



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

AGENDA

**Thursday, MAY 6, 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 April 8, 2010 (**Attachment**)
5. **PRESENTATION** ON THE IMPACTS OF CLIMATE CHANGE ON THE SAN DIEGO REGION (Emily Young, PhD, Senior Director, Environment Analysis & Strategy, The San Diego Foundation)
6. **PRESENTATION** ON COASTAL TRAINING PROGRAM AND UPCOMING PLANNING FOR CLIMATE CHANGE TRAINING WORKSHOP SERIES (Kristen A. Goodrich, Coastal Training Program Coordinator, Tijuana River National Estuarine Research Reserve)

Documentation
Included

- X 7. **ACTION** – CONSIDERATION AND POSSIBLE ACTION TO APPROVE A FLOW MONITORING AND EMERGENCY NOTIFICATION CONTRACT (Isam Hireish) **(Attachment)**
- 8. MODIFIED PERMIT UPDATE
- X 9. KEY RELATED ITEMS WE SHOULD BE TRACKING/GETTING UP TO SPEED ON **(Attachments)**
- 10. METRO TAC UPDATE
- X 11. IROC UPDATE **(Attachment)**
- 12. FINANCE COMMITTEE
 - X a. Minutes of the February 24, 2010 Finance Committee Meeting **(Attachment)**
 - X b. **ACTION** - Consideration and Possible Action to Approve the Operations Reserve Policy of the Metro Wastewater JPA **(Attachment)**
 - X c. Update on 2008 and 2009 Exhibit E Audits **(Attachment)**
 - X d. **ACTION** - Consideration and Possible Action to Approve the Contract Status Report and Request for Contract Amendment PBS&J **(Attachment)**
- 13. STRATEGIC PLAN (ANNUAL RETREAT) AD HOC COMMITTEE
- 14. REPORT OF GENERAL COUNSEL
- 15. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION/ METRO WASTEWATER JPA MEETING **June 3, 2010.**
- 16. METRO COMMISSIONERS' AND JPA BOARD MEMBERS' COMMENTS
- 17. 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.

May 6, 2010

Metro Commission/Metro
Wastewater JPA Agenda



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

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

**April 8, 2010
DRAFT Minutes**

Chairman Ewin called the meeting to order at 12:01 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		Scott Tulloch
City of Coronado	Al Ovrom	X	
City of Del Mar	Donald Mosier	X	
City of El Cajon	Bill Wells	X	
City of Imperial Beach	Patricia McCoy		
City of La Mesa	Ernie Ewin	X	
Lemon Grove Sanitation District	Jerry Jones	X	
City of National City	Alejandra Sotelo-Solis		(No representative)
City of Poway	Merrilee Boyack	X	
City of San Diego	Jerry Sanders		Ann Sasaki
County of San Diego	Dianne Jacob		Daniel Brogadir
Otay Water District	Larry Breitfelder	X	
Padre Dam MWD	Augie Caires	X	Augie Scalzitti
Metro TAC Chair	Scott Huth	X	
IROC	Don Billings		(No representation)

Others present: Metro JPA General Counsel Paula de Sousa; City of San Diego City Attorney Tom Zeleny; JPA Secretary David Scherer; JPA Treasurer Doug Wilson; Karyn Keese and Dean Gipson – PBS&J

2. PLEDGE OF ALLEGIANCE TO THE FLAG

Administrative Assistant Peoples led the Pledge.

3. PUBLIC COMMENT

There was no public comment.

4. ACTION – APPROVE MINUTES OF MARCH 4, 2010

ACTION: Upon motion by Commissioner McCoy, seconded by Chairman Ewin, the March 4, 2010 Regular Meeting Minutes were approved.

5. ACTION – CONSIDERATION AND POSSIBLE ACTION TO APPROVE AWARD OF SODIUM HYPOCHLORITE FOR THE POINT LOMA TREATMENT PLANT (Chris McKinney)

Chris McKinney, Deputy Director, Wastewater Treatment Disposal Division for the Public Utilities Department, City of San Diego, provided a brief verbal overview on the request for approval of

the award of Sodium Hypochlorite for the Point Loma Wastewater Treatment Plant in the amount of approximately \$6.3 million. The chemical is used primarily for the disinfection of the effluent and odor control at the plant. Previous requests to the Commission for purchase of this chemical were for use throughout the entire division, this request is strictly for the Point Loma Wastewater Treatment Plant.

ACTION: Upon motion by Commissioner McCoy, seconded by Vice Chairman Jones, the award of Hypochlorite for the Point Loma Treatment Plant was approved unanimously.

6. ACTION – CONSIDERATION AND POSSIBLE ACTION TO APPROVE AMENDMENT 2 WITH UCSD FOR EVALUATION OF ANTHROPOGENIC IMPACTS ON THE SAN DIEGO COASTAL ECOSYSTEM (Steve Meyer)

Steve Meyer, Deputy Director Environmental Monitoring and Technical Services Division for Public Utilities, City of San Diego provided a brief verbal report on the second Amendment to a contract they currently have with Scripps Institute of Oceanography to continue their kelp bed studies for the next 4 fiscal years. It will be for just shy of \$1.5 million and is part of their enhance marine ecosystems monitoring that they do for both Point Loma and the South Bay water treatment outfalls and is part of their enhanced monitoring program as a condition of the current 301H Modified Waiver with Point Loma.

ACTION: Upon motion by Vice Chairman Jones, seconded by Commissioner Boyack, the Amendment was approved unanimously.

7. ACTION – CONSIDERATION AND POSSIBLE ACTION TO APPROVE AS NEEDED CONDITION ASSESSMENT SERVICES 2009-2012 (Pete Wong)

Pete Wong, City Engineer with Engineering and Program Management Division, Public Utilities Department, City of San Diego stated that this request was for a Consultant Services Agreement for 3 years at \$5 million to perform both water and sewer. They estimate approximately 70% would be water, 30% wastewater resulting in about 27% would be metro at about \$1.4 million. The objective of the condition assessment was to identify the structure and liner integrity and also other defects so that they could take proactive action. The benefit is to reduce the potential of the pipe failure and extend the life of the pipe thus reducing the life cycle cost of the system.

Chair Ewin inquired as to how much since 2009 has been expended and whether the amount budgeted for or anticipated had always been used. Ann Sasaki responded that this was the first year that they had an as needed condition assessment contract. In the past they have had as needed contracts where they had a threshold amount and spent down on that amount as appropriate and studies came up. This year it is a \$5 million contract and the bulk of the money for the contract is coming from the water side as a lot of pipelines in the water system need reviewing. In the wastewater system it is about 30% and of that 90% is for Metro facilities thus approximately \$1.4 million will be spent on Metro facilities, looking at large force mains. Mr. Wong has a schedule laid out of what they will be looking at first and can provide this to the Commission. This is something that was planned since the 2007 Condition Assessment Plan was developed to include looking at both the treatment plants, pump stations and large pipelines and was included in the operating budget.

ACTION: Upon motion by Commissioner Boyack, seconded by Commissioner McCoy, the approval of as-needed condition assessment services 2009-2010 was approved unanimously.

8. PRESENTATION OF FISCAL YEAR 2008 EXHIBIT E AUDIT (Rod Greek and Macias Gini and O'Connell)

Rod Greek, Deputy Director, advised that the Audit for 2008 Exhibit E was complete and as a result of the Commission's approval of the new process for debt service coverage and the reserve participation by the agencies were now in the process of cutting the refund checks and issuing invoices for those who owe for 2007-2008. Mr. Greek then introduced Anthony Neequaye, Audit Director from Macias Gini and O'Connell who provided an overview of the audit which was performed on the Commission's schedule of allocations for billings. Mr. Neequaye advised that the audit was performed in accordance with Government Auditing Standards as well as Auditing Standards established by AICPA. Further, in the second report to management, Mr.

Neequaye noted that comments were made which were similar to prior comments on prior years audits such as prior expenditures not being captured and allocation of costs and inaccurate ratios.

Commissioner McCoy requested a copy of the audit be provided prior to the next meeting stating she was especially interested in the portion that delineated the responsibility of the JPA.

Chairman Ewin stated that the Audit report would also be directed to the Finance Committee to review all points and report back at the next meeting.

Karyn Keese of PBS&J apologized for sending the audit to only the Finance Committee and stated it would be sent via the Administrative Assistant to all Commissioners after today's meeting.

9. MODIFIED PERMIT UPDATE (Ann Sasaki)

Ann Sasaki, Assistant Director, Wastewater Branch provided an update stating that the City of San Diego was successful in obtaining the Coastal Commission Consistency Finding and now the EPA and Regional Board are working with City Staff to incorporate the changes and conditions that came as a result of the Coastal Commission action and conversations with US Fish and Wildlife and National Marine Fisheries. They expect to have the final permit signed by EPA by the end of this month and go into effect on June 1st. There is a 30 day appeal period.

Chairman Ewin inquired as to whether there were any conditions to the permit that the Commission was not aware of or that would require review at this point to keep them up to date as to what the City of San Diego has had to do or is engaged in other items as related to the permit such as quality of water. General Counsel de Sousa stated her understanding that the question results from the last time around the permit was granted all in the context of the consent decree and this is not the case at this time, i.e. the additional monitoring requirements where this time a settlement was entered into with the environmental groups. San Diego City Attorney Zeleny responded that the last permit was being challenged by some of the environmental groups thus other action was taken. This time there was an agreement up front to study different ways to offload Point Loma which they clarified that they would come back in two years and discuss this report and have a meeting with them at one of their monthly meetings which will fully satisfy the request and they do not have to implement anything from the study. The EPA monitors this and anyone that feels the City is not in compliance can refer this to the EPA or bring litigation.

Chairman Ewin stated he wanted to make sure that since each Commissioner represents for the most part a City Council, and make sure that if any issues come up, they are aware of them and know that it was not just yet there were other things covered that may come back in some form, positive or negative. He then inquired as to whether the City of San Diego had a document that listed concisely this is where it is and these are some of the items that we will be continuing and will be presenting updates to with regards to that approval action. San Diego City Attorney Zeleny stated he was not aware of anything other than what they would need to do to get another permit after this one.

Chairman Ewin stated he wanted to make sure the Commission was made aware of anything the City of San Diego needed to comply with.

MetroTAC Chairman Huth stated that he and Mr. Gipson from PBS&J were engaged in the Recycled Water Study process and attend the meetings. They are estimating an 18 month process. IROC also has a member on the committee. Further as components come out, they circulate technical memorandums and provide feedback for all agencies and these will be brought back for the JPA review. Chairman Ewin requested information on what was going to be coming back to which Mr. Huth stated these items will be listed on the items under Item 10 on the agenda and he would be refreshing that monthly. The other items that are part of the permit, such as the monitoring program and measuring compliance with the Pt. Loma Treatment Plant are constantly reported to the EPA and the Regional Water Board. If a problem results, the information goes to MetroTAC and if anything requires funding it is reported to the JPA.

Ms. Sasaki stated she would provide the JPA with a list of the technical memos that outlines all the areas they will be researching and with regards to the final Modified Permit; there will be an

Executive Summary that will outline what is in the permit and once received will be forwarded to be sent out to the JPA.

Chairman Ewin stated he wanted to make sure the Commission was ahead of the curve for future permits.

Commissioner McCoy stated she felt there needed to be steps outlined on implementation of recycling processes prior to the next permitting period.

Chairman Ewin requested General Counsel de Sousa look into and determine if a policy is needed to determine what communications or items of interest to the Board get placed on our website. That then would become an internal means to track this.

MetroTAC Chairman Huth stated that the study that is underway now has a core focus on areas of control by the City of San Diego and the TAC has provided input from the participating agencies, but it might be something to entertain to work amongst themselves to also look at opportunities to work together on recycled water issues and address issues happening in "our backyard".

10. KEY RELATED ITEMS WE SHOULD BE TRACKING/GETTING UP TO SPEED ON (Attachment)

MetroTAC Chairman Huth presented the summary of everything MetroTAC and the JPA were looking at to make sure they are brought to the JPA at the appropriate time. MetroTAC will update these items on a monthly basis and it will remain on the agenda so can be referenced monthly.

Chairman Ewin requested any Commissioner, who requested an item be placed on the list, advises the Administrative Assistant of their item and keep the Commission current.

11. METRO TAC UPDATE

MetroTAC Chairman Huth stated everything reviewed at the last MetroTAC meeting had been covered previously during this meeting (Items 5-9) and had been recommended for approval and had nothing further to add.

12. IROC UPDATE

Commissioner Caires reported that at the March 17, 2010 IROC meeting they had received several updates to ongoing projects including the Modified Permit, the Recycled Water Cost of Service Study, the Bid to Goal Program as well as the IPR noting that month the IPR will be receiving engineering proposals. Discussions were also held on the recalibrated water rate restructure noting that the City desires to create demand reduction and needs more details about costs and although there probably won't be a water rate recalibration in the short term, there needs to be one in the long term; AB 2882 which allows agencies to charge higher water consuming customers the cost of conservation; wastewater spills and water main brakes which will now become a quarterly report to IROC in the future; the City Performance Audit, the City Council Audit Committee recently gave more resources to the Audit Department to conduct performance audits and have asked IROC to provide input as to what their efforts should be focused. Additionally, at the April IROC meeting, the City Auditor, Mr. Luna will be present to discuss the Bid to Goal performance audit result. Commissioner Caires then stated that the IROC Annual Report was finalized and sent to the Mayor and Council and that he would be providing the Commission with an analysis of that report at a future meeting. Lastly, Commissioner Caires reported that they heard a detailed report on the recycled water program and the City's long term vision was to complete the water reuse study and the demonstration project and then move into full scale implementation. Currently the beneficial reuse at North City is 7.2 mgd out of a 24 mgd possible capacity and South Bay is 4.6 mgd out of 13.5. So 11.8 out of 37.5 leaves a lot of room for improvement and growth and should address some of the

concerns of the environmental groups. Additionally, the City is planning expansion of the distribution system including retrofit projects and is pursuing a language change through the Regional Water Quality Control Board to allow for irrigation of single family residential areas with recycled water which would be a first in this region.

Commissioner McCoy inquired as to whether any consideration was being given to the use of grey water systems. San Diego City Attorney Zeleny stated that this was a future topic for the City Resources and Culture Committee noting that there were new standards that exempt small systems (clothes water discharge for example) from construction permits and the Committee may come up with ways to encourage this.

13. FINANCE COMMITTEE

Finance Committee Chairman Ovrom stated that the Committee did not have a meeting in March however they had been tracking the 2008 Exhibit E Audit.

Karyn Keese of PBS&J stated she was very upset with Rod Greek who had accepted a job as Finance Manager for the Santa Margarita Water District in South Orange County and would be leaving shortly. She thanked him formally for the work that he had done in helping to facilitate the debt service coverage and reserve policy noting that when he took over it gained a lot of traction and she would miss working with him. Chairman Ewin extended the thanks of the Commission as well. Ms. Keese then stated that she and Doug Wilson would be meeting next Friday to do the sample reviews for the 2009 Audit.

Rod Greek provided an update on the refunding stating that they had a successful bond issuance this week for the wastewater program by refunding their 1993, 1995 and 1997 wastewater bond and had a net present value savings of \$8.7 million on the transaction. The details will be released shortly once the update to the official statement is finalized.

14. STRATEGIC PLAN (ANNUAL RETREAT) AD HOC COMMITTEE (Attachment)

Commissioner Caires stated that the Commissioners had the draft before them and reported that the Strategic Planning Committee comprised of himself, Chair Ewin and Commissioner Wells had met on 2 occasions, exchanged lots of e-mails and several drafts and had key input from Scott Huth, Paula de Souza, John Gavares and several comments from others as well through the process. The action requested today was to receive input on any changes desired on this draft and approve it subject to minor, non-substantive changes that may be made prior to printing and distribution. Commissioner Caires noted that this was the first Strategic Plan adoption and if the Commission agrees with the Committee, there will no longer be an annual Retreat, but rather one every other year so that the plan is a 2 year plan to be reevaluated and updated every other year making the next update spring of 2011. The plan draft captures the essence of who we are as a Metro Commission and a JPA, defines the strategic initiatives that support our mission and goals that have been previously adopted, focuses on the work completed at the workshop of May 2009, outlines the TAC work plan and Chair Ewin has asked the TAC to develop measures of success and look at estimated time frames for completion of the strategic initiatives. It also outlines our strengths, challenges and purposes as an organization and details our fairly simple work model.

Scott Tulloch, Chula Vista Alternate, noted that on Page 8, Strategic Initiative 12, the Special Act District says the Initiative itself has been shelved for lack of interest on the part of the City of San Diego, but as the Special Act District still exists and meets annually, it might be worth noting that someplace along with the current members as a lot of people don't know what it is.

Additionally, he noted that with respect to IROC, the document addresses how we have a non-voting seat at IROC from this Commission, but it would be worth noting that we also offer that opportunity to IROC to at least sit in this meeting here and be represented.

Commissioner Boyack inquired as to whether TAC Work Plan on Page 9 was in a prioritized list. Commissioner Caires stated that it was not, but that there would be an introductory paragraph provided.

Augie Scalzitti, Padre Dam Municipal Water District Alternate suggested that when completed the Strategic Plan be put in a booklet form to be provided to new members. Chair Ewin stated that when completed it will also be placed on the website.

MetroTAC Chairman Huth inquired as to whether an item should be added under the TAC Work Plan or as an excerpt under the Recycled Water, to start upon a process where work is done among our agencies and look at what opportunities we have. Chair Ewin stated he personally thought it would be a good process to add this and describe the process within the Strategic Planning Document as items may be added as well as completed and accomplished.

General Counsel de Sousa noted that on Page 14 there was a reference to the JPA Secretary which really defined the duties of the JPA Administrative Assistant which is also delineated on page 23. Ms. de Sousa offered to assist with clarification and appropriate revisions to this section.

ACTION: Upon motion by Commissioner McCoy, seconded by Commissioner Boyack, the Strategic Plan was adopted as revised by unanimous vote.

15. REPORT OF GENERAL COUNSEL

General Counsel de Sousa stated that with regards to SB 90 Reimbursement for Brown Act Compliance which she had mentioned at the prior meeting, they will be submitting to the State Mandate Commission within the next week or two and application for refund somewhere between \$6,400 and \$7,000 for compliance with Brown Act activities over the course of the last couple of fiscal years and working towards developing a process for accounting more specifically for the time spent on agendas for the JPA and to capture legal expenses associated with that as well so as to continue to seek reimbursement.

16. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION METRO WASTEWATER JPA MEETING (May 6, 2010)

Audit Report
Sea Level Rise Presentation

17. METRO COMMISSIONERS' and JPA BOARD MEMBERS' COMMENTS

There were none.

18. ADJOURNMENT OF METRO COMMISSION AND METRO WASTEWATER JPA

At 1:00 p.m., there being no further business, Chairman Ewin declared the meeting adjourned.

Recording Secretary

Flow Monitoring and Emergency Notification Contract

The Public Utilities Department Flow Monitoring and Emergency Notification Contract currently uses near 150 permanent and 10 temporary annual roving sewer flow monitors to maintain compliance with the EPA's Consent Decree for reduction of sewer spills.

In addition the information from these sites is used for

- Metro Sewerage System billing,
 - sewer modeling to evaluate present and future flows,
 - And monitoring flow anomalies which can indicate wastewater backup or overflows and thus prevent sewer spills.
- The current contract with ADS Environmental Services expires on June 28, 2010.
 - On January 28, 2010, the Public Utilities Department issued a Request For Proposal for Sewer Flow Monitoring and Emergency Notification System for the years 2010 to 2015.
 - The RFP evaluated the firms based on technical criteria in addition to the pricing proposal.
 - The technical criteria included:
 - Executive/Management Summary
 - Technical Approach/Response to Specifications
 - Project Team (Organization structure, Qualifications and Experience of staff)
 - Past Performance as indicated by References
 - A technical evaluation committee was comprised of four City of San Diego public Utilities employees and Mr. Roberto Yano from the City of Chula Vista.
 - In addition, there were four technical advisors for the committee, three City of San Diego employees and Mr. Greg Humora from the City of La Mesa.
 - The proposals were opened on March 2nd, three firms responded to the RFP, these were :
 - ADS Environmental Services,

- Stantec Consulting services
 - and Hach Company.
- The TEC evaluated both the technical and pricing proposals and has recommended ADS environmental as the firm providing the best value for the City based on the RFP technical criteria and pricing proposals.

- It is PUD expectation to have this new agreement approved by City council before the current agreement expires on June 28, 2010 for at total cost of approximately 5.8 million dollars over the five year duration of the contract.

**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
Ocean Maps from Scripps	Schedule a presentation on the Sea Level Rise research by either Dr. Emily Young, San Diego Foundation, or Karen Goodrich, Tijuana River National Estuarine Research Reserve
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.

Board Of Supervisors Considers Plan To Curb Legal Medication Abuse

By City News Service

April 14, 2010

The Board of Supervisors will consider authorizing the installation of nearly two dozen prescription drug collection containers at sheriff's facilities around San Diego County in an effort to prevent the abuse of legal medications, it was announced today.

The proposed ordinance is backed by the county's Oxy Task Force, a multi-agency organization created to fight OxyContin and prescription drug abuse.

"Cutting off the drug supply at home reduces the drug supply on the streets," Sheriff Bill Gore said. "Some of these drugs have a very high street value. This ordinance offers a proactive approach to help law enforcement fight drug-related crime in the county."

According to Pam Slater-Price, who chairs the Board of Supervisors, the ordinance will be considered on April 27.

In a related effort to stop prescription drug abuse, the Oxy Task Force will hold a "Prescription Drug Take Back Day" event Saturday at six locations around the county where residents can drop off unused medicines with no questions asked.

During a similar event last October, the task force collected about 322 pounds of medications that will be destroyed.

"Those drugs could have easily fallen into the wrong hands and led to abuse, addiction or worse -- death," Slater-Price said. "One thing became incredibly clear: a permanent, safe solution to dispose of prescription drugs must be found for San Diego County."

Memo

DATE: April 27, 2010
TO: Metro Commission/JPA
FROM: Augie Caires, Commissioner
SUBJECT: IROC Report - April 19, 2010 Meeting

Because I will not be present at the May 6, 2010 Commission/JPA meeting I have prepared the April IROC report for you in writing. Please feel free to call or e-mail me if you have any questions about the report.

IROC Report – April 19, 2010

1. Indirect Potable Reuse/Reservoir Augmentation Demonstration Project

A detailed monthly progress report was provided, including the following:

- A. The Limnology and Reservoir Detention Study of San Vicente Reservoir is proceeding on schedule. A draft technical memorandum (TM) addressing the calibration and validation model has been submitted to the City. Comments on the TM from City staff and the Independent Advisory Panel (IAP) are being prepared.
- B. The Scope of Work for the Advanced Water Treatment (AWT) Demonstration Plant has been completed, consultant proposals received and interviews scheduled.
- C. Katz and Associates are working with City staff to perform the public outreach and education program addressing the IPR Project.

2. Bid to Goal Program (B2G)

The Audit Report on the B2G Program has been completed and 14 recommendations made. IROC received a report at the April 19 meeting and will take action to recommend the 14 reforms (or not) or make added recommendations at their May meeting. The Audit Report delineates customer savings (including PA's) of \$116 million between 2005 and 2008 with gainsharing incentives of \$28 million paid to employees in the same timeframe. The reforms proposed by the Auditor will strengthen the accuracy of the program and provide added verifications about program efficiencies. MetroTAC received a report on B2G on April 21, and will act on the recommendation in May. The program will come before the Commission/JPA in June.

3. Other topics of interest

- A. Bond Refundings: The City is in the process of refunding outstanding water and wastewater bond issues to the advantage of current market conditions and generate savings while retaining existing maturities. More information forthcoming.
- B. MWD Water Rate Increases: There was a significant discussion at IROC about the MWD increases of 7.5% on 1/11/11 and an added 7.5% on 1/1/12 (compounded to 15.9%). The IROC finance subcommittee plans to have MWD and CWA representatives at their May meeting to discuss justifications for these rate increases.
- C. Recycled Water Rates: The City anticipates substantial increases in these rates which have been subsidized for a number of years.



**Metro Wastewater Commission/JPA Finance Committee
February 24, 2010
Draft Minutes**

Meeting called to order: 8:35 a.m. at Best Best & Krieger LLP, 655 West Broadway, 15th Floor, and San Diego, California by Chairman Ovrom.

1. Roll Call

Attendees:

Al Ovrom, Chairman, Metro Wastewater/JPA Finance Committee
Merrilee Boyack, Committee Member
Augie Caires, Committee Member
Ernie Ewin, Committee Member
Alejandra Sotelo-Solis, Committee Member
Bill Wells, Committee Member

Support Staff:

Scott Huth, Chairman, MetroTAC
Doug Wilson, Metro JPA Treasurer
Karyn Keese, PBS&J
Brooke Miller, BBK

City of San Diego Staff:

Rod Greek, Public Utilities Department Deputy Director

General Public:

Maria Kachadoorian, City of Chula Vista
Iracsema Olivo Quilantan, City of Chula Vista
Frank Rivera, City of Chula Vista
Roberto Yano, City of Chula Vista

2. Public Comment

There was no public comment.

3. Approval of Minutes from the January 27, 2010 Finance Committee Meeting

Upon motion by Commissioner Boyack, seconded by Commissioner Wells, the January 27, 2010 Regular Meeting Minutes were approved.

4. Debt Service Coverage/Operations Reserve Issues

Rod Greek presented the outcome from the most recent meeting with the MetroTAC subcommittee. Attached to these minutes is a summary of the funding strategy showing each participating agency's (PAs) 2007 and 2008 refund and how the refunds will be applied to the establishment of the operations reserve. In the majority of cases most 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 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 by the City 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 cash flow is attached to these minutes as well.

The key components of the strategy were approved by MetroTAC at its February 17, 2010 meeting. Scott Huth and Doug Wilson, members of the subcommittee, stressed how far the strategy has come from April 2008 and this illustrates how cooperative efforts between the MetroTAC, the Commission, and the City can create a win-win situation for all concerned. Rod Greek stated that the bond rating agencies are looking favorably at the stability of rates as well as the reserve coverage requirements being fulfilled. This should assist the City in achieving favorable bond ratings on its proposed April 2010 refunding.

Karyn Keese reviewed a draft policy that will memorialize the key components of the strategy. The MetroTAC subcommittee will continue to work on formalizing the strategy into a policy over the next couple months in collaboration with City staff and its outside auditors.

ACTION: Motion by Commissioner Boyack, seconded by Commissioner Sotelo-Solis, to recommend to the Metro Commission/JPA to approve the Debt Service Coverage/Operating Reserve Strategy with the following provisions:

- 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. Agency's owing the City for part or all of their operating reserve contributions will be billed.
- Interest accrual on operating reserves and undesignated fund balances will start with FY10 (beginning at July 1, 2009)
- The annual contribution for Metro O&M, pay-go capital, and debt service from the Participating agencies should remain stable at \$65 million for three to five years, but should be reviewed annually as part of the Exhibit E audit process.

Motion carried unanimously.

5. Review of March 2010 Metro Refunding Status

The Public Utilities Department plans to refund \$175 million in outstanding Metro debt in April 2010. City policy dictates that a minimum of 3% net present value savings in interest must be achieved to proceed with a refunding. As of a couple weeks ago the projected net present value savings for the April refunding was estimated to be 5%, well above the threshold. Rod Greek noted that the rating agency presentations will be conducted via phone call on March 8, 2010. Commissioner Ewin requested that one member of the Finance Committee be present during these phone calls. Rod Greek will coordinate this with Karyn Keese but did not see a reason why a Finance Committee representative could not be present.

6. Review of March 2009 Metro Refunding Status

Karyn Keese noted that there has been no change in the schedule since last month and that the target is still to complete the audit by June 30, 2010.

7. Establishment of Formal Reserve Policy for the Metro Commission/JPA

Metro Commission/JPA Treasurer Doug Wilson presented a draft policy the Committee (a copy is attached to these minutes). The draft policy summarizes the Metro JPA's historical operating results as well as the proposed operating reserve-target maximum cash balances.

ACTION: Motion by Commissioner Boyack, seconded by Commissioner Sotelo-Solis to recommend that the Metro Commission/JPA adopt a formal policy of maintaining a target cash balance of 4 months worth of operating cash based on each year's adopted operating budget. Motion carried unanimously.

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

Rod Greek provided the Committee with a schedule of significant dates (a copy of which is included with these minutes). This includes the FYE 2011 Metro budget, the recycled water cost of service study, the Coastal Commission Hearing on the Waiver and the update of the Public Utilities Reserve Policy.

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

The following items will be brought forward to the Metro Commission/JPA at its March 4, 2010 regular meeting:

- Debt service coverage/operations reserve strategy for action by the Commission
- Minutes of the Finance Committee Meeting of January 27, 2010 – information only
- City of San Diego Public Utilities Significant Dates – Information only
- Metro Commission/JPA Cash Reserve Policy for action by the Commission
- Report on April refunding status
- Report on 2009 Exhibit E progress

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

- Continued review of April 2010 Metro Refunding Status
- Continued review of status of 2009 Exhibit E Audit
- MetroTAC subcommittee reviewed/revised draft policy on debt service coverage/operations reserve
- Election of Vice-Chairman for the Finance Committee
- PBS&J contract status review

11. **Adjournment**

The meeting was adjourned at 9:55 a.m. The next regularly scheduled meeting of the Finance Committee will be March 31, 2010.

Attachment

Operations Reserve Policy of the Metro Wastewater JPA

February 26, 2010

An operations reserve is established to provide funding for unforeseen events that might occur during the course of the fiscal year. It is the policy of the Metro Wastewater JPA to send out one billing to each member agency at the beginning of each fiscal year based on their proportionate share of the adopted JPA budget. The target goal for the operations reserve is four months or 33% of the annual Metro Wastewater JPA budget.

The establishment of an operations reserve provides for funding of unanticipated expenses that were not included in the budget that might occur during the fiscal year. The Treasurer monitors the cash balance during the year to ensure adequate cash to pay bills with a reasonable cash balance on hand to handle expenditure fluctuations. Operations reserve funds will not be used until the use is reviewed by the JPA Treasurer.

Metro JPA Cash Reserve Policy

Historical Operating Results:							
	FY04	FY05	FY06	FY07	FY08	FY09	Budget FY10
PA Billings	\$ 126,000	\$ 122,950	\$ 181,400	\$ 218,044	\$ 250,000	\$ 250,000	\$ 210,000
Interest Income	\$ 666	\$ 958	\$ 2,371	\$ 2,019	\$ 1,845	\$ 1,759	\$ 1,500
	<u>\$ 126,666</u>	<u>\$ 123,908</u>	<u>\$ 183,771</u>	<u>\$ 220,063</u>	<u>\$ 251,845</u>	<u>\$ 251,759</u>	<u>\$ 211,500</u>
Operating Expenses	\$ (152,185)	\$ (125,703)	\$ (162,495)	\$ (298,507)	\$ (220,866)	\$ (202,811)	\$ (210,500)
Net Income (Loss)	<u>\$ (25,519)</u>	<u>\$ (1,795)</u>	<u>\$ 21,276</u>	<u>\$ (78,444)</u>	<u>\$ 30,979</u>	<u>\$ 48,948</u>	<u>\$ 1,000</u>
Cash Balances	\$ 45,715	\$ 53,290	\$ 76,570	\$ 26,619	\$ 38,593	\$ 79,890	\$ 77,441

Note A

Note A: Extra \$60,300 expenditure for capacity valuation study

Proposed Operating Reserve-target cash balances							
Four months (120 days) of Operating Budget							
	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Operating Budget	\$ 173,555	\$ 144,936	\$ 233,536	\$ 257,368	\$ 227,725	\$ 240,575	\$ 210,500
4 months coverage <i>target cash balances (33%)</i>	\$ 57,273	\$ 47,829	\$ 77,067	\$ 84,931	\$ 75,149	\$ 79,390	\$ 69,465
Alternative: 3 month coverage <i>target cash balances (25%)</i>	\$ 43,389	\$ 36,234	\$ 58,384	\$ 64,342	\$ 56,931	\$ 60,144	\$ 52,625

DRAFT POLICY

Policy-Based upon historical activity as shown above, the Operating Reserve-target cash balances is set at 33% of the Metro JPA approved annual operating budget. If the operating reserves are projected to materially exceed this target, the subsequent year's member agencies billings will be adjusted downward. Likewise, if the operating reserves fall materially short, then the member agencies billings would be adjusted upwards. The goal is to maintain a relatively stable flat/predictable member agency billing.

Discussion: The operating reserve targeted cash balance is being set to provide sufficient cash balances to avoid the need for supplemental member agency billings while also avoiding an unwarranted build-up of excess cash balances. The budgeted expenditures are approved by the Metro JPA Commission annually. Occasionally, the Metro JPA Commission may increase the budget for unique one-time expenditures for special studies. This operating reserve policy is to identify the target cash balances to be accumulated for Metro JPA operating needs for normal on-going budgeted expenditures.

Exhibit E Audit Calendar

Purpose: To map out the completion of the FY09 Exhibit E Audit
As of 03/03/10

Beginning Date	Ending Date	Task	Responsible
Done	Done	Request Comptroller to print listing that FY09 Sample will be chosen from	Debra Campbell
Done	Done	Provide listing to MWWD that FY09 Sample will be chosen from	Wei Dai / Sally Rubi
Done	Done	Provide listing to MGO and Karyn so the FY09 Sample can be chosen	Debra Campbell
Done	Done	Provide listing of FY09 Sample items chosen to MWWD	Karyn Keese / MGO
Done	Done	Request FY09 Sample items to be pulled by Comptroller's	Debra Campbell
Done	Done	Provide hard copy of FY09 Sample items to MWWD	Comptroller's Support Staff
1/11/2010	3/2/2010	Prepare FY09 Sample for review	Debra Campbell
TBD	TBD	Present FY08 Exhibit E Report to TAC/Metro Commission (PAs)	MWWD / MGO
2/16/2010	3/12/2010	Review FY09 Sample	MGO
2/16/2010	3/12/2010	Respond to any FY09 questions from MGO	Debra Campbell
3/15/2010	3/19/2010	Provide Excel file of FY09 Sample, questions, and responses	MGO
3/15/2010	3/19/2010	Submit FY09 Exhibit E Schedule (draft) to MGO	Wei Dai / Sally Rubi
4/9/2010	4/16/2010	PA Review of FY09 Sample	Karyn Keese / Doug Wilson
4/9/2010	4/23/2010	Respond to any FY09 outstanding questions from PA's	Debra Campbell
4/26/2010	4/30/2010	Meet with PA's for any unresolved questions regarding audit	Karyn Keese/Debra Campbell/Darlene Morrow-Truver
5/3/2010	5/5/2010	Prepare FY09 Findings Schedule	Debra Campbell
5/5/2010	5/12/2010	Submit revised FY09 Exhibit E Schedule (draft) to MGO	Wei Dai / Sally Rubi
5/13/2010	5/17/2010	Provide Variance Analysis spreadsheet	MGO
5/18/2010	6/1/2010	Submit responses to Variance Analysis	Wei Dai / Sally Rubi / Debra Campbell
6/2/2010	6/11/2010	Finalized FY09 Exhibit E Schedules	Wei Dai / Sally Rubi / Debra Campbell



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April 29, 2010

Mr. Doug Wilson
Treasurer, Metro Wastewater Commission/JPA
C/o Padre Dam Municipal Water District
P.O. Box 719003
Santee, CA 92072

SUBJECT: Metro Wastewater Commission Budget Overruns

Dear Mr. Wilson:

As discussed at mid-year with the Finance Committee, MetroTAC, and discussed at the Metro JPA/ Commission at its February 2010 meeting, our level of effort this year has been much greater than anticipated when we prepared our budget estimate last year. As of April 25, 2010, we have exceeded our approved contract amount by \$400 and request your consideration for a contract amendment to cover our work efforts through June 30, 2010, in the amount of \$15,300.

The Issue

As we discussed in our January 18, 2010, letter (copy attached), the single largest contributor to our contract overrun is the work we performed on all of the issues surrounding reclaimed water and, in particular, the contractual issues regarding the credit due to the participating agencies for sales of reclaimed water at the South Bay WRP. Matters surrounding these issues have been discussed with the Commission in closed sessions.

In addition, earlier this year the City provided us with a draft of their Recycled Water Pricing Study. PBS&J was tasked with reviewing the study and coordinating comments from MetroTAC members. We prepared a summary of the issues and a response letter to the City requesting further input once the next version of the study is complete. This task was not envisioned during the preparation of the scope for this year.

Budget Summary

The following table summarizes where we stand in each one of our contract's tasks including reclaimed water:

Task	Total to 4/25/10	Budget	Remaining	% Remaining
TASK: 1001-Attend MetroTAC	\$ 8,730.50	\$ 8,400.00	\$ (330.50)	-4%
TASK: 1002-Attend Metro Commission	\$ 5,826.00	\$ 8,400.00	\$ 2,574.00	31%
TASK: 1003-Support Metro AdHoc Finance Committee	\$ 13,986.50	\$ 9,219.00	\$ (4,767.50)	-52%
TASK: 1004-Participate in Metro Strategic Planning Workshop	\$ -	\$ 2,800.00	\$ 2,800.00	100%
TASK: 2000-Exhibit E Audit	\$ 22,811.00	\$ 21,700.00	\$ (1,111.00)	-5%
TASK: 3000 -- Budget Review	\$ 3,407.50	\$ 10,150.00	\$ 6,742.50	66%
TASK: 4001-Metro TAC Staff Support	\$ 16,586.00	\$ 16,800.00	\$ 214.00	1%
TASK: 4002-Update Cap Fee Model	\$ 5,865.00	\$ 2,800.00	\$ (3,065.00)	-109%
TASK: 4003-Reclaimed Water Issues	\$ 20,754.00	\$ 8,400.00	\$ (12,354.00)	-147%
TASK: 4004-All Other Special Projects	\$ 7,895.00	\$ 16,800.00	\$ 8,905.00	53%
TASK: 9000-Direct Expenses	\$ 137.67	\$ 126.00	\$ (11.67)	-9%
Total All Tasks	105,999.17	105,595.00	(404.17)	0%

The other tasks where an overrun has occurred are related to our work on the Exhibit E audits, our MetroTAC support in areas such as meeting support and the approval of the protocol for debt service coverage/operations reserve funding, and our support to the Finance Committee.

The money we have expended year-to-date has accomplished the closure of the 2007 and 2008 audits. The current audit schedule shows that, potentially, we could have the 2009 audit closed by fiscal year end as well. Technically we only budgeted to complete one audit, but with the San Diego staffs' additional preparation of documentation for us, we have achieved economies of scale which bode well for the future.

We have discussed the reasons the capacity fee model task has overruns in our January 18, 2010, letter. The reason that the Finance Committee support task shows an overrun is the switch from the informal AdHoc Finance Committee to a standing JPA Committee, which requires formal noticing, full agenda preparation, and minutes. The initial set-up of the committee was time consuming for us as well as BBK because we had to make sure of compliance with all provisions of the Brown Act. These were, however, one-time startup expenses.

In the area of MetroTAC support, the cost overrun is due to the fact that we now prepare the minutes; monitor the action items; request, review, and disseminate information from the City as requested by MetroTAC; and assist with the agenda preparation materials, which we have not done in past years.

Request for Contract Amendment

We are requesting a contract amendment of \$15,300. It is broken down in the following table:



Doug Wilson
 April 29, 2010
 Metro WW Commission Budget
 Page 3 of 3

Task	Requested Amount	Basis
TASK: 1001-Attend MetroTAC	2,800.00	Two meetings plus minutes for each meeting
TASK: 1002-Attend Metro Commission	1,287.00	Re-budget half of remaining amount
TASK: 1003-Support Metro AdHoc Finance Committee	3,100.00	Two meetings, agenda preparation & minutes
TASK: 1004-Participate in Metro Strategic Planning Workshop	-	
TASK: 2000-Exhibit E Audit	2,300.00	Complete 2009 audit
TASK: 3000 -- Budget Review	3,371.25	Rebudget half of remaining amount
TASK: 4001-Metro TAC Staff Support		
TASK: 4002-Update Cap Fee Model		
TASK: 4003-Reclaimed Water Issues	1,925.00	Meetings with City staff
TASK: 4004-All Other Special Projects		
TASK: 9000-Direct Expenses	100.00	2 AdHoc Finance Breakfasts
Total All Tasks	14,883.25	
With Overrun	15,287.42	

We will be happy to discuss with you – as well as with the Finance Committee, MetroTAC, and Metro Commission – our reasoning in preparing the estimates. Please feel free to contact me if you have any questions or concerns.

Sincerely,

Karyn Keese
 Manager, Client Financial Services

Attached: January 18, 2010, letter to Doug Wilson – Mid-year Budget



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ATTACHMENT

January 18, 2010

Mr. Doug Wilson
Treasurer, Metro Wastewater Commission/JPA
c/o Padre Dam Municipal Water District
P.O. Box 719003
Santee, CA 92072

SUBJECT: Metro Wastewater Commission Mid-Year Budget Overruns

Dear Mr. Wilson:

Earlier this week I provided you with PBS&J's November and December billings for Financial and Engineering Services in support of the Metro Wastewater Commission/JPA/MetroTAC. I noted to you that, while we are currently at mid-year (50% of the fiscal year remaining), we have only 31% of our FYE 2010 budget remaining. The purpose of this letter is to provide you and the Metro member agencies with an explanation for this.

The Issue

The following table summarizes where we stand in each one of our contract's tasks.

Task	Total to 12/31/09	Budget	Remaining	% Remaining
TASK: 1001-Attend MetroTAC	\$ 4,200.00	\$ 8,400.00	\$ 4,200.00	50%
TASK: 1002-Attend Metro Commission	\$ 2,117.00	\$ 8,400.00	\$ 6,283.00	75%
TASK: 1003-Support Metro AdHoc Finance Committee	\$ 3,325.00	\$ 9,219.00	\$ 5,894.00	64%
TASK: 1004-Participate in Metro Strategic Planning Workshop	\$ -	\$ 2,800.00	\$ 2,800.00	100%
TASK: 2000-Exhibit E Audit	\$ 13,737.50	\$ 21,700.00	\$ 7,962.50	37%
TASK: 3000 -- Budget Review	\$ 3,407.50	\$ 10,150.00	\$ 6,742.50	66%
TASK: 4001-Metro TAC Staff Support	\$ 12,860.00	\$ 16,800.00	\$ 3,940.00	23%
TASK: 4002-Update Cap Fee Model	\$ 5,865.00	\$ 2,800.00	\$ (3,065.00)	-109%
TASK: 4003-Reclaimed Water Issues	\$ 19,228.00	\$ 8,400.00	\$ (10,828.00)	-129%
TASK: 4004-All Other Special Projects	\$ 7,720.00	\$ 16,800.00	\$ 9,080.00	54%
TASK: 9000-Direct Expenses	\$ 137.67	\$ 126.00	\$ (11.67)	-9%
Total All Tasks	72,597.67	105,595.00	32,997.33	31%

As you will note, the majority of the tasks have adequate remaining budget for the rest of the fiscal year. The only other tasks where a potential overrun might occur relate to our work on the Exhibit E audit and our MetroTAC support. The money we have expended year-to-date has accomplished the closure of the 2007 and 2008 audits. The current audit schedule shows that,

potentially, we could have the 2009 audit closed by fiscal year end as well. Technically we only budgeted to complete one audit, but with the San Diego staffs' additional preparation of documentation for us, we have achieved economies of scale which bode well for the future. MetroTAC Staff Support (Task 4001) is for on-call technical support to MetroTAC and is based on issues that arise which need our assistance. Recent items included facilitating the PAs' review and comment of Brown & Caldwell Technical Memorandums 1 and 2 and compiling PAs' responses, and preparing background material for City staff to standardize the Metro CIP format for review by the PAs.

The overruns fall into three tasks:

1. Resolution of Reclaimed Water Issue,
2. Update of the Metro Capacity Valuation Model, and
3. Direct Expenses.

Task 4003 – Resolution of Reclaimed Water Issue

The overrun in Task 4003 is the most substantial. The total expenditures for this task to date consist of the following:

Meetings w/City Staff	\$1,050.00
Reconciliation of Reclaimed Revenues & Expenses	\$13,803.00
Review & response to Recycled Water Pricing Study	\$4,375.00
Total Expenditures to Date	\$19,228.00

The first is the resolution of the reclaimed water issue. Essentially our budget was for 48 hours to meet with the City and the MetroTAC subcommittee and do some minor analysis of a resolution proposal prepared by City staff. However, this has not been the case. After two meetings with staff, it was determined that the subcommittee was going to have to make a proposal to them. Therefore, as directed by the subcommittee, we answered the questions of what is the financial responsibility of the PAs per the Regional Wastewater Disposal Agreement (Agreement), how much reclaimed revenue has been collected from both the North City and the South Bay subsystems, and what additional expenses the Metro System has incurred for both the required capital facilities and the annual operating expenses to produce the reclaimed water from inception.

PSB&J requested the information from the City and they were unable to provide it. Thus we had to reconstruct not only what the current debt service is for the Optimized System that the PAs are required to repay per the Agreement (the original debt had been refunded several times and the City could not clearly demonstrate what the PAs' current responsibility was for the debt service), but also what revenues and expenses have been since the completion of both water reclamation plants and the beginnings of reclaimed water sales. Water sales had to be reconstructed from wholesale customers' records as the City could not provide us with the information. The CIP had to be reconstructed by going through past CIP records from the audits

of each fiscal year. We prepared an economic model containing this information that can be updated each year to provide a record of revenue and expenses for the system and project when the Metro system will no longer have the repayment responsibility for the Optimized System debt. We have provided a copy of the model to the subcommittee for their use in continued negotiations with the City.

In addition, earlier this year the City provided us with a draft of their Recycled Water Pricing Study. PBS&J was tasked with reviewing the study and coordinating comments from MetroTAC members. We prepared a summary of the issues and a response letter to the City requesting further input once the next version of the study is complete. This task was not envisioned during the preparation of the scope for this year.

Task 4002 – Update of Metro Capacity Valuation Model

In February 2008, Raftelis Consulting completed a study which provided multiple valuation methodologies for the Metro System. As part of that study, they were to provide an economic model that could be updated to keep the system value current. Many agencies use the valuation as a basis for the Metro portion of their capacity fees. During planning for this year's support contract, it was decided that, since the valuation was almost three years out-of-date, the model should be updated. We requested the model from Raftelis but what we received was just a few spreadsheets of asset values. Thus we had to construct the required model before we could update the values. We had not anticipated constructing the model in our scope; rather, we anticipated only updating it with current numbers.

Task 9000 – Direct Expenses

The slight overrun in the direct expenses is due to the fact that we did not budget for providing breakfast or lunch for the Finance AdHoc Committee. This can easily be mitigated by moving money as needed from the Finance Committee budget to cover this expense.

Conclusion

The purpose of this letter is to provide an explanation of the three tasks where there are cost overruns at mid-year. It is quite possible that, if there are cost savings in other areas, such as the budget review, we will end the year within our contract budget. Still, we wanted you to be aware in advance of the current overruns and their cause.

Please feel free to contact me if you have any questions or concerns.

Sincerely,



Karyn Keese
Manager, Client Financial Services