



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

AGENDA

**Thursday, MARCH 4, 2010
12:00 p.m.**

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

"The mission of the Metro Commission is to create an equitable partnership with the San Diego City Council on wastewater issues in the San Diego region that ensures fair rates for participating agencies, concern for the environment, and regionally balanced decisions through data analysis, collaboration among all stakeholders, and open dialogue."

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

Documentation
Included

1. ROLL CALL
2. PLEDGE OF ALLEGIANCE TO THE FLAG
3. PUBLIC COMMENT
Persons speaking during Public Comment may address the Metro Commission/Metro Wastewater JPA on any subject matter within the jurisdiction of the Metro Commission and/or Metro Wastewater JPA that is not listed as an agenda item. Comments are limited to three (3) minutes. Please complete a Speaker Slip and submit it prior to the start of the meeting.
- X 4. **ACTION** – CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE MINUTES OF FEBRUARY 4, 2010 (**Attachment**)
5. BID TO GOAL UPDATE (Ann Sasaki)
6. UPDATE ON MODIFIED PERMIT (Ann Sasaki)
7. DEBT RESERVE FINANCING/2007-2008 REFUNDS (**Please note: The attachment is included in Item 11d – Attachment B**)
- X 8. KEY RELATED ITEMS WE SHOULD BE TRACKING/GETTING UP TO SPEED ON (**Attachment**)

March 4, 2010

Metro Commission/Metro
Wastewater JPA Agenda

Documentation
Included

9. METRO TAC UPDATE
10. IROC UPDATE
- X 11. FINANCE COMMITTEE
 - a. Minutes of January 27, 2010 Finance Committee Meeting (**Attachment**)
 - b. Review of April 2010 Metro Refunding Status
 - c. Review of Status of 2009 Exhibit E Audit
 - d. **ACTION** – Consideration and Possible Action to Approve the Debt Service Coverage/Operation Reserve Issue (**Attachments**)
- X 12. STRATEGIC PLAN (ANNUAL RETREAT) AD HOC COMMITTEE (**Attachment**)
13. REPORT OF GENERAL COUNSEL
14. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION/ METRO WASTEWATER JPA MEETING **APRIL 1, 2010**.
15. METRO COMMISSIONERS' AND JPA BOARD MEMBERS' COMMENTS
16. ADJOURNMENT OF METRO COMMISSION AND METRO WASTEWATER JPA

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

Materials provided to the Metro Commission and/or Metro Wastewater JPA related to any open-session item on this agenda are available for public review by contacting L. Peoples at (619) 476-2557 during normal business hours.

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

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

March 4, 2010

Metro Commission/Metro
Wastewater JPA Agenda

Agenda Item 4



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

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

February 4, 2010

DRAFT Minutes

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

1. ROLL CALL

<u>Agencies</u>	<u>Representatives</u>		<u>Alternate</u>
City of Chula Vista	Cheryl Cox	X	
City of Coronado	Al Ovrom	X	Scott Huth
City of Del Mar	Donald Mosier	X	
City of El Cajon	Bill Wells		Dennis Davies
City of Imperial Beach	Patricia McCoy		Gary Brown
City of La Mesa	Ernie Ewin	X	
Lemon Grove Sanitation District	Jerry Jones	X	
City of National City	Alejandra Sotelo-Solis (Arrived at 12:06 p.m.)	X	
City of Poway	Merrilee Boyack		Leah Browder
City of San Diego	Jerry Sanders		Jim Barrett
County of San Diego	Dianne Jacob		Daniel Brogadir
Otay Water District	Larry Breitfelder	X	
Padre Dam MWD	Augie Caires (Arrived at 12:20 p.m.)	X	Augie Scalzitti
Metro TAC Chair	Scott Huth	X	
IROC	Don Billings		

Others present: Metro JPA General Counsel Paula de Sousa; City of San Diego Deputy City Attorney Jeremy Jung; JPA Secretary David Scherer; Karyn Keese – PBS&J

2. PLEDGE OF ALLEGIANCE TO THE FLAG

Vice-Chairman Jones led the Pledge.

3. PUBLIC COMMENT

There was no public comment.

4. ACTION – APPROVE MINUTES OF JANUARY 7, 2010

ACTION: Upon motion by Vice-Chairman Jones, seconded by Commissioner Cox, the January 7, 2010 Regular Meeting Minutes were approved.

5. ACTION – CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE TREASURER'S REPORT FOR 6 MONTH PERIOD ENDING DECEMBER 31, 2009 (Attachments)

Treasurer Wilson provided a brief overview of the report and responded to questions.

Vice-Chairman Jones made inquiry as to the cost/benefit of funding for the Finance Committee expenses. Karyn Keese of PBS&J responded that the cost incurring was explained on page 2 of 3 of the agenda they went back to 2003 and reviewed the actual savings the Exhibit E audits had achieved and the average is about \$1.4 million dollars per year which equates to approximately \$400,000 savings per year. The overall budget for the fiscal year is about \$2,000. They have also been helping to pay for the overall operation of the Metro JPA. Ms. Keese then referred the Board to the chart in the letter as to why they may be over budget, and commented on the unusual year this has been, noting that they were behind in normal tasks as far as meetings but they are over on special projects and this has been a busy year for special projects. They have been working with the City of San Diego providing on-going support on establishing the debt service coverage operations reserve wherein the City of San Diego asked the JPA members for an additional \$20 million dollars and the sub-committee has been working diligently and it now looks as if the request will not be pursued. A list is being put together of all of these types of things per Chairman Ewin's request and will be provided as soon as completed. Additionally they have started the process with the City of San Diego to discuss the distribution of revenues from the reclaimed water at the South Bay Plant which is several million dollars. After the first 2 meetings, the sub-committee was asked to put together the capital and operational costs as well as the revenues for the JPA to date. They had to go back through all audits, isolate the debt service was attributable to the optimized system and all this work has been done so we know where we are financially and this model was given to the sub-committee members so that when we start working with the City of San Diego we know what our contractual responsibilities are as well as our actual expenses are and what revenues to date have been generated by their sales of reclaimed water from both plants.

Scott Huth echoed in that when projects that come up whether from the JPA Board or MetroTAC, they do spend time dialoguing with ms. Keese on what she believes the time is it will take to deal with those things and definitely feels that dollar per dollar the JPA is getting a really good value from her services and her knowledge in working with the system for such a long period of time has also helped save a lot of money. He then suggested that as items come up, they could brief the Board as to where they were at with new items that would affect the budget.

Chairman Ewin stated he felt that would be very helpful.

Commissioner Sotelo-Solis stated that in looking at Exhibit E, she noted that it provided the ending date, the task and who was responsible and inquired as to whether it was possible to assign a dollar amount at the end of the cost of the project.

Ms. Keese suggested that in the future, now that there is a formal Finance Committee, they will provide monthly updates to them and if tasks are requested, provide an estimate of what it would cost to do them. Detailed invoices are provided to the Treasurer.

Chairman Ewin stated that if Ms Keese provided what was done on the first page along with updates to the Finance Committee which could be passed along would work.

Treasurer Wilson added that in terms of the impact of budgetary relationship to actual and how it relates to each of the participating agencies are is it going to cost you more or not. The billings for this year are \$210,000 for all participating agencies. He monitors cash flows and estimates where they are going to be and would come to the Board if he felt it necessary for a supplemental billing. One is not needed as this particular item will not result in any supplemental billing.

Vice-Chairman Jones expressed the utmost respect for the work Ms. Keese and her firm was providing.

ACTION: Upon motion by Vice-Chairman Jones, seconded by Commissioner Sotelo-Solis, the Treasurer's report was approved unanimously.

6. **ACTION** – CONSIDERATION AND POSSIBLE ACTION TO APPROVE FIRST AMENDMENT TO REIMBURSEMENT AGREEMENT FOR ADMINISTRATIVE SUPPORT SERVICES BY AND BETWEEN THE CITY OF SAN DIEGO AND METRO WASTEWATER JOINT POWERS AUTHORITY (**Attachment**)

Rod Greek, Finance Deputy, City of San Diego Public Utilities explained the need for the amendment.

ACTION: Upon motion by Vice-Chairman Jones, seconded by Commissioner Cox, the amendment to the agreement was approved unanimously.

7. UPDATE ON MODIFIED PERMIT

City of San Diego Public Utilities Director Barrett, corrected what he had stated at the prior meeting, noting that it was now his understanding that the item is scheduled to be heard on Wednesday, February 10, 2010 in the morning at the Oceanside City Hall. It is after an item that involves the Poseidon Desalination Plant. He will provide the Metro JPA with an approximate time it will be heard once received. San Diego staff is still working with Coastal Commission staff to confirm that they will accept the proposed language which has been pending for about two weeks. They are apparently waiting the outcome of a meeting with the EPA being held today. It still comes down to the fact that the way the condition is currently written requires the City of San Diego to come back and not only report on the results of the reclaimed water study, but how the City of San Diego intends to implement it which they will not be able to do at that time. The concern is if the Coastal Commission does not like what they hear, it could allow them to reopen the permit, so our rights need to be protected. They expect the Mayor will speak followed by one of the City Attorneys. This is more procedural.

Chairman Ewin stated that they have expressed their opinion as a body and requested Mr. Barrett provide an update, stating that if there was some determination over the next few days that the JPA needed to reengage, he requested notification to which Mr. Barrett replied in the affirmative.

8. AMENDMENT TO MM AND NEO SAN DIEGO CONTRACTS (MIRAMAR LFG POWER PLANT EXPANSION) (Tom Alspaugh)

City of San Diego Senior Mechanical Engineer with the Public Utilities Department Alspaugh provided a brief Power Point presentation on the Miramar Land Fill Gas Power Plant expansion project.

MetroTAC Chairman Huth stated the MetroTAC had heard the presentation and recommended approval.

ACTION: Upon motion by Vice-Chairman Jones, seconded by Commissioner Caires, the amendment was approved unanimously.

9. GRIT PROCESSING IMPROVEMENT PROJCT AT POINT LOMA TREATMENT PLANT (Stuart Seymour) (Attachment)

Stuart Seymour, City of San Diego Engineering Capital Projects Department provided a brief presentation noting that this project had been approved by the Tax Commission several weeks ago and the design had been approved by the Metro JPA back in 2008. They are now ready to go out for construction.

MetroTAC Chairman Huth stated the MetroTAC had heard the presentation and recommended approval.

ACTION: Upon motion by Commissioner Caires, seconded by Vice-Chairman Jones, the project was approved unanimously.

10. REGIONAL RECYCLED WATER SURVEY (Karyn Keese)

Karyn Keese of PBS&J noted that this was one of the special projects that they were requested to do that was not in their original contract. The City of San Diego has a \$2 million study in the works on how to offload flows from Pt. Loma and facilitate the use of recycled water within the Metro Systems and the Commissioners asked what was going on not only in the Metro region but throughout the San Diego County region as far as the current use of recycled water. At a MetroTAC meeting this was discussed and there were two technical memorandums that the City of San Diego consultant had provided. Memorandum one looks at the retail customers the City of San Diego has and number two provides the same information, but for wholesale customers which are Otay, Olivenhain and Poway. MetroTAC inquired as to whether they were going to expand it to look at what was going on in San Diego County and they were not. PBS&J was then tasked to go out and survey what was happening Countywide. This is an incomplete first draft. The information in blue indicates responses, yellow indicates a need for updates and answers and at the last MetroTAC meeting, they were asked to provide project descriptions on what the different agencies were going to be doing (brief project descriptions). They plan to have it completed by the next meeting. Additionally, they will take the information from the two memorandums and incorporate this information in as well. Ms. Keese then explained the headings on the attachment to the Board.

11. KEY RELATED ITEMS WE SHOULD BE TRACKING/GETTING UP TO SPEED ON

Chairman Ewin requested Item 11 be combined with Item 15.

12. METRO TAC UPDATE

MetroTAC Chairman Huth stated the projects that had come forward had been reviewed at their last meeting. They also had quite a bit of discussion on the CIP program which the City of San Diego had provided an updated CIP list which they will review and bring back to possibly the next JPA meeting. One thing they are looking at is when the City of San Diego goes through their 5 year rate case, MetroTAC be involved in the planning process in such a way as it will help the PA's budgeting for their rate cases in their organizations and also looking at the goal of having stability in what their charge will be over the 5 year period.

13. IROC UPDATE

Commissioner Caires reported for the January 19, 2010 IROC meeting that an update on the water rate recalibration process had been provided and that the City of San Diego is tackling the response in the event of added supply restrictions that may occur this year as well as instilling longer term conservation among customers (making it a way of life); an actuarial assumption on the pension obligations on the Public Utilities Department – the funded ratio in 2004 was 64% which increased to 78% in 2008 however investment losses in 2009 may drop it back below the 2008 level; recycled water cost of service study update – one of our PA's, Otay is in negotiations with the City of San Diego termed as threatened negotiations and the City is re-looking at their contract before acting to increase the price which is currently at 30% of potable, not sure what the industry norm is but probably 70-90% range – City is considering moving to the 70% range; briefing provided on the 2011 budget preparation process; report on San Diego sewer spills which have been reduced to 38 in 2009 which is an excellent improvement when just a few years ago exceeding 150 per year was common showing that the programs they have put in place are working well and lastly a draft IROC report is due out this month and copies will be provided to the Metro JPA Board.

14. FINANCE COMMITTEE

a. Establishment of Finance Committee Meeting Schedule for 2010

Finance Committee Chairman Ovrom noted that a meeting schedule had been established for the last Wednesday of each month at 8:30 a.m. to meet should they need to meet either at PBS&J or BB&K.

b. Report Regarding City of San Diego Potential Metro Wastewater Debt Refunding (**Attachment**)

Finance Committee Chairman Ovrom stated that the handout in the agenda covered the City of San Diego's plan to refinance their debt with their target date of April and where they are trying to go with this. The second slide shows the City's 3% refunding savings requirement which they have heard they will be able to meet or beat this which would result in a benefit not only to the City, but the PA's as well.

c. 2008 Exhibit E Audit Results (**Attachment**)

Finance Committee Chairman Ovrom stated that for all intensive purposes the Exhibit E Audit for 2008 was complete and the one for 2009 is going to be finished hopefully in May. He applauded Treasurer Wilson and Ms. Keese from PBS&J for the improvements to the process.

d. 2008 & 2009 Exhibit E Audit Calendar (**Attachment**)

e. Confirmation of Committee Membership/ Appointment of Chair to Finance Committee

Finance Committee Chairman Ovrom stated he had heard the request to add additional members and which he stated they would always welcome.

Mayor Cox stated that a couple of months ago they had received information on the refunds to the PA's and requested an update on when they were expected. Mr. Huth stated that initially the adjustments were deferred to help deal with the impact of the \$20 million request for the debt service and operating reserve as they were negotiating it. They are meeting next week with Rod Greek to review this and the agencies that do have money coming back are in the process. Mayor Cox asked if this would be done by the next meeting. Rod Greek stated that from the City of San Diego's perspective, he has reviewed the calculations and they have agreed to the approach and will be meeting next Tuesday to review how those calculations will roll to the PA's. There is still a little back and forth to go, but progress is being made.

Chairman Ewin stated that the Finance Committee is currently comprised of Al Ovrom as Chair, Merrilee Boyack, Bill Wells and Augie Caires. Discussion took place on the availability of individuals to attend to expand the Committee. There can be up to a maximum of 6 and the quorum of 4 so everyone needs to attend. He then appointed Alejandra Sotelo-Solis and himself as he had a lot of institutional knowledge and could assist the Chair.

16. STRATEGIC PLAN (ANNUAL RETREAT) AD HOC COMMITTEE

Chairman Ewin reported that the Committee had met and reviewed the retreat materials and had provided 3 sheets. The Committee felt there was not a need to have another planning retreat as they had enough material to work from. They would like to take the material and deal with one page a month for the next few months. He then asked Commissioner Caires to take the information and put it in outline form and to reflect the process for strategic planning for this body going forward. He has accepted this assignment and will bring something back for us in the next several weeks. Also MetroTAC has a few items that are TAC related and are already tracking and performing on their items and have added ours to their list starting with number 11. He then asked the PA's to review the Mission Statement and if it does not make sense and needs changing, be prepared to discuss this at the next meeting. Also, he encouraged everyone to review the other two pages and start thinking about them with MetroTAC remaining the anchor and advise the JPA if any significant changes have taken place.

17. REPORT OF GENERAL COUNSEL

General Counsel de Sousa stated that at the last meeting she was asked to provide a report on specific items in the Water Bond that might impact the San Diego Region to the extent that they were time sensitive and since the Bond will not be on the ballot until November 2010, they are working on their summary and will provide it at the next meeting.

18. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION METRO WASTEWATER JPA MEETING (March 4, 2010)

Debt Reserve Financing//2007 Adjustments
Presentation on Sea Level Rise

19. METRO COMMISSIONERS' and JPA BOARD MEMBERS' COMMENTS

No comments were received.

20. ADJOURNMENT OF METRO COMMISSION AND METRO WASTEWATER JPA

At 12:45 p.m., there being no further business, Chairman Ewin declared the meeting adjourned.

Recording Secretary

Agenda Item 8

CITY OF SAN DIEGO PUBLIC UTILITIES

SIGNIFICANT DATES

- Wastewater Bond Refunding
 - Council: March 8, 2010
 - Pricing: First week of April, 2010

- FY11 Budget
 - Mayor Release to Public: April 15, 2010
 - Council Review: May/June 2010
 - Council Approval: Late June 2010

- Wastewater Rate Case
 - Last rate increase: May 2010
 - Next rate case work to begin June 2010
 - 4 to 5 year rate case

- Recycled Water Cost of Service Study
 - Contract extension to Council: March 2010
 - Due to complete: December 31, 2010

- Coastal Commission Hearing on Waiver
 - March 2010

- Reserve Policy Update
 - To Council in May 2010
 - To be effective July 1, 2010

Agenda Items

11a & 11d



**Metro JPA Finance Committee
January 27, 2010
Minutes**

Meeting called to order: 8:37 a.m. at Best Best & Krieger LLP, 655 West Broadway, 15th Floor, San Diego, California

1. Roll Call

Attendees:

Al Ovrom, Chairman, Metro JPA Finance Committee
Augie Caires, Committee Member
Bill Wells, Committee Member
Ernie Ewin, Chairman, Metro JPA/Metro Commission

Support Staff:

Scott Huth, Chairman MetroTAC
Karyn Keese, PBS&J
Doug Wilson, Metro JPA Treasurer
Paula de Sousa, General Counsel, BBK

City of San Diego Staff:

Lakshmi Kommi, Debt Management Group

2. Public Comment

There were no public attendees.

3. Consideration for establishment of 2010 Meeting Schedule

After discussion it was decided that the Finance Committee will hold its monthly meeting on the last Wednesday of every month at 8:30 am. If a meeting is not required it will be cancelled in advance per Brown Act requirements. This meeting slot will allow for items recommended to be forwarded to the Metro JPA/Metro Commission for the agenda of the next monthly meeting.

Action required: Present to Metro JPA/Metro Commission.

4. Overview of February 2010 Potential Metro Wastewater Debt Refunding

Lakshmi Kommi gave a formal presentation to the Finance Committee on the results of the May 2009 refunding (2) of outstanding Metro Debt as well as the potential additional refunding that is anticipated in March 2010. A copy of the presentation is attached to these minutes.

Action required: Provide an overview to the Metro JPA/Metro Commission of the potential March 2010 refunding. Receive additional information from San Diego as the refunding progresses. When the Preliminary Official Statement is available it will be sent out to all Finance Committee Members.

5. 2008 Exhibit E Audit Results

Karyn Keese and Doug Wilson reported out on the 2008 Exhibit E audit results. A copy of the results and a summary memo are attached to these minutes.

Action Required: The Committee requested a summary of the Exhibit E savings to the participating agencies in a summary table going back as far as records are available. Karyn Keese will provide this information. The Committee also requested a summary of other savings such as the debt coverage/operations reserve issue over the last five years. Karyn Keese will provide those as well. Once the final audited report is complete it will be presented first to the Finance Committee and then to the Metro JPA/Metro Commission.

6. 2008 & 2009 Exhibit E Audit Calendar

City staff has provided timelines for the Exhibit E 2008 and 2009 audits. The Exhibit E 2008 audit is essentially closed except for some San Diego housekeeping items. The Exhibit E 2009 audit is on tract and is anticipated to proceed according to the provided schedule.

Action required: The 2009 Exhibit E Audit schedule will be provided to the Metro JPA/Metro Commission as an informational item. This schedule is updated monthly by the City of San Diego staff and updates will be sent to the Finance Committee when available.

7. Review and Approval of Six Month Financial Statements for December 31, 2009

Doug Wilson presented the Metro JPA/Metro Commission six month financial statements. The financial statements include a Treasurers Report, a balance sheet, a profit versus loss budget to actual statement, a statement of cash flows, an accounts receivable statement, and a vendor balance summary. All of these figures are as of January 1, 2010. It was noted that PBS&J had expended monies in excess of the straight line 6 month financial statement. Karyn Keese addressed this issue and the additional costs incurred by PBS&J in the first six months had to do with requested special projects by MetroTAC and legal counsel regarding the multiple issues regarding the City of San Diego's recycled water costs and the revenues per Regional Wastewater Agreement for reclaimed water sales. Depending on special projects requested in support of the MetroTAC, Metro JPA/Metro Commission, and Metro JPA Finance Committee there may be a potential contract overrun between \$5,000 and \$10,000. Doug Wilson stated that there are adequate reserves to cover any potential overruns. MetroTAC has reviewed the financial statements and the PBS&J letter explaining the status of its contract and had no objections. The Finance Committee agreed.

Action Required: Present the Financial Statements to the Metro JPA/Metro Commission including the PBS&J explanation letter. PBS&J will provide the Finance Committee with updates on its contract status at each meeting. Doug Wilson will work with MetroTAC and PBS&J to craft a formal policy for reserves to be brought back to the Finance Committee and then to the Metro JPA/Metro Commission.

8. City of San Diego Schedules for Rate Case, Budget Approval Process and Other Material Routine Matters

Paula de Sousa reviewed for the Committee members the previous request of the Metro JPA/Metro Commission to be provided with time schedules for each of these items so that the MetroTAC and

Metro JPA/Metro Commission could have input into the financial assumptions the City was proposing. Karyn Keese stated that what the Metro JPA/Metro Commission is looking from the City is similar to the Audit Schedule currently provided by the City to the Finance Committee. Since there were no City of San Diego staff members present to address this issue it will be carried over to the next Finance Committee meeting.

9. Review of Items to be brought Forward to the Metro JPA/Metro Commission

The following items were recommended to be included in the Metro JPA/Metro Commission agenda for February:

- Proposed Finance Committee Schedule
- Overview of the Potential March Metro Debt Refunding
- Overview of the 2008 Exhibit E Audit Results
- Exhibit E 2009 Audit Calendar
- Metro JPA Six Month Financial Statements

10. Other Business of the Finance Committee – Future Agenda Items

- Continued review of March 2010 Metro Refunding Status
- Continued review of status of 2009 Exhibit E Audit
- Establishment of a formal reserve policy for the Metro JPA/Metro Commission
- Rescheduling of No. 8 agenda item when provided by City staff

11. Adjournment

The Meeting was adjourned at: 10:16 am

Al Ovrom, Chairman

Memorandum

TO: Metro Wastewater Commissioners **DATE:** February 25, 2010
FROM: Karyn Keese **PROJECT NO:** 100009226
SUBJECT: Debt Service Coverage/Operation Reserve Policy

In early 2008, MetroTAC formed a subcommittee in response to the City's request for \$20 million in funding in FYE 2009 for operations reserve and debt service coverage. The subcommittee continued to meet with City staff regarding the establishment of a mutually agreed upon policy through early February 2010. A summary of the City's 2008 proposal and the negotiated 2010 proposal is included as Attachment A to this memo.

Following are the components of the negotiated policy:

Attachment B is a summary of the funding strategy showing each participating agencies (PAs) 2007 and 2008 refunds and how they would be applied to the establishment of the 45-day operating reserve. In the majority of cases the PAs will see a refund even after they have fully funded their portion of the operating reserve.

The other component of the strategy is the funding levels needed to maintain a 1.2 debt service coverage. The 1.2 debt service coverage is a requirement for all of the outstanding Metro parity debt. A cash flow prepared jointly by the City and the subcommittee shows that, if the PAs are billed at the current level for the next three to five years, this requirement can be achieved without additional contributions by the PAs. The final projected cash flow is attached to this letter as Attachment C.

At their regular meeting on February 17, 2010, MetroTAC approved the following recommendations to move to the Finance Committee and the Commission for discussion and action:

- Proceed with the 1.2 debt service ratio coverage
- Proceed with funding a 45-day operating reserve
- The JPA will fund no other reserves
- FY07 and FY08 refund monies will be used to fund the operating reserve and any remaining amounts will be refunded by the City via checks
- Interest accrual on operating reserves and undesignated fund balances will start with FY10 (beginning July 1, 2009)

On February 24, 2010, the Metro Wastewater Finance Committee unanimously concurred with MetroTAC's motion and added one additional recommendation:

- The annual contribution for Metro O&M, pay-go capital and debt service from the PAs should remain stable at \$65 million for three to five years, but should be reviewed annually as part of the Exhibit E audit process.

Debt Service Coverage/Operation Reserve Policy
February 25, 2010
Page 2 of 2

Members of the MetroTAC subcommittee will be at the Metro Wastewater Commission/JPA meeting to review the proposed policy with the Commissioners. If you have any questions in advance please feel free to contact me at 858.514.1008.

Attachment A
Operations Reserve/Debt Service Coverage Policy
Summary of Negotiations

	City Original Proposal FYE 2009 to FYE2013 (1)	Negotiated Proposal FYE 2010 to FYE 2015 (2)
Operations Reserve		
Amount	\$4.8 to \$8.5 Million (3)	\$4.2 to \$5.0 Million (4)
Number of Days	45 to 70 days	45 days
Debt Service Coverage		
Amount	\$14.9 million	In Fund Balance
Coverage Ratio	1.7	1.2
Collect Reserve & Coverage		
Operations Reserve	Bill \$4.8 Million FYE 2009	Utilize 2007 & 2008 refunds (5)
Debt Service Coverage	Bill \$14.9 million FYE 2009	Utilize 2007 & 2008 refunds (5)
Interest		
On Operations Reserve	No	Yes
On Undesignated Fund Balance	No	Yes
PA System Revenue		
	Variable with annual adjustments	Stable at current revenue requirement of \$65 million

(1) City original proposal April 2008

(2) Compromise proposal February 2010

(3) City original proposal: operations reserve to increase from 45 to 70 days as well as O&M budget

(4) Compromise proposal: operations reserve only increases with O&M budget

(5) Both audits completed in FYE 2010 (current fiscal year)

Attachment B
Funding Strategy for 45-Day Operating Reserve

DRAFT Agency	EXHIBIT E AUDIT ADJUSTMENTS			2008 FLOWS & LOADS		
	FY 2007	FY 2008	TOTAL	2008 FLOWS & LOADS	OPERATING RESERVE	NET
CHULA VISTA	(\$1,837,010)	(\$2,177,758)	(\$4,014,768)	28.80%	\$1,233,131	(\$2,781,637)
CORONADO	(\$189,910)	(\$380,204)	(\$570,114)	2.96%	\$126,923	(\$443,191)
DEL MAR	(\$87,785)	(\$106,268)	(\$194,053)	1.10%	\$46,983	(\$147,070)
EL CAJON	(\$290,369)	\$12,862	(\$277,507)	14.17%	\$606,497	\$328,990
IMPERIAL BEACH	(\$132,300)	(\$141,880)	(\$274,180)	3.52%	\$150,801	(\$123,379)
LA MESA	(\$99,793)	(\$71,955)	(\$171,748)	8.14%	\$348,606	\$176,858
LAKESIDE/ALPINE	(\$293,313)	(\$262,336)	(\$555,649)	4.92%	\$210,789	(\$344,860)
LEMON GROVE	(\$147,034)	(\$207,736)	(\$354,770)	3.38%	\$144,591	(\$210,179)
NATIONAL CITY	(\$637,379)	(\$970,656)	(\$1,608,035)	7.45%	\$319,133	(\$1,288,902)
OTAY	\$123,792	(\$130,141)	(\$6,349)	1.52%	\$65,178	\$58,829
PADRE DAM	(\$789,976)	(\$1,649,318)	(\$2,439,294)	8.05%	\$344,486	(\$2,094,808)
POWAY	(\$683,251)	\$109,395	(\$573,856)	5.29%	\$226,466	(\$347,390)
SPRING VALLEY	(\$611,093)	(\$705,475)	(\$1,316,568)	9.38%	\$401,777	(\$914,791)
WINTERGARDENS	(\$71,984)	(\$61,988)	(\$133,972)	1.31%	\$56,070	(\$77,902)
TOTAL	(\$5,747,405)	(\$6,743,458)	(\$12,490,863)		\$ 4,281,432.00	\$ (8,209,431.00)

Attachment C - Draft

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

Line #	Cash flow Component	Legend	Foot-note #	AUDITED		FY09	FY10	FY11	PROJECTED			
				FY07	FY08				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
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												
10	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
11												
12	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
13	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
14	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
15												
16	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)
17	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
18												
19	Calculated Debt Service Ratio	Line 10/Line 12	(5)				0.73	1.20	1.20	1.20	1.20	1.20
20												
21	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:

- (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 12



Five (5) Strategic Goals



1. Reduce costs and ensure fair rates.
2. Create alignment among the Metro Commission/JPA members.
3. Enhance positive/effective relations with the City of San Diego.
4. Create/sustain a positive image in the region.
5. Identify ways to increase usage of recycled and/or reclaimed water.