due date is December 1, 2008. (no interest will be applied to these accounts due to the mid year payment approach)

On December 1, 2008

1. Recognize the Participating Agencies debt service coverage payments as new revenues and update the Participating Agency Debt Coverage Payment Schedule.
2. Inform Admin Services, Agency Contracts Section, (Peggy Merino) to reduce the Participating Agencies FY 2010 CIP expense allocation by the FY 2009 Participating Agencies debt service coverage payments.
3. Obtain the preliminary FY 2010 projected flow-based percentages for the Participating Agencies from Admin Services, Agency Contracts Section, (Peggy Merino).
4. Calculate a preliminary FY 2010 debt service coverage schedule and forward to the Admin Services, Agency Contracts Section, (Peggy Merino)

On January 1, 2009

1. Admin Services, Agency Contracts Section, (Peggy Merino), informs the Participating Agencies of the FY 2010 projected debt service coverage amounts for budgeting purposes.

On July 1, 2009

1. Apply the FY 2009 Participating Agencies debt service coverage payments towards the cash requirement for the FY 2010 Metro based CIP Project budget. Any residual amounts will be applied to the O&M budget.

Year 2 (Prospective Years)

On October 1, 2009

1. Obtain the Fiscal Year 2010 total MWWD debt service amount including SRF debt from the Administrative Services, Budget Section.
2. Calculate the debt service coverage dollar amount greater than 100%. The target debt service coverage percentage of 1.56 is the average debt service coverage ratio found in the current rate case model. The formula is: ([Current Debt Service Amount], $\$xxx,xxx,xxx * .56 = \xxx,xxx,xxx)
3. Allocate the total debt service coverage amount between the Municipal and Metropolitan Systems using their respective debt service coverage percentages of xx.xx% for the Municipal System and xx.xx% for the Metropolitan System.
4. Obtain the final FY 2010 projected flow-based percentages for the Participating Agencies from Admin Services, Agency Contracts Section, (Peggy Merino).
5. Allocate the Metropolitan System portion of the debt service coverage amount to the City of San Diego and the 15 Participating Agencies using the preliminary FY 2010 projected flow-based percentages.
6. Update the Participating Agency Debt Coverage Payment Schedule.

On October 4, 2009

1. Forward the Participating Agency Debt Coverage Payment Schedule to the Admin Services, Agency Contracts Section, (Peggy Merino) for invoicing purposes.

On November 1, 2009

1. Admin Services, Agency Contracts Section, (Peggy Merino) sends FY 2009 second quarter invoices to include as a second item, the debt service coverage amounts. The due date is December 1, 2009. (no interest will be applied to these accounts due to the mid year payment approach)

On December 1, 2009

1. Recognize the Participating Agencies debt service coverage payments as new revenues and update the Participating Agency Debt Coverage Payment Schedule.
2. Inform Admin Services, Agency Contracts Section, (Peggy Merino) to reduce the Participating Agencies FY 2011 CIP expense allocation by the FY 2010 Participating Agencies debt service coverage payments.
3. Obtain the preliminary FY 2011 projected flow-based percentages for the Participating Agencies from Admin Services, Agency Contracts Section, (Peggy Merino).
4. Calculate a preliminary FY 2011 debt service coverage schedule and forward to the Admin Services, Agency Contracts Section, (Peggy Merino)

On January 1, 2010

1. Admin Services, Agency Contracts Section, (Peggy Merino), informs the Participating Agencies of the FY 2011 projected debt service coverage amounts for budgeting purposes.

On July 1, 2010

1. Apply the FY 2010 Participating Agencies debt service coverage payments towards the cash requirement for the FY 2011 Metro based CIP Project budget. Any residual amounts will be applied to the O&M budget.

Attachment B

Operating Reserve Funding Strategy

FY07-FY08 Operating Reserve Rate Stabilization
Based on 2008 Flows
FINAL

EXHIBIT E AUDIT ADJUSTMENTS				2008 FLOWS & LOADS		
Agency	FY 2007	FY 2008	TOTAL	2008 FLOWS & LOADS	OPERATING RESERVE	NET
CHULA VISTA	(\$1,837,010)	(\$2,100,751)	(\$3,937,761)	28.083%	\$1,202,374	(\$2,735,387)
CORONADO	(\$189,910)	(\$366,858)	(\$556,768)	3.356%	\$143,693	(\$413,075)
DEL MAR	(\$87,785)	(\$103,913)	(\$191,698)	1.029%	\$44,061	(\$147,637)
EL CAJON	(\$290,369)	\$66,888	(\$223,481)	15.270%	\$653,789	\$430,308
IMPERIAL BEACH	(\$132,300)	(\$130,153)	(\$262,453)	3.652%	\$156,373	(\$106,080)
LA MESA	(\$99,793)	(\$40,190)	(\$139,983)	8.842%	\$378,561	\$238,578
LAKESIDE/ALPINE	(\$293,313)	(\$243,206)	(\$536,519)	5.357%	\$229,368	(\$307,151)
LEMON GROVE	(\$147,034)	(\$195,043)	(\$342,077)	3.611%	\$154,615	(\$187,462)
NATIONAL CITY	(\$637,379)	(\$947,043)	(\$1,584,422)	7.572%	\$324,211	(\$1,260,211)
OTAY	\$123,792	(\$138,545)	(\$14,753)	0.459%	\$19,668	\$4,915
PADRE DAM	(\$789,976)	(\$1,752,218)	(\$2,542,194)	5.198%	\$222,537	(\$2,319,657)
POWAY	(\$683,251)	\$130,168	(\$553,083)	5.770%	\$247,021	(\$306,062)
SPRING VALLEY	(\$611,093)	(\$667,539)	(\$1,278,632)	10.316%	\$441,691	(\$836,941)
WINTERGARDENS	(\$71,984)	(\$56,162)	(\$128,146)	1.482%	\$63,470	(\$64,676)
TOTAL	(\$5,747,405)	(\$6,544,565)	(\$12,291,970)	100%	\$4,281,432	\$ (8,010,538.00)

Attachment C

Debt Service Coverage Funding Strategy

Attachment C

Schedule of Participating Agency Contributions to Operations Reserve and Debt Service Coverage Cash flow FY 2007-2011
Prepared on: February 23, 2010

HOW TO READ CASH FLOW SPREADSHEET:

Blue font = data inputted directly into spreadsheet

Green font = data imported from another spreadsheet in workbook

Black font = Calculation; see legend to determine calculation

Green font = data imported from another spreadsheet in workbook
Black font = Calculation; see legend to determine calculation

Line #	Cash flow Component	Legend	Foot-note #	AUDITED		PROJECTED								
				FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15		
1	Current Projected Revenue Stream	Input		\$54,007,596	\$63,231,038	\$57,249,960	\$64,487,408	\$65,000,000	\$65,000,000	\$65,000,000	\$65,000,000	\$65,000,000	\$65,000,000	
2	Annual Refund After Exhibit E Audit	Input					(8,209,431)	(1,500,000)	(3,000,000)	(2,500,000)	(2,100,000)	(1,800,000)		
3	Transfer (to)/from Operating Reserve	Line 21-Prior Year					(4,281,432)	(42,814)	(43,242)	(43,675)	(44,112)	(44,553)		
4	Undesignated Fund Balance Interest	Line 17 X Interest Rate	(1)				79,990	258,156	225,608	113,282	62,579	58,899		
5	Operating Reserve Interest	Calculated Off-Line	(2)				164,514	166,159	167,821	169,499	171,194	172,906		
6	Gross PA System Revenue	Sum(Line1:Line5)		\$54,007,596	\$63,231,038	\$57,249,960	\$52,241,049	\$63,881,500	\$62,350,187	\$62,739,106	\$63,089,661	\$63,387,252		
7	Less:													
8	PA Estimated Total Operating Expenses	Prior year X 1.01	(3)	\$32,304,298	\$37,150,042	\$34,727,170	\$34,727,170	\$35,074,442	\$35,425,186	\$35,779,438	\$36,137,232	\$36,498,605		
9	Net PA System Revenue	Line 6 - Line 8		\$21,703,298	\$26,080,996	\$22,522,790	\$17,513,879	\$28,807,059	\$26,925,001	\$26,959,668	\$26,952,429	\$26,888,647		
10	PA Annual Debt Service Payment	Calculated Off-Line		\$20,373,393	\$19,850,051	\$20,441,069	\$24,049,989	\$24,043,880	\$22,479,039	\$22,478,266	\$22,478,075	\$22,478,730		
11	CIP Pay Go – 20% of Projected CIP	Input	(4)	(4,417,502)	(512,512)	-	1,318,048	5,610,210	7,369,218	5,800,940	4,570,129	4,655,009		
12	Total CIP and Debt Service	Line 12 + 13		15,955,891	19,337,539	20,441,069	25,368,037	29,654,090	29,848,257	28,279,206	27,048,204	27,133,739		
13	Net Income after CIP and Debt Service	Line 10 - 14		\$5,747,407	\$6,743,457	\$2,081,721	(\$7,854,157)	(\$847,032)	(\$2,923,257)	(\$1,319,537)	(\$95,775)	(\$245,092)		
14	PA Undesignated Fund Balance	Line 16 + Prior Year		\$5,747,407	\$12,490,864	\$14,572,585	\$6,718,428	\$5,871,396	\$2,948,139	\$1,628,602	\$1,532,827	\$1,287,735		
15	Calculated Debt Service Ratio	Line 10/Line 12	(5)				0.73	1.20	1.20	1.20	1.20	1.20		
16	Operating Reserve (45 days)	(Line 8/365 days) X 45 days					\$4,281,432	\$4,324,246	\$4,367,489	\$4,411,164	\$4,455,275	\$4,499,828		
Footnotes:														

Footnotes:

- (1) average of current year ending balance + prior year ending balance times 3.2%
- (2) average monthly balance times LAIF rate (first year calculated at half year interest)
- (3) FY09 based on average of FY07 & FY08 then 1% inflation
- (4) 20% of projected Metro CIP
- (5) Minimum coverage requirement 1.2 time annual Metro debt service

FY10 Operating Reserve Calc:

PA Operating Expenses:	\$34,727,170
divided by:	365
Equals:	\$95,143
Times:	45
45 day Operating Reserve:	\$4,281,432

FY10 Operating Reserve Interest Calc:

PA Operating Expenses:	\$4,281,432
Times ave monthly LAIF Interest Rate:	0.038425 (range from 3.18% to 4.53% per month)
FY10 Estimated Interest Earned:	\$164,514

AGENDA ITEM 4

Attachment



An employee-owned company

May 13, 2010

Mr. Ernie Ewin
Chairman, Metro Commission/JPA
276 Fourth Avenue
Chula Vista, CA 91910

Mr. Scott Huth
Chairman, Metro TAC
276 Fourth Avenue
Chula Vista, CA 91910

SUBJECT: PROPOSAL TO PROVIDE AS-NEEDED ENGINEERING AND FINANCIAL SERVICES

Dear Mr. Ewin and Mr. Huth:

We very much appreciate this opportunity to submit our proposal to provide engineering and financial consulting services for the Metro TAC/JPA/Commission. The purpose of this proposal is to provide continued technical and financial support by PBS&J to the Metro TAC/JPA/Commission during the upcoming fiscal year ending (FYE) 2011. Our goal is to assist the Participating Agencies in meeting their objectives of fair rates, equitable cost sharing, and program validation.

The intention of this contract is to provide continued review and oversight of the Metro System program with a minimum of duplication of effort by the Participating Agencies. Our goals are to assist in increasing the responsiveness of the group regarding key issues of concern, ensure coverage at key meetings, centralize data collection, minimize duplication of efforts by the Participating Agencies, and reduce costs for the Participating Agencies as well as the overall costs of the Metro Program through our audit and financial services.

We have enjoyed working with the Metro TAC/JPA/Commission since 1998 and we look forward to continuing our successful relationship. As we are sensitive to public agency finances in these tough economic times, we are not increasing our hourly rate or the total contract amount from FYE 2010. Please call me at 858.514.1008 if you have any questions.

Sincerely,
PBS&J

A handwritten signature in blue ink, appearing to read 'Karyn Keese', written over a light blue horizontal line.

Karyn Keese
Financial Services Manager

ATTACHMENT A
EXECUTIVE SUMMARY
METRO TAC/JPA/COMMISSION
AS-NEEDED ENGINEERING AND FINANCIAL SERVICES
MAY 13, 2010

Up until the late 1990's, the Participating Agencies (PAs) in the City of San Diego Metropolitan Wastewater System (Metro System) had outdated contracts with the City of San Diego (City). The Metro System provides wastewater treatment and disposal for the PAs. These contracts had been written and entered in 1963. A new contract was agreed upon and entered between the PAs and the City in early 1998. This contract provided for:

- A role in decision making
- A role in the budget process and preparation
- A role in capital improvement planning
- A mechanism to verify overhead cost allocation
- An assurance that San Diego Metro and Municipal expenses were properly allocated
- A definition of what was being paid for
- An appeal process for disputes
- A role in governance
- A role in technical and operational review
- A guaranteed sharing of new capacity under a re-rating scenario
- A role in long-range planning

In addition, the new contract provided for the establishment of the Metro Commission and their technical arm, the Metro TAC. Since that time the Metro TAC/Commission has become fully engaged in the City's wastewater issues. Metro TAC representatives now review every aspect of the City's capital project decision-making process from the earliest project conception to completion and, in fact, sit on consultant selection panels. In addition, the Joint Powers Authority (JPA) was formed to create an effective regional voice in wastewater issues, generally in partnership with the City staff and Council.

In September 1998, the Metro TAC/JPA/Commission contracted with PBS&J to provide engineering and financial consulting services. It was felt that an outside consultant could provide an independent third party objective review and was more efficient than each PA reviewing all the capital project and financial information provided by the City. To that end PBS&J has provided the following consulting services:

- Review of all financial aspects, including the budget, audit, CIP and rate case proposals
- Attendance at meetings to provide technical support for the Metro TAC/JPA/Commission
- Review of capital improvement programs
- Technical support to Ad Hoc Financial Committee (now the Finance Committee)

- Participate in Metro TAC/Commission Strategic Planning process
- Provide specific tasks as directed by the Metro TAC, AdHoc Finance Committee, and the Metro JPA/Commission

Since the inception of this contract, PBS&J has assisted the Metro TAC in modifying the scope of proposed capital projects. In addition, PBS&J has participated in annual audits of the costs associated with the operations and maintenance and capital programs associated with the Metro System (Exhibit E Audits). The participation in the Exhibit E Audits have resulted in several reforms and annual cost savings for the PAs. As shown on the following table, our participation in the audit process has resulted in an average of \$500,000 per year savings for the PAs. During FYE 2010 we participated in the close of the FYE 2007 and 2008 Exhibit E Audits with total funds returned to the PAs of \$12.3 million. It is anticipated that the FYE 2009 audit will be completed by June 30, 2010 and additional monies will be returned to the PAs in the first quarter of FYE 2011.

Comparison of Number of Findings							
Findings	2008	2007	2006	2005	2004	2003	Average
Metro	28	15					
Muni	7	9					
Total	35	24					
Comparison of Dollar Amounts							
Findings	2008	2007	2006	2005	2004	2003	Average
Metro	\$ 697,915	\$ 368,292	\$ 772,778	\$2,289,812	\$1,774,222	\$1,400,000	\$1,217,170
Muni	\$ 354,673	\$ 189,024	\$ -	\$ -	\$ -		\$ 135,924
Total	\$1,054,595	\$ 559,324	\$ 772,778	\$2,289,812	\$1,774,222	\$1,400,000	\$1,353,094

Other work performed through our last year contract included the following Special Projects:

1. Metro TAC Subcommittee on Debt Service Coverage/Operations Reserve Issue: In response to San Diego's request for \$20 million in reserves and debt service coverage we created draft cash flow models to show that the debt service coverage was already being met through the timing of the payments by the PAs for O&M and capital expenses. In addition we negotiated with the City to lower their requested debt service coverage from 1.7 to 1.2 and their operations reserve requirements from 70 days to 45 days. The final resolution reduced the PAs requirements to \$4 million from \$20 million and for the first time since the inception of the contract the PAs will be receiving credit for interest on their contributed fund balance.
2. Provide Metro TAC Work Plan Support: We have provided engineering and financial support to the following Metro TAC issues during 2010:
 - State Waste Discharge Requirements and Communication Plan;
 - "No Drugs Down the Drain" Program;
 - Grease Recycling;

- Flushable Items that do not Degrade
 - In-Pipe Technology Support
 - Sewer Meter Alarm early warning system: review agreement, solicit input from PAs, provide feedback to San Diego, interface with ADS
3. Review of San Diego's rate case and 2010 and 2011 budgets
 4. Metro TAC Subcommittee(s) on Reclaimed Water Issues: There are currently three issues before Metro TAC that PBS&J is supporting. The first is the review of the City's Draft Recycled Water Pricing Study to insure that the outcome will incentivize the sale of reclaimed water while bringing in a reasonable amount of revenue. The second is the resolution of contractual issues regarding the sale of reclaimed water from the South Bay WRP. And the third is the attendance at work meetings for the City's Recycled Water Master Plan, review and comment on technical memorandum's and other work products generated by the City's consultant.
 5. Finance Committee Support: We prepared agenda's, minutes, and generated supporting documentation on all financial issues of concern to the Metro Wastewater JPA. We attended meetings and presented reports to the Committee.
 6. Secondary Waiver Support: Modeled Secondary capital costs to determine financial impacts on the PAs if the waiver had not been granted.

Over the past few years, PBS&J's responsibilities have changed to provide a greater emphasis on an extension of staff role to the Metro TAC/JPA. An average of 50 percent of our annual services fall into special projects or "as-needed" services as discussed earlier. The majority of these projects were not envisioned at the time of the negotiations for the last contract in May of 2009.

We have discussed our proposed scope of work with Scott Huth, Chair of Metro TAC and he has advised us as to projects they would like to see completed in FYE 2011. Scott Huth has also requested that we include hours to support Metro TAC in unforeseen technical projects that may arise during that time period.

We have not increased our base hourly rate for FYE 2011. Based on these unchanged rates, we have determined a fee of \$105,595 for FYE 2011, which is the same as our 2008, 2009, and 2010 estimated budgets. This will maintain a 15% discount on PBS&J's normal hourly rates.

ATTACHMENT B
SCOPE OF SERVICES
METRO TAC/JPA/COMMISSION
AS-NEEDED ENGINEERING AND FINANCIAL SERVICES
MAY 13, 2010

The purpose of the As-Needed Consulting Contract for the Metro Wastewater JPA/Commission is to provide technical and financial support to the PAs in meeting their objectives of fair rates, equitable cost sharing, and program validation. The intention of the As-Needed Contract is to provide review and oversight of the San Diego Metropolitan Sewer System (Metro System) Program with a minimum of duplication by the PAs. By combining the efforts of the PAs into a central focal point, our goal is to assist in increasing the responsiveness of the group to key issues of concern, ensure coverage at key meetings, centralize the data collection, minimize duplication of efforts by the PAs, and reduce the costs of both Metro TAC/ JPA/Commission efforts, as well as the overall costs of the Metro Program.

I. Scope of Services

The effort by PBS&J will be divided into five major categories, one for routine services, two for specific financial tasks, one for anticipated technical tasks, and one for general Metro TAC support.

A. Routine Meetings

The routine meetings will include the following tasks:

1. As-needed attendance at the Metro TAC meetings by the Financial Services Manager and Technical Project Engineer
2. As-needed attendance and preparation for the Metro Commission/JPA meetings by the Financial Services Manager and Technical Project Engineer
3. Support of Metro Finance Committee by Financial Services Manager

B. Routine Audit Review – Public Utilities Department, Wastewater Operations Branch Exhibit E Audit Review – FYEs 2009 and 2010

1. Review and negotiate the auditors Scope of Work
2. Attend Entrance and Exit Conferences with the Auditors
3. Select audit sample
4. Attend Interim Bi-Weekly work meetings with the Auditors (maximum of 5)
5. Review the Draft and Final Audit numbers and test results
6. Review all audit samples for contract compliance and accounting accuracy

7. Review the annual general services cost allocation
8. Review output for any special projects (In the past this has included the reconciliation of the Shames and other municipal lawsuits, and the Clean Water Program management contract to insure that only Metro costs have/had been charged to the PAs)
9. Prepare work-meeting reports
10. Present the results to the AdHoc Finance Committee, Metro TAC, and Metro Wastewater JPA / Commission
11. Monitor closeout process to insure timely payment of refunds (if any) and the accuracy of any additional billings' (if any) to PAs

C. Routine Review of MWWD Budget – FYE 2012

1. Line item review of the proposed CIP projects to verify that they are a part of the Wastewater Agreement. Provide a preliminary review of the O&M costs to identify areas of concern for the PAs
2. Identify budget items that show major deviation from previous years, and discuss these deviations with the City
3. Attend meetings with the City of San Diego Public Utilities staff to identify the nature and magnitude of the budget items
4. Provide updates on budget issues to the Metro TAC, the Finance Committee, and the Metro Wastewater JPA/Commission meetings

D. 2011 Special Projects

1. Reclaimed Water Support – There are three main issues to be addressed that surround the production and sale of reclaimed water.
 - a) Review of Recycled Water Pricing Study – In December 2009 the City asked its consultant to address the difference between wholesale and retail customers' and their recycled water rates. The City's original proposed unitary rate structure is of major concern to the PAs. A second draft of the pricing study is due out for review in September 2010. The PAs goal for this study is to insure that the rates are fair and equitable to all parties, and set at appropriate levels that balance the facilitation of increased use of reclaimed water per the City's agreement with the environmental community, while providing additional monies to operate the system. PBS&J will review the September draft in-depth to insure that the PAs goals are reached.
 - b) Continued Support and Resolution of Reclaimed Water Contractual Issues – In 2003 the Metro Wastewater JPA commissioned PBS&J to prepare a "Review of the City of San Diego's Recycled Water Pricing Policy". During that review it was confirmed with City staff that per the

Regional Disposal Agreement Sections V.B.2.a(2) and (3) that the revenues from sales of reclaimed water and incentives such as those provided by Metropolitan Water District/County Water Authority were revenues attributed to the participating agencies and the City's municipal wastewater customers. The participating agencies as well as the City of San Diego's own municipal wastewater customers are paying 100% of the cost to produce the tertiary water (capital and O&M) needed for reclaimed water. However, to date the Water Department has been collecting 100% of the revenues from sales and incentives and paying 0% of the costs. Metro TAC has formed a subcommittee to work with the City staff on resolution of this issue. PBS&J will provide financial and technical support to the subcommittee.

- c) Continued Support for Reclaimed Water Master Plan – The Metro TAC has formed a subcommittee to provide proactive input to the City during the development of their Reclaimed Water Master Plan. The United States Environmental Protection Agency (USEPA) recently made a decision to grant the City a waiver to its National Pollutant Discharge Elimination System (NPDES) Permit. In lieu of opposition to the waiver, San Diego Coastkeeper and the San Diego Chapter of Surfrider Foundation have entered into a Cooperative Agreement with the City to publicly support USEPA's decision. The City's responsibility per the Agreement is to execute this study. PBS&J will provide technical support to the subcommittee by attending 8 project meetings, and review and commenting on the deliverables provided by the City's consultant. It is anticipated the consultant will produce 8 technical memoranda's and one Technical Report during FYE 2011.

- E. Metro TAC Staff Support – This task includes 4 hours per month for unforeseen financial analysis to be provided by Karyn Keese and 4 hours of technical engineering support to be provided by Dean Gipson. PBS&J will support, as-needed, the following items on the Metro TAC 2010 Work plan:

- State WDRs and WDR Communication Plan
- PLWWTP Waiver
- IPR Pilot Program(s)
- Lateral Issues
- Grease Recycling
- Water Reduction – Impacts on Sewer Rates
- Flushable Items that Do Not Degrade
- "Power Tariff"

II. ADDITIONAL SERVICES AS REQUESTED

- A. Participate in the MWWD Strategic Business Plan
- B. Review of ongoing background material not envisioned
- C. Prepare for and attend additional meetings beyond what is included in Section I
- D. Provide additional follow-up on the additional items identified
- E. Participate in the MWWD Annual Master Plan Update
- F. Provide additional technical support on specific projects as directed by the Metro TAC, AdHoc Finance Committee, and Metro JPA/Commission Chairmen
- G. Provide technical support, as requested, to fulfill Metro JPA objectives

AGENDA ITEM 6

Attachment



An employee-owned company

January 28, 2010

Mr. Al Ovrom
Chairman, Metro Finance Committee
San Diego Metro JPA
276 Fourth Ave.
Chula Vista, CA 91910

SUBJECT: 2008 Exhibit E Audit Results

Dear Mr. Ovrom and Committee Members:

Attached are the final findings from the 2008 Exhibit E Audit. The audit followed the same sampling procedures we have followed in past years. The City generates a listing of all transactions in excess of \$1,000 excluding payroll, San Diego Data Processing (SDDP) charges, and capital improvements (CIP) costs. The total dollar amount of these transactions was \$134.4 million this year. The selected samples from this data base totaled \$75 million or 56% of the total dollar amount.

In addition the auditors select 25 payroll samples and the JPA team selects 10 CIP and 20 revenue samples from separate transaction reports. The total sample in 2008 is as follows:

Sample	# Sample
Auditor (CJO)	225
JPA (Metro)	100
CIP (Metro)	10
SDDP (Metro)	1 week
Payroll (CJO)	25
Revenue (Metro)	17
Legal (CJO)	1
Total	378

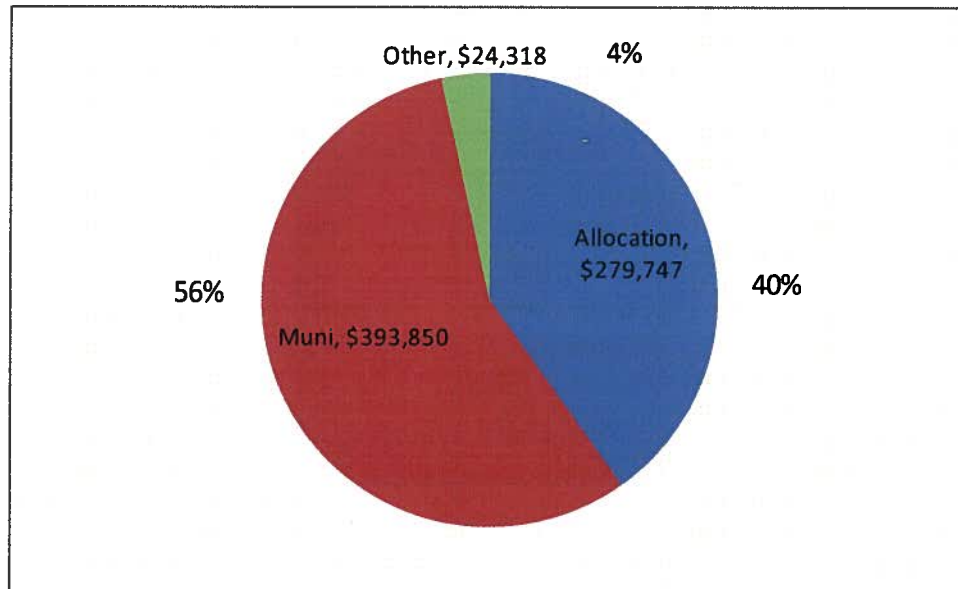
Out of the sample, there were a total of 35 findings totaling \$1.1 million dollars. This is further broken down into Metro and Muni findings. The Metro findings totaled \$698,000 and the muni findings totaled \$355,000. This is over fifty per cent higher in the dollar amount as shown on the following table:

Comparison of Number of Findings							
Findings	2008	2007	2006	2005	2004	2003	Average
Metro	28	15					
Muni	7	9					
Total	35	24					

Comparison of Dollar Amounts							
Findings	2008	2007					
Metro	\$697,915	\$368,292	\$ 772,778	\$ 2,289,812	\$1,774,222	\$ 1,400,000	\$1,217,170
Muni	\$354,673	\$189,024	\$ -		\$ -		\$ 135,924
Total	\$1,054,595	\$559,324	\$772,778	\$2,289,812	\$1,774,222	\$1,400,000	\$1,353,094

The table also shows that the average savings to the participating agencies from annual audit findings more than pays for the entire operations cost of the JPA. The annual budget for the current fiscal year is \$207,500. The PAs represent approximately 35% of the total flow and strengths of the Metro System When the average savings of \$1,217,170 is multiplied by 35% the annual averages savings to the PAs is \$426,000.

The Metro findings of \$697,938 can be classified into three basic categories: incorrect allocations, muni costs charged to Metro, and other. The breakdown of these three groups is illustrated in the following graph and a detail is included as an attachment to the letter.



Metro Finance Committee
January 28, 2010
Exhibit E Audit Results
Page 3 of 3

If I can provide you with any additional information please do not hesitate to call me at 858-514-1008.

Sincerely,
PBS&J

A handwritten signature in black ink, appearing to read 'Karyn Keese', with a long horizontal flourish extending to the right.

Karyn Keese
Client Financial Services Manager

**2008 Exhibit E
Findings**

#	Date	Amount	City Response	Finding Metro Amount	Finding Muni Amount
J1	7/27/2007	7,803.00	Refuse Disposal Fees throughout the year were expended 100% Metro in error. Should be 93% Metro / 7% Muni. Decrease Metro and increase Muni by \$25,318.09	25,318.09	
J6	12/18/2007	11,262.50	Expend was 100% Metro with the allocation based on labor (E215 list) in error. Should be 12% Metro / 88% Muni. Decrease Metro and increase Muni by \$9,911.	9,911.00	
J55	11/28/2007	54,810.00	An incorrect JO was used which placed this expenditure on the "Do not Allocate" list in error. This expense is for North City and needs to be allocated to the PA's. Metro needs to increase by \$54,810.00.		(54,810.00)
J56	10/29/2007	17,302.23	Total expenditure for FY07 and FY08 should be 100% Muni. Decrease Metro and increase Muni by \$179,251.07.	179,251.07	
J61	8/13/2007	31,008.34	Expend was 100% Metro in error. Should be 66% Metro / 34% Muni. Decrease Metro and increase Muni by \$15,814.25.	15,814.25	
J70	8/31/2007	12,266.91	Total payments for the year for the MOC 2 portion were 100% Metro in error. Should be 66% Metro / 34% Muni. Decrease Metro and increase Muni by \$2,375.06.	2,375.06	
J75	6/30/2008	41,862.74	Expend was 100% Metro in error. Should be 93% Metro / 7% Muni. Decrease Metro and increase Muni by \$4,757.13.	4,757.13	
J76a-- J76c	7/13/2007	1,261.60	Expend was 100% Metro in error. Should be 93% Metro / 7% Muni. Decrease Metro and increase Muni by \$6,914.83.	6,914.83	
J78	10/16/2007	35,246.18	Same as J56.	Included in J56.	
J79	3/13/2008	17,009.24	Labor was expended 100% Metro in error. Should be 100% Muni. Decrease Metro and Increase Muni by \$193,506.73.	193,506.73	
J80	6/23/2008	6,314.56	\$208.61 of the expenditure cannot be accounted for by the Verizon management company, Isys LLC. Move to Muni.	208.61	

**2008 Exhibit E
Findings**

#	Date	Amount	City Response	Finding Metro Amount	Finding Muni Amount
J100	2/14/2008	30,000.00	Expend was 100% Metro in error. Out of 17 monitoring screens, 2 monitor Muni Facilities. Muni portion of cost should be 2/17 times \$37,262.62 = \$4,383.84. Decrease Metro and increase Muni by \$4,383.84.	4,383.84	
M8	4/4/2008	28,852.00	Same as J1.	Included in J1.	
M18	5/30/2008	32,680.00	Same as J1.	Included in J1.	
M23	6/30/2008	261,424.74	Total payments for the year for Emerson were using an incorrect allocation spread. Should be 84% Metro / 16% Muni. Increase Metro and decrease Muni by \$46,570.54.		(46,570.54)
M29	6/30/2008	132,502.19	Same as M23.	Included in M23.	
M71	5/20/2008	16,133.14	Total payments for the year for Energy for MOC 2 were expended 100% Metro in error. Should be 66% Metro / 34% Muni. Decrease Metro and increase Muni by \$83,405.32.	83,405.32	
M76	7/19/2007	1,621.70	Expend was 100% Metro in error. Should be 100% Muni. Decrease Metro and increase Muni by \$1,621.70.	1,621.70	
M83	12/10/2007	7,399.16	Metro was overcharged by \$944.92. Decrease Metro and increase Muni by \$944.92	944.92	
M94	10/11/2007	50,000.00	Expenditure was 100% Metro in error. Should be 50% Metro / 50% Muni. This membership benefits both Metro and Muni. Decrease Metro and increase Muni by \$25,000.	25,000.00	
M96	10/26/2007	1,616.25	Tax was calculated and paid twice in error. Move overpayment to Muni: \$116.25.	116.25	
M130	6/12/2008	29,815.81	The total expenditure for this PO should be 100% Metro. Increase Metro and decrease Muni by \$90,593.98.		(90,593.98)
M170	7/27/2007	79,023.71	The total payments thru FY08 for PO 5102436 were 100% Metro in error. Should be 17% Metro and 83% Muni. Decrease Metro and increase Muni by \$89,712.91.	89,712.91	
Note: The FY09 adjustment has already been added to the FY09 Findings Schedule.					

**2008 Exhibit E
Findings**

#	Date	Amount	City Response	Finding Metro Amount	Finding Muni Amount
M178	1/23/2008	24,108.91	State tax was paid in error. Decrease Metro and Increase Muni by \$24,108.91.	24,108.91	
M179	6/24/2008	110,463.79	Same as M23.	Included in M23.	
M199	5/5/2008	58,557.38	Expend was 100% Metro in error. Should be 93% Metro / 7% Muni. Decrease Metro and increase Muni by \$4,845.69.	4,845.69	
M210	11/6/2007	1,900.34	Expend was 70% Metro 30% Muni in error. Should be 100% Metro. Increase Metro and decrease Muni by \$814.44.		(814.44)
M276	10/17/2007	6,693.33	Expend for the year was 100% Muni in error. Should be 100% Metro. Increase Metro and decrease Muni by \$22,330.96.		(22,330.96)
R3		2,822,300.00	The Metro Fund 41509 used to record the negative revenue entry for Requisition MUN7-414 was incorrect. Should be Muni Fund 41506. Increase Metro Revenue and decrease Muni Revenue by \$18,177.00.	18,177.00	
R3		2,822,300.00	100% of Revenue, in the amount of \$15,455, received for Bond Reimb of CIP 459562, MOC 2 Upgrade, expenditures was deposited in Fund 41509 in error. The allocation should be 66% Metro and 34% Muni. Decrease Metro Revenue and increase Muni Revenue by \$5,254.70.		(5,254.70)
R13		131,458.00	100% of Revenue, in the amount of \$134,298, received as a FEMA reimbursement for a Muni Project was deposited in Fund 41509 in error. The Fund should have been 41506. Decrease Metro Revenue and increase Muni Revenue by \$134,298.		(134,298.00)
C2		897.71	Expenditure for MOC 2 Upgrade CIP project should be 34% Muni. Decrease Metro and increase Muni by \$305.22.	305.22	
C2		3,983.55	Expenditure for MOC 2 Upgrade CIP project should be 34% Muni. Decrease Metro and increase Muni by \$1,354.41.	1,354.41	
C2		9,067.35	Expenditure for MOC 2 Upgrade CIP project should be 34% Muni. Decrease Metro and increase Muni by \$3,082.90.	3,082.90	
Legal		2,798.89	Shames Job Order billed Metro 100% in error. Should be 100% Muni. Decrease Metro and increase Muni by \$2,798.89.	2,798.89	

2008 Exhibit E
Findings

#	Date	Amount	City Response	Finding Metro Amount	Finding Muni Amount
M30	6/30/2008	468,309.28	This expense was accrued in FY08 in error. The service was for July 2008, so it should have remained an FY09 payment.	Noted	
M87	8/8/2007	119,403.20	Energy purchase was for June 2007. Paid in August 2007. \$119,403.20 should have been an accrual entry for FY07.	Noted	
M123	7/20/2007	136,350.00	This expenditure was charged to Metro properly. However, it was for service period 5/30/07-6/30/07. So the expenditure should have been in FY07, not FY08.	Noted	
M124	10/26/2007	101,462.04	The expenditure was charged to Metro properly. However, it was for service period 12/1/06-2/28/07. So the expenditure should have been of FY07, not FY08.	Noted	
TOTAL FINDINGS - METRO & MUNI				697,914.73	(354,672.62)

**CITY OF SAN DIEGO METROPOLITAN
WASTEWATER DEPARTMENT**

**Schedule of Allocation for Billing to Metropolitan
System and Independent Auditor's Reports**

For the Fiscal Year Ended June 30, 2008

CITY OF SAN DIEGO METROPOLITAN WASTEWATER DEPARTMENT
Schedule of Allocation for Billing to Metropolitan System and Independent Auditor's Reports
For the Fiscal Year Ended June 30, 2008

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SAN MARCOS

**INDEPENDENT AUDITOR'S REPORT ON
SCHEDULE OF ALLOCATION FOR BILLING TO METROPOLITAN SYSTEM**

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

We have audited the accompanying Schedule of Allocation for Billing to Metropolitan System (the "Schedule") of the City of San Diego Metropolitan Wastewater Department (MWWD), an enterprise fund of the City of San Diego (the "City"), for the year ended June 30, 2008. This Schedule is the responsibility of the MWWD's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MWWD's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the Schedule. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 3, the accompanying Schedule referred to above 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 and the First Amendment dated May 15, 2000 (Agreements). Accordingly, the Schedule is not intended to present the financial position or the changes in the financial position of the MWWD in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the allocation for billing to Metropolitan System for the year ended June 30, 2008 on the basis of accounting described in Note 3.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2010, on our consideration of the MWWD'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the City Council and the MWWD's management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Macias Jini & O'Connell LLP
Certified Public Accountants
San Diego, California
March 5, 2010

CITY OF SAN DIEGO METROPOLITAN WASTEWATER DEPARTMENT
Schedule of Allocation for Billing to Metropolitan System
For the Fiscal Year Ended June 30, 2008

	Operating Expenses		
	Municipal System	Metropolitan System	Total
TRANSMISSION:			
Cleaning and Stoppage Removals, Mains and Laterals.....	\$ 13,410,317	\$ -	\$ 13,410,317
Accrued Claims.....	-	-	-
Maintenance of Laterals.....	5,593,624	-	5,593,624
Maintenance of Mains and Manholes.....	6,973,688	-	6,973,688
Sewage Pumping Stations.....	10,424,543	1,595,179	12,019,722
Metro Pump Station #1.....	-	2,178,736	2,178,736
Metro Pump Station #2.....	-	6,885,264	6,885,264
TOTAL TRANSMISSION.....	36,402,172	10,657,179	47,059,351
TREATMENT AND DISPOSAL:			
Cogeneration Facilities.....	-	1,177,607	1,177,607
Point Loma Plant.....	-	14,941,077	14,941,077
North City Water Reclamation Plant.....	-	8,355,230	8,355,230
Metro Biosolid Center.....	-	16,027,183	16,027,183
South Bay Water Reclamation Plant.....	-	6,556,057	6,556,057
San Pasqual Water Reclamation Plant.....	50,701	-	50,701
Escondido System.....	1,748,059	-	1,748,059
Sewage Testing and Control.....	4,125,567	462,501	4,588,068
Wastewater Chemistry.....	387,621	5,167,427	5,555,048
Biology/Ocean Operations.....	984,767	3,526,172	4,510,939
TOTAL TREATMENT AND DISPOSAL.....	7,296,715	58,213,254	63,509,969
GENERAL AND ADMINISTRATION:			
Utilities Administration and General Expenses.....	26,516,441	20,963,698	47,482,139
Utility Commercial.....	5,558,538	-	5,558,538
Technical Services Administration.....	-	1,655,923	1,655,923
Central Support Facility.....	989,391	9,543,318	10,532,707
Expenses of Other City Departments Applicable to Sewerage Utility.....	15,842,952	6,775,015	22,617,967
Engineering Expenses.....	3,152,845	5,910,503	9,063,348
TOTAL GENERAL AND ADMINISTRATION.....	52,062,167	44,848,455	96,910,622
TOTAL EXPENSES.....	95,761,054	111,718,886	207,479,942
CAPITAL IMPROVEMENT EXPENSE.....	27,687,191	3,487,123	31,174,314
METROPOLITAN SYSTEM CAPITAL IMPROVEMENT INCOME CREDITS.....	-	(4,466,786)	(4,466,786)
DEBT SERVICE ALLOCATION.....	34,553,453	57,873,961	92,427,414
METROPOLITAN SYSTEM INCOME CREDITS.....	-	(2,433,785)	(2,433,785)
TOTAL ALLOCATION FOR BILLING PURPOSES.....	\$ 158,001,698	\$ 166,179,401	\$ 324,181,099

See Notes to Allocation for Billing to Metropolitan System

CITY OF SAN DIEGO METROPOLITAN WASTEWATER DEPARTMENT

Notes to the Schedule of Allocation for Billing to Metropolitan System

For the Fiscal Year Ended June 30, 2008

Note 1 – General

The City of San Diego Metropolitan Wastewater Department (“MWWD”) 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 have entered into the Regional Wastewater Disposal Agreement dated May 18, 1998 and amended on May 15, 2000, for their respective share of usage and upkeep of the Metropolitan System. The accompanying Schedule of Allocation for Billing to Metropolitan System (the “Schedule”), represents the allocation of expenses for billing related to the Metropolitan System of the Participating Agencies.

The MWWD is accounted for and reported as an Enterprise fund of the City of San Diego.

Note 2 – Participating Agencies

The Participating Agencies consist of the following municipalities and districts:

City of Chula Vista	Lemon Grove Sanitation District
City of Coronado	City of National City
City of Del Mar	Otay Water District
East Otay Mesa Sewer Maintenance District	Padre Dam Municipal Water District
City of El Cajon	City of Poway
City of Imperial Beach	Spring Valley Sanitation District
City of La Mesa	Wintergardens Sewer Maintenance District
Lakeside/Alpine Sanitation Districts	

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. As a result, the Schedule is not intended to be a presentation of the financial position or the changes in the financial position in conformity with generally accepted accounting principles. The more significant differences are:

1. Purchases of capital assets are presented as capital improvement expenses.
2. Payments of principal and interest on long-term debt are presented as debt service allocation expenses.

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

CITY OF SAN DIEGO METROPOLITAN WASTEWATER DEPARTMENT
Notes to the Schedule of Allocation for Billing to Metropolitan System (Continued)
For the Fiscal Year Ended June 30, 2008

Note 4 – Metropolitan System Capital Improvement Expense

Construction costs incurred during the fiscal year to maintain and improve the Metropolitan System and equipment purchases used in the maintenance of the Metropolitan System are included in capital improvement expense.

Metropolitan System capital improvement income credits include 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 is that portion of the principal and interest payments relating to the 1993, 1995, 1997A, 1997B, 1999A and 1999B sewer revenue bond issuances, 2007 sewer revenue note issuance, and outstanding loans with the State of California.

Note 6 – Metropolitan System Income Credits

Metropolitan System income credits are revenues earned by the Metropolitan System for which costs have been incurred during the current or previous fiscal years. There is a dispute between the Participating Agencies and the City regarding reclaimed water revenue. The City's position is that the Reclaimed Water system is one system and at this time it is not earning revenue in excess of its operating and capital costs. MWWD has not collected any revenue from reclaimed water.

Note 7 – Total Allocation for Billing Purposes

Costs to be billed to Participating Agencies include all individual construction projects 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. The percentages are determined from cumulative samples and 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 were weighted by total project cost 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 were evaluated based on four cost categories: pump stations, plant operations, technical services and cogeneration. These percentages were weighted by the annual O&M cost for each category, and combined to determine a derived percentage for administrative costs. All O&M costs were then allocated based on the measured flow, suspended solids and COD of each Participating Agency.

CITY OF SAN DIEGO METROPOLITAN WASTEWATER DEPARTMENT
Notes to the Schedule of Allocation for Billing to Metropolitan System (Continued)
For the Fiscal Year Ended June 30, 2008

Note 8 – Pension

The rates supporting expenses related to the employer share of pension costs are actuarially determined by the San Diego City Employees' Retirement System's (SDCERS) actuary. Employer contribution rates are set with a 2 year time-lag (i.e., rates effective in fiscal year 2008 were calculated in the fiscal year 2006 actuarial valuation). The City's enterprise funds fully paid their pension rates set by the actuary in the actuarial report prepared in fiscal year 2006 for the fiscal year 2008.

Note 9 – Post Employment Retirement Healthcare Benefits

In fiscal year 2008, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. This statement has significant effects on the accounting treatment and financial reporting of other post employment benefits other than pensions that the City provides to its employees. Specifically, GASB Statement No. 45 requires the City to recognize the cost of benefits when incurred rather than when paid or provided. The costs are measured and accrued based upon annual actuarial valuations similar to current practice with pension plans. The actuarial valuations will provide information on the annual required contributions (ARC) to fund the plan. If the City fails to fund the plan, based on the ARC, it will be required to report a liability on the face of the financial statements for the "underpayment."

Further information regarding the City's Post Employment Retirement Healthcare Benefits at June 30, 2008 can be found in the City's Comprehensive Annual Financial Report.



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**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
SYSTEM 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 the accompanying Schedule of Allocation for Billing to Metropolitan System (the "Schedule") of the City of San Diego Wastewater Department (MWWD), an enterprise fund of the City of San Diego (City), for the year ended June 30, 2008, and have issued our report thereon dated March 5, 2010. Our report contained an explanatory paragraph describing 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 the First Amendment dated May 15, 2000 (Agreements). 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered MWWD's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing our opinion on the effectiveness of the MWWD's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MWWD's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of MWWD's Schedule that is more than inconsequential will not be prevented or detected by MWWD's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by MWWD's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MWWD's Schedule is free of 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 the 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*.

We noted certain matters that we reported to management of MWWD in a separate letter dated March 5, 2010.

This report is intended solely for the information and use of the City Council, the MWWD's management, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Macias Jini & O'Connell LLP
Certified Public Accountants
San Diego, California
March 5, 2010

**CITY OF SAN DIEGO
METROPOLITAN WASTEWATER
DEPARTMENT**

Report to Management

For the Fiscal Year Ended June 30, 2008



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SAN MARCOS

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

In planning and performing our audit of the Schedule of Allocation for Billing to Metropolitan System (the "Schedule") of the City of San Diego Metropolitan Wastewater Department ("MWWD") for the year ended June 30, 2008, we considered the MWWD's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule and not to provide an opinion on the internal control over financial reporting.

However, during our audit we noted certain matters involving internal controls and their operation, and are submitting for your consideration related recommendations designed to help the City make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to the City. This letter does not affect our report dated March 5, 2010 on the Schedule of the Metropolitan System.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with various City personnel and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This letter is intended solely for the information and use of the Honorable Mayor and City Council of the City of San Diego and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP
Certified Public Accountants
San Diego, California
March 5, 2010

CITY OF SAN DIEGO METROPOLITAN WASTEWATER DEPARTMENT

Schedule of findings

For the Fiscal Year Ended June 30, 2008

CURRENT YEAR COMMENT

Recording of Metropolitan and Municipal Wastewater Utility Related Expenses

Observation – During our testing of a total of four hundred and eighteen (418) samples – two hundred and fifty (250) Metropolitan (Metro) MGO selected, one hundred (100) Metropolitan Metro Commission/ Metro TAC selected, forty (40) Municipal (Muni) MGO selected, ten (10) CIP Metro Commission/ Metro TAC selected, and one (1) legal cost MGO selected on cash disbursement expense items and seventeen (17) Income Credit Metro Commission/ Metro TAC selected on income revenue items – charged to the Metropolitan System for reasonableness as well as for compliance with the contractual agreements between the City and the participating agencies, we noted the following:

- Twenty-three (23) cash disbursements selected overcharged Metro expenses and were not allocated accurately between Muni and Metro funds.
- Seven (7) cash disbursements selected undercharged Metro expenses and were not allocated accurately between Muni and Metro funds.
- Three (3) cash disbursements selected were actually prior year's expenses that were not accrued in the prior year, but were captured and reported in the current year.
- One (1) cash disbursement selected was actually subsequent year's expense that should not accrue in the current year, but was reported in the current year.
- One (1) cash disbursement selected was properly allocated but was charged to the wrong account, causing the allocation method to be incorrect.
- One (1) income credit selected under-reported Metro revenue was not allocated accurately between Muni and Metro funds.
- One (1) income credit selected over reported Metro revenue was not allocated accurately between Muni and Metro funds

Recommendation – In response to the findings noted above, we recommend the following;

- Since Metro-Muni allocation percentages vary depending on the City-PA contractual agreements, allocation basis and circumstances, MWWD should establish strong controls to ensure accuracy on expenditure allocation calculations.
- In addition, MWWD should establish controls to appropriately capture expenses in the correct year that they were incurred.
- The MWWD should establish strong internal controls to record income credits in the correct fund, which should match the fund the corresponding expenditure is recorded in.

CITY OF SAN DIEGO METROPOLITAN WASTEWATER DEPARTMENT

Schedule of findings (Continued)

For the Fiscal Year Ended June 30, 2008

- The MWWD should establish strong controls on revenue recording and allocation between Metro and Muni funds.
- Revenue transactions should be supported by sufficient back-up documentation and reviewed by appropriate personnel other than preparers.

Management Response – MWWD will continue to have one full-time Accountant on staff to specifically work on Exhibit E accounting issues. Currently, this Accountant reviews all payment documents and verifies that appropriate support is provided, determining whether the payment is a Metro versus Muni expense. If an allocation is used, the Accountant verifies the documentation and appropriateness of the allocation method. MWWD has developed a department Internal Control Review Team for FY2010 that will work on enhancing controls. A new training was developed for Exhibit E and was given to 92 Public Utilities employees in the first quarter of 2010. The Accountant, along with the Internal Control Review Team, will continue to provide training to the staff in the various divisions within the Public Utilities Group, to ensure those responsible for processing the payments have a clear understanding of Muni and Metro expenses and the importance of tracking these costs. The Comptroller's Office will be notified regarding the incorrect accrual entries and will be requested to implement procedures to ensure accruals are properly recorded in the future. Updated facilities lists are provided to both the Accountant and Analysts involved with the recording of MWWD expenses and will also be provided to those involved in recording MWWD revenue.

CITY OF SAN DIEGO METROPOLITAN WASTEWATER DEPARTMENT
Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2008

PRIOR YEAR COMMENTS

Fiscal Year 2007:

Recording of Metropolitan and Municipal Wastewater Utility Related Expenses

Observation – During our testing of a total of three hundred and sixty seven (367) samples – two hundred and twenty seven (227) Metropolitan MGO selected, one hundred (100) Metropolitan Metro Commission/Metro TAC selected and forty (40) Municipal MGO selected, on cash disbursement expense items charged to the Metropolitan System for reasonableness as well as for compliance with the contractual agreements between the City and the participating agencies, we noted the following:

- 15 cash disbursements selected undercharged Municipal expenses and were not allocated accurately between Muni and Metro funds.
- 9 cash disbursements selected undercharged Metro expenses and were not allocated accurately between Muni and Metro funds.

Status – In progress. See current year finding.

Fiscal Year 2006:

Recording of Metropolitan and Municipal Wastewater Utility Related Expenses

Observation – During the testwork on cash disbursements charged to the Metropolitan System for reasonableness as well as for compliance with the contractual agreements between the City and the participating agencies, we noted the following:

- 3 cash disbursement transactions selected were actually prior year expenses that were not accrued in the prior year, but were captured and reported in the current year.
- 3 cash disbursement transactions were not allocated accurately between Muni and Metro funds.
- 6 cash disbursement transactions did not have sufficient supporting documentation that these were Metro fund expenses versus Muni fund expenses.

Status – Partially corrected. Please see current year finding.

Fiscal Year 2005:

Recording of Metropolitan and Municipal Wastewater Utility Related Expenses

Observation – We performed testwork on cash disbursements and payroll expenses charged to the Metropolitan System for reasonableness as well as for compliance with the City and participating agencies contractual agreements. During the performance of this testwork, we noted that 13 out of 325 cash disbursement items tested were incorrectly allocated (either over or under allocated) to the participating agencies.

CITY OF SAN DIEGO METROPOLITAN WASTEWATER DEPARTMENT

Summary Schedule of Prior Audit Findings (Continued)

For the Fiscal Year Ended June 30, 2008

Status – In Progress. Please see current year finding.

Allocation Ratio Expenses

Observation – During the performance of expense testing, we noted that the ratio used to split expenses shared by Metropolitan and Municipal Wastewater Utility was not always used appropriately. During the performance of this testwork, we noted that 6 out of 325 cash disbursement items tested had incorrect allocations between these utilities.

Status – In Progress. Please see current year finding regarding expenditure allocation between Muni and Metro.

AGENDA ITEM 7

Attachment

ORIGINAL

Memorandum of Understanding
Metropolitan Wastewater Department
Labor/Management Partnership
BID TO GOAL PUBLIC CONTRACT OPERATIONS AGREEMENT

I. PREAMBLE

This Memorandum of Understanding (MOU) constitutes the basis of a successor department-wide agreement for the two Metropolitan Wastewater Department (MWWD) Bid to Goal Agreements (one covering the Wastewater Treatment and Disposal (previously the Operations and Maintenance Division) and the other the Wastewater Collection Division), which are effective through June 30, 2007. This agreement is between the Mayor, on behalf of the City of San Diego (City), the MWWD Director and the MWWD Management Team, and the employees of MWWD; hereafter referred to as the parties. The Labor-Management Partnership (LMP) is comprised of employees represented by the American Federation of State, County and Municipal Employees (AFSCME), Local 127, AFL-CIO (Local 127); employees represented by the San Diego Municipal Employees' Association (MEA); as well as Classified Unrepresented MWWD employees and the MWWD Management Team.

II. RECITALS

WHEREAS, MWWD is responsible for the operation, maintenance and all support functions of the regional sewerage system (System), including the City sewerage collection system; and

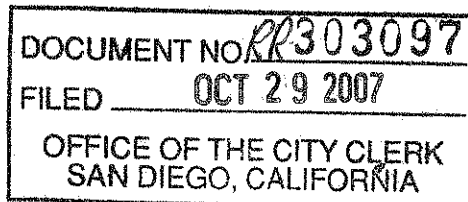
WHEREAS, the City desires to have this system operated and maintained in the most efficient and effective manner possible; while complying with all federal, state, and local laws, rules, and regulations; and while protecting the environment and promoting the health, safety and well-being of System employees, ratepayers, and other stakeholders; and

WHEREAS, the efficient and effective operation and maintenance of the System requires unique, specialized skills and certifications together with experience and expertise in established and new technologies; and

WHEREAS, employees of MWWD have acquired, refined, and maintained these same skills, certifications, and expertise; and

WHEREAS, with the assistance of external consultants, and review by citizen and employee groups, the parties have critically assessed the organization, processes, procedures, practices, budget, and staffing of MWWD, including process improvements analyzed through extensive business process reengineering, optimization efforts, and associated benchmarking;

NOW THEREFORE, the parties agree that the organizational arrangement, LMP, and accountability



structure described in this document, referred to as MWWD Bid to Goal Public Contract Operations Agreement (which combines the most beneficial aspects of the private and public sectors), is the mutually preferred and supported process to continue the optimization of the organization, policies, and practices of MWWD.

III. SCOPE AND DEFINITIONS

MWWD Bid to Goal Public Contract Operations Agreement (Agreement) is herein defined as a commitment by the parties to the goals related to meeting budgets (efficiency) and maintaining service levels (effectiveness) in a manner consistent with the findings of the business process reengineering process completed in fiscal year (FY) 2007 to validate and update appropriate service levels and practices. The Agreement in its entirety will be described in this MOU as ratified by appropriate governance bodies, and in the LMP Bid as accepted by the Mayor of the City of San Diego.

Commencing on July 1, 2007, the MWWD LMP shall operate and manage the System on a 24-hour per day, 7-day per week basis, and shall collect, receive, and treat wastewater; discharge the effluent; treat reclaimed water; transport and dispose of residuals and operating wastes; control odors; conduct sampling, monitoring, and reporting; provide appropriate support for the capital improvement program; and otherwise manage and operate the City's wastewater infrastructure so as to comply with the requirements of this MOU and the LMP Bid.

The scope of this Agreement includes the operations, maintenance and support services associated with all facilities and customer requirements recognized by MWWD at the conclusion of FY 2007. It is the intent of this Agreement that service levels provided shall meet or exceed stated benchmarks, and in any event shall not be less than those service levels provided in FY 2007 unless stipulated in the Agreement or by City management for business reasons.

Any new facilities and/or activities that have not been accounted for in the MOU or the accepted LMP Bid, or that were not part of the MWWD mission and operating scope in FY 2007, shall not be within the scope of the Agreement. Changes in facilities or activities considered within the scope of the Agreement must be reflected in Agreement amendments agreed to by all parties.

It is understood that the MEO Budget Objective identified in this document is based on performance service levels optimized at benchmarks determined by a third party industry expert to be within the competitive range for public and private wastewater service providers nationally. In order to remain in compliance with federal/state mandates and bond covenants, operation and maintenance procedures and process modifications planned or executed to attain the goals are subject to review by an independent feasibility engineer or other competent agent, if deemed necessary by the Mayor of San Diego. Results of such review may impact proposed modifications and MEO Budget Objectives. Key performance service levels are specified in Section IV, GOAL.

The Goal is designed to yield economic benefits to ratepayers while maintaining the integrity and soundness of capital investments, infrastructure, and operations; and safeguarding the environment. In

addition, the Goal is designed such that the City can continue to meet its commitments to employees and promote cooperative labor-management relations. It is noted that the Bid to Goal concept embodies continual improvement through industry benchmarking and process assessment, both on an ongoing basis and periodically (approximately every 5 years) in a very rigorous and thorough project. The periodic major benchmarking and process reengineering effort is designed to account for such very significant changes in the operating environment as improved technology, enhanced industry best practices, and changes in the competitive marketplace. This aspect of Bid to Goal is analogous to the periodic refreshment of private contract operations via re-negotiation of ongoing contracts with updated information, but avoids the potential disruption of a public health and safety related service (documented as experienced by other local governments) attributed to changing service providers when current operations are appropriate, proven, and analyzed to be competitive relative to a viable private provider. A related factor is the mitigation of expenses, time and litigation risks associated with an open competition. The initial MWWD Bid to Goal agreements covered wastewater collection, conveyance, treatment, and disposal processes. This Agreement refreshes those benchmarks, plus incorporates all support services conducted by MWWD into a unified department-wide Agreement aimed at articulating and aligning common business goals and objectives for the entire wastewater utility.

The parties agree that an LMP Bid will be submitted after the City Council's ratification of this MOU, and that the Mayor will evaluate the LMP Bid and facilitate reasonable actions to achieve final acceptance. The LMP Bid will be a plan offered by the LMP to meet the performance service levels and MEO Budget Objectives indicated in this MOU, along with implementation and interpretive details. Operating as companion and complementary documents, this MOU and the associated LMP Bid constitute the Public Contract Agreement (Agreement) that provides the contract-like provisions needed to assure mutual accountability in delivering the functions and service levels specified in a clear and transparent manner.

IV. GOAL

This MOU is a commitment to operate and maintain the system effectively, efficiently, and competitively. The Goal reflects a level of competitive performance and cost efficiency determined through Business Process Reengineering managed by the City Business Office and based upon data from benchmarking efforts developed by a third party industry expert. In addition, the Goal has been reviewed and supported by oversight organizations as appropriate.

A. Key Performance Service Levels

All strategies employed to meet the MEO Budget Objectives of the MWWD Bid to Goal Agreement will be consistent with the premise that primary service levels of core wastewater management functions must be maintained at current standards, or better, unless otherwise noted in light of refreshed benchmarks or analyses of stakeholder requirements. The parties acknowledge that there may be reasonable differences of interpretation regarding service level components and standards. In this regard, the LMP Bid will provide clarifying information as appropriate. The performance service levels stipulated in the table below are considered key metrics to overall wastewater utility service delivery.

In that context, should any of these core measures not be met, the deposit to the Employee Efficiency Incentive Reserve (described in section IV.C. below) shall be decremented by 10% for each unmet key performance metric.

Table 1: Key Performance Service Levels

Key Performance Metrics	Performance Goal
Sanitary Sewer Overflows: Number of SSO's per 100 miles of Main	FY 2008 to improve upon FY 2007 total. Goal thereafter to be reset each year.
Point Loma Wastewater Treatment Plant Permit Compliance:	80% TSS Removal (annual average), 58% BOD Removal (annual average)
North City Water Reclamation Plant Permit Compliance:	30 mg/l BOD and TSS for 30-day avg., 45 mg/l BOD and TSS for daily max
South Bay Water Reclamation Plant Permit Compliance:	30 mg/l BOD and TSS for 30-day avg., 45 mg/l BOD and TSS for daily max
Metro Biosolids Center Performance:	Maintain cake solids percent between 28% and 32%
ISO 140001 Certification for Wastewater Collection Division	Retain certification
ISO 140001 Certification for Wastewater Treatment and Disposal Division	Retain certification
ISO 140001 Certification for Environmental Monitoring and Technical Services Division	Retain certification

B. MEO Budget Objective

The MEO Budget Objective was developed by an industry expert as a representative offering by a private sector firm to accomplish the mission of MWWD. For in-scope facilities, the LMP is committed to continuing performance at the benchmarked service and budget levels validated to reflect an optimized organization.

The Projected Baseline Budget below is the current proposed Fiscal Year 2008 MWWD Budget. The MEO Budget Objective for Fiscal Year 2008 will be the Total Fiscal Year 2008 MWWD Budget less Pass-Through items. Going forward, each fiscal year's MEO Budget Objective will be recalculated with Non-Personnel Expenses (NPE) inflated proportionate to the Consumer Price Index (CPI) and Personnel Expenses (PE) inflated with consideration of negotiated employee salary and compensation increases.

The parties acknowledge that on-going organizational reengineering necessary for optimized service delivery is a significant undertaking. The necessary changes to processes, work practices, and staffing must be carefully and conscientiously planned and implemented. When lawfully required, proposed

changes will be subject to the Meet and Confer process with formally recognized employee bargaining representatives.

Table 2: Fiscal Year 2008 Projected Baseline Budget & MEO Budget Objective

CATEGORY	PROJECTED BASELINE BUDGET	MEO BUDGET OBJECTIVE
Total Operating Budget	\$ 213,502,095.	\$ 213,502,095
Personnel Expenditures (PE)	\$ 86,544,142.	\$ 86,544,142.
Non-Personnel Expenditures (NPE)	\$ 126,957,953	\$ 126,957,953
Total Pass-Through Items	\$ 262,822,846.	
O&M Service Level Agreements	\$ 15,698,605.	
Debt Service	\$ 100,110,283	
Reserves	\$ 46,335,002	
Capital Improvement Program (CIP)	\$ 100,678,956.	
Total MWWD Budget	\$ 476,324,941.	

- (1) Fiscal evaluation will be made on total MEO Budget Objective and total In-Scope Expenditures only. MWWD will not be held to PE and NPE components.
- (2) As in previous Bid to Goal Agreements, it is understood that any significant changes in service levels required by the City will prompt the inclusion of an amendment to this Agreement.
- (3) Other specific adjustments for costs related to unforeseen circumstances may be made only pursuant to the Administration of Agreement provisions in Section V of this document.

C. Accountability: Employee Efficiency Incentive Reserve and Resulting Operational Savings

The MEO Budget Objective described in the above Section IV.B. reflects spending levels validated to be within the competitive range for supporting, operating and maintaining the existing System. Results of this Agreement will be influenced by a number of factors, including achieving and maintaining specified service levels, and the ongoing ability of the City / MWWD organization to implement optimization measures, and to manage and accommodate challenges in the dynamic work environment. A key part of the Bid to Goal concept is accountability through the administration of appropriate performance measurement and management systems to provide transparency of results, alignment of common business goals and objectives, and encouragement of desirable outcomes.

To these ends, and to encourage future efficiency gains beyond MEO Budget Objectives, a performance management program modeled on private sector gainsharing principles will be administered. To facilitate this performance management program, the Employee Efficiency Incentive Reserve is implemented. The major intent of the Employee Efficiency Incentive Reserve is to motivate efficiencies beyond those determined in the extensive FY 2007 Business Process Reengineering effort and the resultant funds available for the benefit of sewer ratepayers. In this context, the parties agree that 50% of any positive variance between final annual validated in-scope expenditures and the in-scope MEO Budget Objective shall be identified, deposited and accounted for in the Employee Efficiency Incentive Reserve. This deposit will be contingent upon validation of key performance service levels as

identified in Section IV.A. above (including any applicable decrements from unmet key performance metrics), and any analysis deemed necessary of all Sewer Fund expenditures and legal obligations. This Employee Efficiency Incentive Reserve is capped at a \$10,000,000 cumulative balance (new share + existing balance from prior years), with all remainder designated as savings for the benefit of sewer ratepayers. Expenditure of funds from the Employee Efficiency Incentive Reserve shall follow normal City rules and authorization processes with the additional requirements that they will be subject to specific authorization by the MWWD Director, based upon recommendations from the MWWD Bid to Goal Labor-Management Committee (LMC). The potential uses of this reserve include, but are not limited to:

- 1) Credits toward MEO Budget Objectives in subsequent years if and when necessary for the LMP to meet annual goals, and/or;
- 2) Purchase of otherwise unfunded new technology, equipment, training, consultant services, and/or to promote the productivity and professionalism of MWWD employees, and/or,
- 3) Funding of a Gainsharing payout to employees. Gainsharing is discussed in greater detail in section IV.D, below.

At the conclusion of the term of this Agreement (after a final determination is made of appropriate funds for the final year and a final Gainsharing payout if warranted), residual Employee Efficiency Incentive Reserve funds may be applied toward: a) an Employee Efficiency Incentive Reserve in a successor agreement, if any; or b) enhancing the productivity and/or professionalism of employees and the department, as recommended by the LMC and approved by the Department Director.

Prior to any funds being available for recommended use from the newly established Employee Efficiency Incentive Reserve, an amount equal to the funds appropriated for consultant assistance in the FY 2007 Business Process Reengineering / Bid to Goal Optimization Study (\$1.1 million) shall be reimbursed from validated savings (positive variance as described above). Once this reimbursement is satisfied, the guidelines covered above shall be applied to further savings during the term of this Agreement.

D. Gainsharing

The Gainsharing option for Employee Efficiency Incentive Reserve funds is defined as a team cash performance pay incentive, and will be in-lieu of all other team incentives, such as the existing Pay-for-Performance Program. Basic Gainsharing program guidelines are as follows:

- 1) This successor MWWD Bid to Goal Gainsharing program is intended to be a unified performance pay incentive utilizing aspects of previous Bid to Goal Gainsharing and Pay-for-Performance programs. As a result, this redefined Gainsharing program consolidates the previously administered gainsharing and Pay-for-Performance systems into one unified performance management system designed to appropriately recognize and provide accountability for achievement of organizational goals.

2) Subject to funds available in the Employee Efficiency Incentive Reserve, actual individual payouts shall be recommended annually by the LMC and approved by the Department Director. Individual full payout shares shall be capped at \$4,000 (net of taxes) per year, and shall be based on goal achievement at department and division/section levels, as well as individual employee eligibility and performance.

V. ADMINISTRATION OF AGREEMENT

A. Term of Agreement

Service levels and budget objectives for this Agreement have been defined through Business Process Reengineering and Bid to Goal Optimization processes through 5 years (FY 2008 –FY 2012). It is acknowledged that this extensive level of assessment and benchmarking is not cost-effective on a continual basis, but must be renewed periodically to appropriately account for potential changes in technology, industry best practices, and the relevant marketplace. Accordingly, it is the intent of this Agreement that the basic provisions remain in effect for the 5 years specified, subject to the termination provisions described in V. B. and V. C. below. Other benchmarking and goal-setting actions appropriate for assuring quality service delivery shall be conducted within the provisions and intent of this Agreement.

B. Termination for Default

In-scope spending, less a) an amount of no more than two times the unexpended monies in the Employee Efficiency Incentive Reserve, and b) any Mayoral authorized amount of enhanced Department revenues allocated to budget shortfalls, may not exceed MEO Budget Objective spending as adjusted pursuant to section V.D. Performance Monitoring and V.E. Uncontrollable Events/Changes in Law by more than a cumulative total of \$4 million during the term of this Agreement. Should the cumulative Department spending exceed a MEO Budget Objective, as defined above, by more than \$4 million, this Agreement may be deemed in default for inefficiency.

Should any three of the key performance service levels specified in Section IV.A. be unmet at the end of a fiscal year, this Agreement may be deemed in default for ineffectiveness.

All annual MEO Budget Objective shortfalls of the Department must be repaid in total before a positive balance can be established in the Employee Efficiency Incentive Reserve before funds can be expended from the Employee Efficiency Incentive Reserve. In-scope MWWDD spending (as defined in the LMP Bid) in excess of MEO Budget Objectives is defined to be a MEO Budget Objective shortfall.

The parties recognize that if LMP performance results in default, as defined above, the Agreement may be terminated at the sole discretion of the Mayor of the City of San Diego. In addition, a competitive procurement pursuant to and consistent with applicable laws, regulations and policies may be initiated at the sole discretion of the Mayor of the City of San Diego.

C. Termination for Convenience

The Mayor of the City of San Diego shall have the right at any time after the completion of the first fiscal year of service, exercisable at his/her sole discretion, for his/her convenience and without cause, to terminate this Memorandum of Understanding upon 60 days written notice to the other parties (specifically MWWD and the two signatory labor organizations).

D. Performance Monitoring

The parties agree that the methods to be used to monitor the Department's performance during the term of the Agreement shall be typical of the methods used by public agencies in assessing the performance and costs of private contract operators of wastewater treatment facilities. To that end, costs properly charged to MWWD will be limited to those associated with core operations and maintenance functions of MWWD and direct support functions including administration costs associated with employee transitions (i.e. training, job counseling, and costs of processing employee transfers). As defined more thoroughly in the LMP Bid document, the costs charged to the system would properly exclude:

- Unplanned costs directly associated with Capital Improvement Projects
- Employee time or MWWD resources, beyond current levels, for activities which are mandated by the City but are not associated with core or direct support functions.

Changes in revenues associated with the System operation will not directly impact System performance with respect to Goal attainment. However, revenue changes resulting from employee innovation and initiative may be discussed on a case by case basis with the Mayor's Office. The Mayor may, based upon the review, authorize some or all of the revenue to be allocated to the Employee Efficiency Incentive Reserve or other Sewer Enterprise Fund uses (including budget shortfalls) in accordance with the bond covenants.

At least annually, not later than November 30, MWWD via the MWWD Director shall submit a Performance Report to the Public Works Deputy Chief Operating Officer. The Performance Report shall include the following:

- Performance standards and actual performance (both financial & operational) - quantitative measures of performance which demonstrate level of services provided,
- Explanations for all instances where MEO Budget Objectives and/or performance standards are not met and an action plan for correcting the situation in the current year, and
- A narrative description of issues and events bearing on current and prospective oversight of the Agreement.
- A summary of performance and claim of savings resulting from efficiency gains to be deposited in the Employee Efficiency Incentive Reserve.

After it is submitted, the annual Performance Report shall be reviewed by an independent auditor who shall issue a report to the Mayor and the Metropolitan Wastewater Department Director related to the review. A copy of the audit report shall be provided to each labor union. Results of this audit or review will be taken into account with regard to any amounts of claimed savings allocated to the Employee

Efficiency Incentive Reserve. Employee Gainsharing may only be disbursed after the Employee Efficiency Incentive Reserve is validated.

The form and content of performance monitoring will be further defined in the LMP Bid. It is understood that the MEO Budget Objective as stated in this Agreement and as reset each year in line with the MWWD approved budget shall remain inviolate for the term of this Agreement, subject to adjustments only pursuant to the express language of this MOU.

E. Uncontrollable Events/Change in Law

The MWWD Bid to Goal MEO Budget Objective is based on reasonable assumptions of projected costs and savings. However, the parties understand and acknowledge that extraordinary unforeseen events, beyond the reasonable control of MWWD employees and management, may result in costs and/or savings that could significantly affect their ability to meet the stated objectives.

To protect and promote the objectives of Bid to Goal, the parties agree that cost impacts associated with extraordinary and unforeseen events may lead to adjustments of the MEO Budget Objective for the purposes of assessing MWWD's performance in this program. Such events may include but are not limited to:

- Inflation in major NPE beyond appropriate consumer price indices;
- Mandates for increased and/or decreased service levels;
- Increases in wastewater flow volumes significantly in excess of volumes projected in the system financing plans;
- Significant detrimental changes in influent characteristics;
- Catastrophic breakdowns of major equipment or capital; and
- Catastrophic Acts of Nature.

Any other events beyond the reasonable control of employees and management, including changes in law, that have a material effect upon costs or their ability to perform to the terms of this Agreement and/or corollary service agreements may have the effect of re-opening negotiations to make appropriate adjustments to MEO Budget Objective.

A Change in Law shall generally include any of the following events which occur after the Agreement date:

- a) the promulgation, modification, or written change in interpretation by a controlling authority of any applicable law unless MWWD had or should have had notice and sufficient interpretive information of such a change as of the date of this Agreement; or
- b) the order or judgment of any court or other controlling authority as long as it was not the result of a willful or negligent act or lack of reasonable diligence by a party to this Agreement;
or

c) the inclusion of a new relevant permit condition or the denial of a permit application if such denial is not the result of a willful or negligent action or lack of diligence by a party to this Agreement.

A Change in Law shall not include a change in any tax or similar law.

The Director of MWWD shall be responsible for investigating uncontrollable events/changes in law to determine materiality, as detailed above. Upon such findings, the Director shall issue notice to the parties of this agreement stating the cost and consequence of the event. Depending on the nature of the event and findings, associated costs may either be: a) removed from the total costs charged against MWWD for assessing fiscal performance; or b) the parties of this Agreement shall reconvene to renegotiate the MEO Budget Objective in light of the event. In the latter case, only the MEO Budget Objective of this Agreement related to the specific event shall be reopened; all other terms and conditions shall remain unchanged.

F. Labor-Management Cooperation

The parties acknowledge that cooperative labor-management relations as typified by the relationship established in developing and successfully executing the MWWD Bid to Goal Agreement, are critical to meeting the competitive challenge and objectives detailed in this document. The parties commit to maintaining the momentum, energy, and good will of this effort.

To that end, MWWD, Local 127, and MEA will participate in a Department-wide LMC to monitor progress, identify issues and eliminate barriers to success, and to otherwise maintain a mutual commitment to open communications and consensus.

G. Relationship with Labor Contracts

It is the intent of the parties that this Agreement be interpreted in harmony and compliance with the comprehensive labor contracts between the City of San Diego and authorized employee organizations representing MWWD employees.

H. Dispute Resolution

Any disputes (except for those concerning audits or reviews) that arise from a charge of a violation or misinterpretation of this Agreement shall be resolved through the applicable use of established processes within labor agreements in effect at the time of the dispute.

I. Applicable Law

In the event that any condition, covenant, or provision of this MOU is held to be invalid or void by any court of competent jurisdiction, or is deemed to be contrary to the law or any covenant or condition or provision of any contract to which the City is a party, the same shall be deemed severable from the remainder of this MOU and in no way shall affect any other covenant, condition, or provision. If any

covenant, condition, or provision of this MOU is deemed to be invalid due to scope or breadth, such covenant, condition, or provision shall be deemed valid to the extent the scope or breadth is permitted by law.

J. Impacts on Staff

The parties agree that a top priority in the MWWD Bid to Goal Agreement is to optimize the System operations and, in the process of doing so, to protect the employment rights of all affected employees.

K. Successor Agreement

The parties recognize that insofar as it is in the mutual interest of the public and the parties, and that insofar that the parties will have met the terms and conditions of this and corollary service agreements, that it will be the option of the parties to negotiate a new agreement or extension of the existing agreement at the conclusion of the term of this Agreement.

This Agreement shall be effective only after the ratification of all parties listed below as evidenced by their respective signatures. This Agreement will have no force or final effect without City Council approval.


IN WITNESS WHEREOF, the undersigned agree to submit this Memorandum of Understanding to the appropriate bodies for approval and final ratification.

Date: 01/17/08

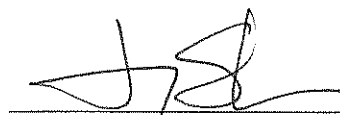
AMERICAN FEDERATION OF
STATE, COUNTY AND MUNICIPAL
EMPLOYEES, LOCAL 127, AFL-CIO

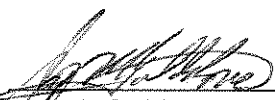

Joan Raymond, President

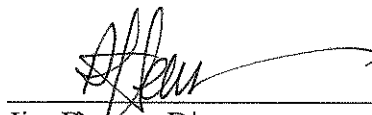
SAN DIEGO MUNICIPAL EMPLOYEES'
ASSOCIATION


Judie Italiano, General Manager

CITY OF SAN DIEGO


Jerry Sanders, Mayor, City of San Diego


Jay M. Goldstone, Chief Operating Officer,
City of San Diego


Jim Barrett, Director,
Metropolitan Wastewater Department

RESOLUTION NUMBER R- 303097

DATE OF FINAL PASSAGE NOV 08 2007

10/29

RESOLUTION OF THE CITY COUNCIL RATIFYING THE
BID TO GOAL MEMORANDUM OF UNDERSTANDING;
AND AUTHORIZING THE MAYOR TO APPROVE AND
ACCEPT THE BID OF THE METROPOLITAN WASTEWATER
DEPARTMENT'S LABOR - MANAGEMENT PARTNERSHIP.

WHEREAS, the City of San Diego has had bid to goal agreements in connection with
the operation of the City's wastewater system since 1997; and

WHEREAS, the bid to goal agreements have resulted in substantial cost savings to the
City; and

WHEREAS, the bid to goal agreements expired at the end of Fiscal Year 2007; and

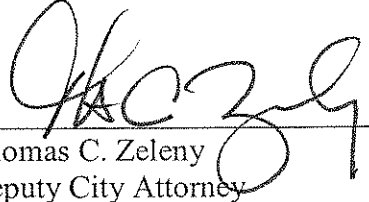
WHEREAS, the City would like to renew and expand the bid to goal agreements for the
Metropolitan Wastewater Department; NOW, THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, that the Council ratifies
the Memorandum of Understanding for the Bid to Goal Public Contract Operations Agreement,
as set forth in the document, on file in the office of the City Clerk as Document Number
RR 303097 regarding the operation of the City's wastewater system.

BE IT FURTHER RESOLVED, that pursuant to the Memorandum of Understanding,
the Mayor or his designee is authorized to approve and accept a responsible and responsive
Metropolitan Wastewater Department Labor-Management Partnership Bid for the operation of
the City's wastewater system.

BE IT FURTHER RESOLVED, that this activity is not a "project" and therefore is not subject to the California Environmental Quality Act pursuant to State CEQA Guidelines section 15060(c)(3).

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By 
Thomas C. Zeleny
Deputy City Attorney

TCZ:mb
07/18/07
Aud.Cert:N/A
Or.Dept:MWWD
MWD-8000
R-2008-90

I hereby certify that the foregoing resolution was passed by the Council of the City of San Diego, at its meeting of OCT 29 2007.

ELIZABETH S. MALAND, City Clerk

By 
Deputy City Clerk

Approved: 11-8-07
(date)


JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor

Passed by the Council of The City of San Diego on October 29, 2007, by the following vote:

YEAS: PETERS, FAULCONER, ATKINS, YOUNG, FRYE, MADAFFER, & HUESO.
NAYS: NONE.
NOT PRESENT: MAIENSCHIN.
RECUSED: NONE.

AUTHENTICATED BY:

JERRY SANDERS

Mayor of The City of San Diego, California

ELIZABETH S. MALAND

City Clerk of The City of San Diego, California

(Seal)


By: GIL SANCHEZ, Deputy

I HEREBY CERTIFY that the above and foregoing is a full, true and correct copy of
RESOLUTION NO. R-303097, approved by the Mayor of The City of San Diego,
California on November 08, 2007.

ELIZABETH S. MALAND

City Clerk of The City of San Diego, California

(SEAL)

By:  Deputy

Fiscal Year 2010 Amendment
Memorandum of Understanding

**Public Utilities Department
Wastewater Fund Employees
Labor/Management Partnership
BID TO GOAL PUBLIC CONTRACT OPERATIONS AGREEMENT**

I. PREAMBLE

This Memorandum of Understanding (MOU) Amendment supersedes all prior agreements and constitutes the basis of the Wastewater Bid to Goal Agreement with Wastewater Fund employees and is effective July 1, 2007 through June 30, 2012. This agreement is between the Mayor, on behalf of the City of San Diego (City), the Public Utilities Department Director and Wastewater Management Team, and all employees compensated by the Wastewater Fund; hereafter referred to as the parties. The Labor-Management Partnership (LMP) is comprised of employees represented by the American Federation of State, County and Municipal Employees (AFSCME), Local 127; employees represented by the San Diego Municipal Employees' Association (MEA); as well as Classified Unrepresented Non-management employees and the Wastewater Management Team. Any employee of the Public Utilities Department who accomplishes work justifiably compensable from the Wastewater Fund is deemed to be a member of this LMP.

II. RECITALS

WHEREAS, Wastewater Fund Employees are responsible for the operation, maintenance and all support functions of the regional sewerage system (collectively the "system"), including the City sewerage collection system; and

WHEREAS, the City desires to have this system operated and maintained in the most efficient and effective manner possible; while complying with all federal, state, and local laws, rules, and regulations; and while protecting the environment and promoting the health, safety and well-being of system employees, ratepayers, and other stakeholders; and

WHEREAS, the efficient and effective operation and maintenance of the system requires unique, specialized skills and certifications together with experience and expertise in established and new technologies; and

WHEREAS, Wastewater Fund employees have acquired, refined, and maintained these same skills, certifications, and expertise; and

WHEREAS, with the assistance of external consultants, and review by citizen and employee groups, the parties have critically assessed the organization, processes, procedures, practices, budget, and staffing supported by the Wastewater Fund, including process improvements

analyzed through extensive business process reengineering, optimization efforts, and associated benchmarking;

NOW THEREFORE, the parties agree that the organizational arrangement, LMP, and accountability structure described in this document, referred to as Wastewater Bid to Goal Public Contract Operations Agreement (which is designed to combine the most beneficial aspects of the private and public sectors), is the current process to continue the optimization of the organization, policies, and practices of the Public Utilities Department.

III. SCOPE AND DEFINITIONS

The Wastewater Bid to Goal Public Contract Operations Agreement (Agreement) is hereby defined as a commitment by the parties to the goals related to meeting budgets (efficiency) and maintaining service levels (effectiveness) in a manner consistent with the findings of the business process reengineering process completed in fiscal year (FY) 2007 to validate and update appropriate service levels and practices. This MOU constitutes the entirety of the agreement along with the companion LMP Bid document as accepted by the Mayor of the City of San Diego.

Commencing on July 1, 2007, the Wastewater LMP shall operate and manage the system on a 24-hour per day, 7-days per week basis, and shall collect, receive, and treat wastewater; discharge the effluent; treat reclaimed water; transport and dispose of residuals and operating wastes; control odors; conduct sampling, monitoring, and reporting; provide appropriate support for the capital improvement program; and otherwise manage the business and operations of the City's wastewater infrastructure so as to comply with the requirements of this MOU and the LMP Bid document.

The scope of this Agreement includes the operations, maintenance and support services associated with all facilities and customer requirements recognized as supported by the Wastewater Fund at the conclusion of FY2007. It is the intent of this Agreement that service levels provided shall meet or exceed stated benchmarks, and in any event shall not be less than those service levels provided in FY2007 unless stipulated in this Agreement or by City Management for business reasons.

The Bid to Goal Program will be administered by the Public Utilities Department in accordance with Department Instruction 15.24.

Any new facilities and/or activities that have not been accounted for in the MOU or the LMP Bid document, or that were not part of the Wastewater Utility's mission and operating scope in FY2007 (acknowledged as the base year), shall not be within the scope of the Agreement. Changes in facilities or activities considered within the scope of the Agreement must be reflected in Amendments agreed to by all parties.

It is understood that the Goal represents the proposed cost to provide in scope services by the LMP and is based on performance service levels optimized at benchmarks determined by a third

party industry expert to be within the competitive range for public and private Wastewater service providers nationally.

The LMP Bid is designed to yield economic benefits to ratepayers while maintaining the integrity and soundness of capital investments, infrastructure, and operations; and to ensure public safety and safeguard the environment. In addition, the LMP Bid is designed such that the City can continue to meet its commitments to employees and promote cooperative labor-management relations. In order to remain in compliance with federal/state mandates and bond covenants, operation and maintenance procedures and process modifications planned or executed to attain the goals are subject to review by an independent feasibility engineer or other competent agent, if deemed necessary by the Mayor of the City of San Diego. Results of such review may impact proposed modifications and future-year adjusted LMP Bid amounts. Key Performance Service Levels are specified in Table 1.

It is noted that the Bid to Goal concept embodies continual improvement through industry benchmarking and process assessment, both on an ongoing basis and periodically (approximately every 5 years) via a very rigorous and thorough review. The periodic major benchmarking and continuous process improvement effort is designed to account for such very significant changes in the operating environment as improved technology, enhanced industry best practices, and changes in the competitive marketplace. This aspect of the Bid to Goal Agreement is analogous to the periodic refreshment of private contract operations via re-negotiation of ongoing contracts with updated information.

The parties agree that the LMP Bid will be submitted after the City Council's ratification of this MOU, and that the Mayor will evaluate the LMP Bid and facilitate reasonable actions to achieve final acceptance assuming the LMP bid is responsive, responsible, and superior to the Private Market Proposal (PMP). The LMP Bid will be a plan offered by the LMP to meet the performance service levels indicated in this MOU, along with implementation and interpretive details. Operating as companion and complementary documents, this MOU plus the associated LMP Bid constitute the contract-like provisions needed to assure mutual accountability in delivering the functions and service levels specified in a clear and transparent manner.

IV. PROGRAM ELEMENTS

A. Key Performance Service Levels

All strategies employed to meet the LMP Bid will be consistent with the premise that primary service levels of core Wastewater Fund functions must be maintained at current standards, or better, unless otherwise noted in light of refreshed benchmarks or analyses of stakeholder requirements. The parties acknowledge that there may be reasonable differences of interpretation regarding service level components and standards. In this regard, the LMP Bid will provide clarifying information as appropriate. The performance service levels stipulated in Table 1 below are considered key metrics to overall Wastewater Fund service delivery.

Table 1: Key Performance Service Levels

Key Performance Metrics	Performance Goal
Sanitary Sewer Overflows: Number of SSO's per 100 miles of Main	FY 2008 to improve upon FY 2007 total. Goal thereafter to be reset each year.
Point Loma Wastewater Treatment Plant Permit Compliance:	80% TSS Removal (annual average), 58% BOD Removal (annual average)
North City Wastewater Reclamation Plant Permit Compliance:	30 mg/1 BOD and TSS for 30-day avg., 45 mg/1 BOD and TSS for daily max
South Bay Wastewater Reclamation Plant Permit Compliance:	30 mg/1 BOD and TSS for 30-day avg., 45 mg/1 BOD and TSS for daily max
Metro Biosolids Center Performance:	Maintain cake solids percent between 28% and 32%
ISO 140001 Certification for Wastewater Collection Division	Retain certification
ISO 140001 Certification for Wastewater Treatment and Disposal Division	Retain certification
ISO 140001 Certification for Environmental Monitoring and Technical Services Division	Retain certification

B. LMP Bid

A competitive budget objective (the Goal of the Bid to Goal program) was developed by an industry expert as a representative offering by a private sector firm to accomplish the mission of the Wastewater Fund. For in-scope services, the LMP is committed to continuing performance at the established service levels and the LMP Bid to reflect an optimized organization.

In response to the competitive budget objective for FY2008, the LMP arrived at a Total FY2008 Bid for in-scope services. Going forward, each fiscal year's LMP Bid will be recalculated with Non-Personnel Expenses (NPE) increasing/decreasing proportionate to the Consumer Price Index (CPI) using the All Urban Consumers index for the San Diego region as of June 30th and Personnel Expenses (PE) adjusted based on negotiated employee salary and compensation changes. In addition, commencing in FY2010, the LMP Bid will be adjusted down by the amount of any audited incentive award payout. This will provide a lower bid target in subsequent years in recognition of permanent efficiencies which have become institutionalized. In addition, by adjusting downward only by the amount of audit incentive award payout (not the entire savings) the process recognizes the effort required to maintain ongoing savings and provides an incentive to the LMP for continual improvement. If the LMP Bid is adjusted down as a result of an incentive award payout, it may also be adjusted up in future years if the actual expenditures exceed the adjusted bid in any future year. The LMP Bid adjustment up shall equal an amount of the prior year actual expenditures, plus approved NPE and PE adjustments, however not to exceed the original LMP Bid amount, plus NPE and PE adjustments.

The LMP Bid excludes Out of Scope costs, which are not part of the Statement of Work and which would not be part of a private contractor bid. These costs include items specified in Table 2 as well as emergent costs that are out of the control of the LMP.

The parties acknowledge that on-going organizational process improvement necessary for optimized service delivery is a significant undertaking. The necessary changes to processes, work practices, and staffing must be carefully and conscientiously planned and implemented. When lawfully required, these proposed changes will be subject to the Meet and Confer process with formally recognized employee bargaining representatives.

Table 2: Fiscal Year 2008 Wastewater Fund Financial Summary

<u>CATEGORY</u>	<u>FY2008 Dollars</u>
LMP Bid	\$ 208,820,456
Personnel Expenditures (PE)	\$ 86,544,142
Non-Personnel Expenditures (NPE)	\$ 122,276,314
Total Pass-Through Items	\$ 262,822,846
O&M Service Level Agreements	\$ 15,698,605
Debt Service	\$ 100,110,283
Reserves	\$ 46,335,002
Capital Improvement Program (CIP)	\$ 100,678,956
Total	\$ 471,643,302

Fiscal accountability and audit of the LMP Performance will be based on total actual expenditures of all in-scope costs compared to the LMP Bid. The personnel and non-personnel components are presented for information only and shall not enter into comparisons. This means specifically that it is acceptable for operating trade-offs to be made between personnel and non-personnel expenditures as long as the total LMP Bid is not exceeded. As in previous Bid to Goal Agreements, it is understood that any significant changes in service levels required by the City will prompt the inclusion of an amendment to this Agreement. Other specific adjustments for costs related to unforeseen circumstances may be made only pursuant to the Administration of Agreement provisions in Section V of this document.

C. Accountability: Wastewater Fund Employee Efficiency Incentive Reserve and Resulting Operational Savings

The LMP Bid described in the above Section IV.B. reflects spending levels validated to be within the competitive range in the current marketplace for supporting, operating and maintaining the existing System. Results of this Agreement will be influenced by a number of factors, including achieving and maintaining specified service levels, and the ongoing ability of the City / Public Utilities Department to implement optimization measures, and to manage and accommodate challenges in the dynamic work environment. A key part of the Bid to Goal concept is accountability through the administration of appropriate performance measurement and management systems to provide transparency of results, alignment of common business goals and objectives, and encouragement of desirable outcomes.

To these ends, and to encourage future efficiency gains beyond the Agreement's LMP Bid, a performance management program modeled on private sector Gainsharing principles will be administered. To facilitate this performance management program, the Wastewater Employee Efficiency Incentive Reserve (EEIR) is implemented. The major intent of the EEIR is to motivate continual efficiencies beyond those determined in the extensive FY 2007 Business Process Reengineering effort and the resultant funds available for the benefit of sewer ratepayers. In this context, the parties agree that 50% of any positive variance between final annual validated in-scope expenditures and the in-scope LMP Bid shall be identified, deposited, and accounted for in the Wastewater EEIR. This deposit will be contingent upon validation of key performance service levels as identified in Section IV.A. above (including any applicable decrements from unmet key performance goals), and any analysis deemed necessary of all enterprise fund expenditures and legal obligations. Should any of these Key Performance Service Levels not be met, the deposit to the Wastewater Fund EEIR shall be decremented by 10% for each unmet key performance metric goal. This EEIR is capped at a \$10,000,000 cumulative balance (new share + existing balance from prior years), with all remaining funds designated as savings for the benefit of Wastewater ratepayers. It is important to note that the EEIR may at times exceed the \$10M cap if designation of funds to be expended precedes the execution of the actual debit to the EEIR. It is understood that undesignated funds may not exceed the \$10M account cap. Uncommitted funds – not encumbered officially (unapproved for spending by the Director) exceeding the \$10M cap on June 30th of each program year will be transferred into the Dedicated Reserve from Efficiency Savings (DRES). Expenditure of funds from the EEIR shall follow normal City rules and authorization processes with the additional requirements that they will be subject to specific authorization by the Director, Public Utilities Department, based upon recommendations from the Wastewater Fund Labor-Management Committee (LMC). The potential uses of this reserve include, but are not limited to:

- Credits toward meeting the LMP Bid in subsequent years if and when single year expenditures exceed the LMP Bid, and/or;
- Purchase of otherwise unfunded new technology, equipment, training, consultant services, and/or to promote the productivity and professionalism of Wastewater Fund employees, and/or,
- Funding of incentive awards to employees. Incentive awards are discussed in greater detail in section IV.D, below.

At the conclusion of the term of this Agreement (after a final determination is made of appropriate funds for the final year and final incentive awards if warranted), residual EEIR funds may be applied toward: a) an EEIR in a successor agreement, if any; or b) enhancing the productivity and/or professionalism of Wastewater Fund employees and the department, as recommended by the LMC and approved by the Director, Public Utilities Department. All residual funds utilization must be completed within 12 months of the issuance of the final year Audit Report. All unused residual funds will be transferred into the DRES.

Prior to any funds being available for use from the newly established Employee Efficiency Incentive Reserve, an amount equal to the funds appropriated for consultant assistance in the FY2007 Business Process Reengineering/Bid to Goal Optimization Study (\$1.1 million) shall be

reimbursed from the validated savings (positive variance as described above). This amount was reimbursed from FY2008 savings. Commencing in FY2010, costs for maintaining the Agreement which will be calculated at the close of each program year will be deducted from the annually-established EEIR balance. If in any given year there are insufficient funds to pay for the administrative cost, this cost will be carried forward to succeeding years until the full obligation is met. This reimbursement must occur prior to any funds being available for other recommended use from the EEIR balance.

D. Gainsharing

The Gainsharing option for EEIR funds is defined as a team cash performance pay incentive award, and will be in-lieu of all other team incentives governed by the Public Utilities Department, such as the previously-existing Pay-for-Performance Program. Basic Gainsharing program guidelines are as follows:

- 1) This successor Wastewater Bid to Goal Gainsharing program is intended to be a unified performance pay incentive utilizing aspects of previous Bid to Goal Gainsharing and Pay-for-Performance programs. As a result, this redefined Gainsharing program consolidates the previously administered Gainsharing and Pay-for-Performance systems into one unified performance management system designed to appropriately recognize and provide accountability for achievement of organizational goals.
- 2) Subject to funds available in the Wastewater EEIR, actual individual incentive awards shall be recommended annually by the LMC and approved by the Director, Public Utilities Department. Individual incentive awards shall be capped at \$4,000 (net of taxes) per year, and shall be based on goal achievement at department and division/section levels, as well as individual employee eligibility and performance. Department Instruction 15.24 provides details regarding how incentive awards are calculated and specific eligibility requirements.
- 3) Commencing in FY2010, when no savings are generated in any program year, no incentive awards will be authorized from existing EEIR balances for that year.

V. ADMINISTRATION OF AGREEMENT

A. Term of Agreement

This Agreement is effective on July 1, 2007. It is acknowledged that the extensive level of assessment and benchmarking undertaken to effect this Agreement is not cost-effective on a continual basis, but must be renewed periodically to appropriately account for potential changes in technology, industry best practices, and the relevant marketplace. Accordingly, it is the intent of this Agreement that the basic provisions remain in effect for five years until June 30, 2012, subject to the termination provisions described in V. B. and V. C. below. Other benchmarking and goal-setting actions appropriate for assuring quality service delivery shall be conducted within the provisions and intent of this Agreement.

B. Termination for Default

Commencing in FY2010, should in-scope spending exceed the adjusted LMP Bid by more than 10%, this Agreement may be deemed in default for inefficiency.

Should any three of the key performance service levels specified in Table 1 remain unmet at the end of a fiscal year, this Agreement may be deemed in default for ineffectiveness.

All prior annual LMP Bid expenditures over the original LMP Bid amount, plus any approved PE or NPE adjustments, must be repaid in total before a positive balance can be established in the EEIR and before funds can be expended from the EEIR. In-scope Wastewater spending (as defined in the LMP Bid) in excess of the original LMP Bid amount is defined as a Bid shortfall.

The parties recognize that if LMP performance results in default, as defined above, the Agreement may be terminated at the sole discretion of the Mayor of the City of San Diego. In addition, a competitive procurement pursuant to and consistent with applicable laws, regulations, and policies may be initiated at the sole discretion of the Mayor of the City of San Diego.

If the City does deem the Agreement in default, the City may terminate the contract or specify terms to remediate the unsatisfactory performance. Such terms may include suspension of incentive awards until the default condition is resolved or other specified provisions stated in writing are met.

C. Termination for Convenience

The Mayor of the City of San Diego shall have the right at any time after the completion of the first fiscal year of service, exercisable at his/her sole discretion, for his/her convenience and without cause, to terminate this Memorandum of Understanding upon 60 days written notice to the Wastewater LMP and the two signatory labor organizations.

D. Performance Monitoring

The parties agree that the methods to be used to monitor performance during the term of the Agreement shall be typical of the methods used by public agencies in assessing the performance and costs of private contract operators of Wastewater utilities. To that end, costs properly charged against this agreement will be limited to those associated with core operations and maintenance functions of the Wastewater Utility and those business support functions properly charged to the Wastewater Fund. As defined more thoroughly in the LMP Bid document, the costs charged would properly exclude:

- Unplanned costs directly associated with the Capital Improvement Program
- Employee time or Wastewater Fund resources, beyond current levels, for activities which are mandated by the City but are not associated with core or direct support functions.

Changes in revenues associated with operation will not directly impact system performance with respect to Goal attainment. However, revenue changes resulting from employee innovation and initiative may be discussed on a case by case basis with the Mayor's Office. The Mayor may,

based upon the review, authorize some or all of the revenue to be allocated to the EEIR or other Wastewater Fund uses (including LMP Bid shortfalls) in accordance with the bond covenants.

Annually, no later than November 30, the Director, Public Utilities Department shall submit Performance Results to the Mayor's Office so that the annual audit may begin based on these performance results. The performance report shall include the following:

- Performance standards and actual performance (both financial & operational) - quantitative measures of performance which demonstrate level of services provided;
- Explanations for all instances where efficiency and/or performance standards are not met and an action plan for correcting the situation in the current year; A narrative description of issues and events bearing on current and prospective oversight of the Agreement; and
- A summary of performance and claim of savings resulting from efficiency gains to be deposited in the EEIR.

After its submission, the Annual Performance Report shall be reviewed by an independent auditor who shall issue a report to the Mayor and the Director, Public Utilities Department related to the review. A copy of the audit report shall be provided to each labor union and may be reviewed by other governing bodies as required. Results of this audit or review will be taken into account with regard to any amounts of claimed savings allocated to the EEIR. Employee Gainsharing may only be disbursed after the external audits are completed.

The form and content of performance monitoring will be further defined in the LMP Bid. It is understood that the LMP Bid as stated in this Agreement shall remain inviolate for the term of this Agreement, subject to adjustments pursuant to the express language of this MOU.

E. Uncontrollable Events/Change in Law

The Wastewater Bid to Goal Bid is based on reasonable assumptions of projected costs and savings. However, the parties understand and acknowledge that extraordinary unforeseen events, beyond the reasonable control of Wastewater employees and management, may result in costs and/or savings that could significantly affect their ability to meet the stated objectives.

To protect and promote the objectives of Bid to Goal, the parties agree that cost impacts associated with extraordinary and unforeseen events may lead to adjustments of the Bid for the purposes of assessing the performance in this program. Such events may include but are not limited to:

- Inflation in major NPE beyond appropriate consumer price indices;
- Mandates for increased and/or decreased service levels;
- Mandates for changes in governmental policy or regulations;
- Significant detrimental changes in influent characteristics;
- Catastrophic breakdowns of major equipment or capital; and
- Force Majeure.

Any other events beyond the reasonable control of employees and management, including changes in law, that have a material effect upon costs or their ability to perform to the terms of this Agreement and/or corollary service agreements may have the effect of re-opening negotiations between the Mayor of the City of San Diego and the LMP to make appropriate adjustments to the LMP Bid.

A Change in Law shall generally include any of the following events which occur after the Agreement date:

- a) the promulgation, modification, or written change in interpretation by a controlling authority of any applicable law unless the Public Utilities Department had or should have had notice and sufficient interpretive information of such a change as of the date of this Agreement; or
- b) the order or judgment of any court or other controlling authority as long as it was not the result of a willful or negligent act or lack of reasonable diligence by a party to this Agreement; or
- c) the inclusion of a new relevant permit condition or the denial of a permit application if such denial is not the result of a willful or negligent action or lack of diligence by a party to this Agreement.

A Change in Law shall not include a change in any tax or similar law.

The Director, Public Utilities Department or his designee shall be responsible for investigating uncontrollable events/changes in law to determine materiality, as detailed above. Upon such findings, the Director shall issue notice to the parties of this Agreement stating the cost and consequence of the event. Depending on the nature of the event and findings, associated costs may either be: a) removed from the total costs charged against the Wastewater Fund for assessing fiscal performance; or b) the parties of this Agreement shall reconvene to renegotiate the LMP Bid in light of the event. In the latter case, only the LMP Bid of this Agreement related to the specific event shall be reopened; all other terms and conditions shall remain unchanged.

F. Labor-Management Cooperation

The parties acknowledge that cooperative labor-management relations as typified by the relationship established in developing and successfully executing the Wastewater Bid to Goal Agreement, are critical to meeting the competitive challenge and objectives detailed in this document. The parties commit to maintaining the momentum, energy, and good will of this effort.

To that end, the Wastewater Fund employees, AFSCME Local 127, and MEA will participate in the LMC to monitor progress, identify issues, and eliminate barriers to success, and to otherwise maintain a mutual commitment to open communications and consensus.

G. Relationship with Labor Contracts

It is the intent of the parties that this Agreement be interpreted in harmony and compliance with the comprehensive labor contracts and/or provisions between the City of San Diego and authorized employee organizations representing Wastewater Funded employees.

H. Dispute Resolution

Any disputes (except for those concerning audits or reviews) that arise from a charge of a violation or misinterpretation of this Agreement shall be resolved through the applicable use of established processes within labor agreements in effect at the time of the dispute.

I. Applicable Law

In the event that any condition, covenant, or provision of this MOU is held to be invalid or void by any court of competent jurisdiction, or is deemed to be contrary to the law or any covenant or condition or provision of any contract to which the City is a party, the same shall be deemed severable from the remainder of this MOU and in no way shall affect any other covenant, condition, or provision. If any covenant, condition, or provision of this MOU is deemed to be invalid due to scope or breadth, such covenant, condition, or provision shall be deemed valid to the extent the scope or breadth is permitted by law.

J. Impacts on Staff

The parties agree that a top priority in the Wastewater Bid to Goal Agreement is to optimize the System operations and, in the process of doing so, to protect the employment rights of all affected employees as established under current City of San Diego policies and negotiated labor MOUs or implementation procedures.

K. Successor Agreement

The parties recognize that insofar as it is in the mutual interest of the public and the parties, and that insofar that the parties will have met the terms and conditions of this and corollary service agreements, that it will be the option of the parties to negotiate a new agreement or extension of the existing agreement at the conclusion of the term of this Agreement.

This Amended Agreement shall be effective commencing as of July 1, 2009 after its ratification of all parties listed below as evidenced by their respective signatures. This Agreement will have no force or final effect without City Council approval.

IN WITNESS WHEREOF, the undersigned agree to submit this Memorandum of Understanding to the appropriate bodies for approval and final ratification.

Date: _____

AMERICAN FEDERATION OF
STATE, COUNTY AND MUNICIPAL
EMPLOYEES, LOCAL 127, AFL-CIO

CITY OF SAN DIEGO

Mayor, City of San Diego

President

Chief Operating Officer, City of San
Diego

SAN DIEGO MUNICIPAL EMPLOYEES'
ASSOCIATION

Director, Public Utilities Department

President

AGENDA ITEM 12

Attachment

**MetroTAC
2009/2010 Work Plan**

Title	Description
MetroTAC Items	
State WDRs & WDR Communications Plan	The Waste Discharge Requirements (WDRs), a statewide requirement that became effective on May 2, 2006, requires all owners of a sewer collection system to prepare a Sewer System Management Plan (SSMP). Agencies' plans have been created. We will continue to work amongst the agencies to meet state requirements, taking the opportunity to work together to create efficiencies in producing public outreach literature and implementing public programs.
"No Drugs Down the Drain"	The state has initiated a program to reduce pharmaceuticals entering the wastewater flows. To date there have been a number of collection events within the region. The MetroTAC, working in association with the Southern California Alliance of Publicly-owned Treatment Works (SCAP), will continue to monitor proposed legislation and develop educational tools to be used to further reduce the amount of drugs disposed of into the sanitary sewer system.
Fiscal Items	The AdHoc Finance committee will continue to monitor and report on the financial issues affecting the Metro System and the charges to the PAs. The debt finance and reserve coverage issues have been resolved and we are waiting on the refunds to most of the PA's. The recycled water credits issue will be taken up starting in April '10.
Secondary Waiver	The City of San Diego received approval from the Coastal Commission and now the Waiver is being processed by the EPA. The new 5 year waiver to operate the Point Loma Wastewater Treatment Plant at advanced primary should go into affect soon.
IPR Pilot Program(s)	San Diego is evaluating proposals for the design/build/operate project for the Indirect Potable Reuse (IPR) pilot program to replenish potable water sources with reclaimed water. The MetroTAC will monitor and participate in the process as it moves forward.
Lateral Issues	Sewer laterals are owned by the property owners they serve, yet laterals often allow infiltration and roots to the main lines causing maintenance issues. As this is a common problem among PAs, the MetroTAC will gather statistics from national studies and develop solutions.
Grease Recycling	To reduce fats, oils, and grease (FOG) in the sewer systems, more and more restaurants are being required to collect and dispose of cooking grease. Companies exist that will collect the grease and turn it into energy. MetroTAC is exploring if a regional facility offers cost savings for the PAs. The PAs are also sharing information amongst each other for use in our individual programs.
Water Reduction - Impacts on Sewer Rates	The MetroTAC wants to evaluate the possible impact to sewer rates and options as water use goes down, and consequently the sewer flows go down, reducing sewer revenues. Sewer strengths are also increasing because of less water to dilute the waste. We are currently monitoring the effects of this.

Title	Description
Flushable Items that do not Degrade	Several PAs have problems with flushable products, such as personal wipes, that do not degrade and cause blockages. MetroTAC is investigating solutions by other agencies, and a public affairs campaign to raise awareness of the problems caused by flushable products. We are also working with SCAP in their efforts to help formulate state legislation to require manufacturers of products to meet certain criteria prior to labeling them as "flushable."
"Power Tariff"	Power companies are moving to a peak demand pricing scheme which negatively impacts PAs with pump stations and other high energy uses. MetroTAC wants to evaluate the new legislation and regulations, and to identify and implement cost savings efforts for the PAs.
Recycled Water Study	As part of the secondary waiver process, San Diego agreed to perform a recycled water study within the Metro service area. That study is currently underway, and MetroTAC has representatives participating in the working groups. We will monitor progress and provide feedback as it relates to our individual agencies.
Recycled Water Rate Study	San Diego is working on a rate study for pricing recycled water from the South Bay plant and the North City plant. MetroTAC, in addition to individual PAs, have been engaged in this process and have provided comments on drafts San Diego has produced. We are currently waiting for San Diego to promulgate a new draft which addresses the changes we have requested.
Debt Reserve and Operating Reserve Discussion	In March 2010, the JPA approved recommendations developed by Metro JPA Finance Committee, MetroTAC, and the City of San Diego regarding how the PA's will fund the operating reserve and debt financing. MetroTAC will now prepare a policy document to memorialize this agreement.
Board Members' Items	
Rate Case Items	San Diego is starting the process for their next five-year rate case. As part of that process, MetroTAC and the Finance Committee will be monitoring the City's proposals as we move forward.
Schedule E	MetroTAC and the Finance Committee are active and will monitor this process. Individual items related to Schedule E will come directly to the Board as they develop.
Future bonding	MetroTAC and the Finance Committee are active and will monitor this process. Individual items related to bonding efforts will come directly to the Board as they develop.
Changes in water legislation	MetroTAC 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
Role of Metro JPA regarding Recycled Water	As plans for water reuse unfold and projects are identified, Metro JPA's role must be defined with respect to water reuse and impacts to the various regional sewer treatment and conveyance facilities
Border Region	Impacts of sewer treatment and disposal along the international border should be monitored and reported to the Board. These issues would directly affect the South Bay plants on both sides of the border.