



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

AGENDA

**Thursday, MARCH 5, 2009
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. 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 3. **ACTION** - APPROVE MINUTES OF FEBRUARY 5, 2009 (**Attachment**)
4. PRESENTATION BY DENNIS CUSHMAN, ASSISTANT GENERAL MANAGER OF THE COUNTY WATER AUTHORITY ON THE CURRENT WATER SITUATION
5. METRO TAC UPDATE
- X 6. AUDIT OF SCHEDULE OF 2006 ALLOCATIONS FOR BILLINGS TO METRO SYSTEM (Karyn Keese & Darlene Morrow-Truver) (**Attachments**)
7. IROC UPDATE

Documentation
Included

8. FINANCE AD HOC COMMITTEE
9. STRATEGIC PLAN AD HOC COMMITTEE – ANNUAL RETREAT
10. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION/ METRO WASTEWATER JPA MEETING ([APRIL 2, 2009 at MOC II](#))
11. METRO COMMISSIONERS' AND JPA BOARD MEMBERS' COMMENTS
12. 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 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. Barrett at (619) 236-6585, at least forty-eight hours in advance of the meetings.

Agenda Item 3



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

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

**February 5, 2009
DRAFT Minutes**

Chairman Mark Robak called the meeting to order at 12:00 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	Scott Tulloch
City of Coronado	Al Ovrom		Scott Huth
City of Del Mar	Donald Mosier	X	
City of El Cajon	Bill Wells	X	
City of Imperial Beach	Patricia McCoy	X	
City of La Mesa	Ernie Ewin	X	
Lemon Grove Sanitation District	Jerry Jones		Patrick Lund
City of National City	VACANT		Joe Smith
City of Poway	Betty Rexford	X	Tom Howard
City of San Diego	Jerry Sanders		Bob Ferrier
County of San Diego	Dianne Jacob		Daniel Brogadir
Otay Water District	Mark Robak	X	
Padre Dam MWD	Augie Caires	X	Augie Scalzitti
Metro TAC Chair	Scott Huth	X	
IROC	Don Billings		Barry Newman

2. PUBLIC COMMENT

Luis Natividad, National City Metro JPA Commissioner, representing the United States Census Bureau, introduced his Census colleagues to the Commission and expressed the importance of completing the census forms and returning them on time.

Mr. Natividad then advised that he would no longer be able to serve on the Metro Commission due to his new position with the Census Bureau.

3. ACTION: APPROVE MINUTES FROM THE MEETING OF JANUARY 8, 2008

Upon motion by Commissioner Cox, seconded by Commissioner Caires, the Board unanimously approved the minutes.

4. METRO TAC UPDATE

Metro TAC Chairman Scott Huth reported that Metro TAC met in January and spent time discussing the Waiver; had a briefing on the inflow infiltration review that was done by the City of San Diego; and spoke in generality regarding Metro's operating and debt coverage reserves.

Upon request by Chairman Robak, Metro TAC Chairman Scott Huth reported that the Waiver hearing had a good turnout, similar to the turn out before the San Diego City Council in which the JPA had previously participated. The same groups were present speaking in support of the process and a lot of positive input into the process was received.

Chairman Robak added that the Chair of the Committee had let Mayor Sanders, Mayor Cox and himself speak at the beginning of the meeting, which went on for quite some time, but everything he had heard was positive.

5. UPDATE ON EPA SECONDARY TREATMENT WAIVER (Alan Langworthy)

City of San Diego representative Bob Ferrier provided an overview of the waiver hearing that was held on January 21, 2009, noting that the public comment period had closed on January 28, 2009. He stated that the USEPA staff was now assessing the comments it received and would prepare answers and meet again with the Regional Board on either the 11th of March or the 8th of April. At that meeting, it would announce its decision, not taking any further public comment at that time. Subsequent to that meeting, there would be a consistency determination made by the Coastal Commission that would be scheduled subsequent to the meeting with the Regional Water Quality Control Board in May or June. The May meeting would be held in Santa Rosa and the June meeting in the Los Angeles/Orange County area. Once that process has taken place, the final approval from the Administrator was anticipated to be given in the June/July timeframe. With respect to the process, Mr. Ferrier felt it seemed to be going well and be on track, and he stated that staff was hopeful that the Waiver would be granted.

Commissioner Cox inquired and San Diego City Attorney Tom Zeleny responded that on January 27th, the day before the deadline for written comments were to be received, the City Council approved a cooperative agreement with Surfrider and Coastkeeper to conduct a study on ways to divert sewage from Point Loma through increased recycling. The cost of the study was not to exceed \$2 million. In return, the organizations would not object to the Waiver.

Commissioner Cox asked her colleagues if they felt it would be appropriate for the Metro JPA to have some correspondence with Coastkeeper and Surfrider indicating support for this collaborative effort as she felt this would be in the Participating Agencies mutual best interest to recognize this action.

Vice Chairman Ewin stated he felt this to be an excellent suggestion and asked the Chairman to initiate such a communication and to include that the Metro JPA would like to have a dialogue with these organizations when and where appropriate as wastewater was one of our issues as well.

6. ACTION – CONSIDERATION AND APPROVAL OF 6 MONTH FINANCIAL STATEMENT COVERING THE PERIOD OF JULY 1, 2008 THROUGH DECEMBER 31, 2008 (Doug Wilson)

Treasurer Doug Wilson reported that the statement reflected a beginning cash balance of \$38,593 and an ending cash balance of \$228,059 which was high at this time as member agencies are billed once a year and all had paid. He noted, however, that the money will be spent down during the remaining 6 months of the year. Mr. Wilson then noted that one of the most significant things for the Commission to review was the profit and loss statement. On page 3 a favorable comparison was listed under Public Information of \$5,700 versus a budget of \$16,780 resulting in a savings of \$11,080 primarily due to the resignation of Walke & Conlee, the communications consultant; however, under Financial Consulting, an expenditure of \$10,786 versus a budget of \$3,000 was shown reflecting an over expenditure of \$7,786 mainly due to working with them rather intensely on the City of San Diego issuance of debt and the relation to the member agencies. This spending level should begin to trail off in the next several months.

Motion by Vice Chairman Ewin, seconded by Commissioner Caires, to approve the 6-month financial audit. The motion carried unanimously.

7. REVIEW OF EXISTING AD HOC COMMITTEES, APPOINTMENT BY CHAIR OF NEW WAIVER AD HOC COMMITTEE; CONSIDERATION OF APPOINTMENT OF STRATEGIC PLANNING AD HOC COMMITTEE

Chairman Robak stated that the topic of Ad Hoc Committees had been discussed at the last meeting where it was determined that the JPA currently had an active Finance Ad Hoc Committee and a Communications Ad Hoc Committee that was in hiatus. The Finance Ad Hoc

was comprised of Vice Chairman Ewin who chaired the Committee, Commissioner Ovrom and the Former Commissioners Henry Abarbanel and Merrilee Boyack. Chairman Robak stated it was his understanding that Vice Chairman Ewin would like to continue as Chair of this Committee and that Commissioner Ovrom would like to continue on this Committee as well. Further Chairman Robak stated that he would be serving on this Committee and that Commissioner Rexford had approached him prior to the meeting and expressed her interest in becoming a participant. Chairman Robak summarized that the Committee was now comprised of himself, Commissioners Ovrom and Rexford and Vice Chairman Ewin continuing as Chair of the Committee. He then requested that anyone else interested in serving on the Committee contact either himself or Committee Chair Ewin.

General Counsel Paula de Sousa confirmed for Chairman Robak, that the Finance Ad Hoc Committee was the only active committee at this time as the Communications Ad Hoc Committee was put on hiatus pending establishment of a strategic plan. Since the JPA decided this past fall not to pursue a formal strategic planning process, she stated it would be appropriate to consider whether or not to keep the Communications Ad Hoc in hiatus or activate it to develop a communications plan.

Chairman Robak recapped that the Communications Committee comprised of Commissioner Caires and himself had given a presentation at the last planning workshop, last May in Coronado, which was not approved. Additionally, there had been a meeting held with Blake Anderson with the Strategic Planning Ad Hoc Committee comprised of Commissioners Ewin, Caires and then Chairman Henry Abarbanel to see if Mr. Anderson could assist the JPA with doing a Strategic Plan at the September/October meeting. The JPA decided not to do a plan and disbanded the Strategic Plan Ad Hoc Committee at that time.

Vice Chairman Ewin stated that he thought part of the concern in September was with elections coming up there might be a significant shift in the composition of the JPA, which had indeed happened. There were now new people who may be best served by getting engaged in such a thing as a strategic plan, and he felt a formal ad hoc should be established to look at strategic planning and bring a report back in a few months to the whole body to include looking at why it would want to engage in one and that would interface with such things as the communications issue.

Commissioner Cox stated she had been one of the Commissioners in Coronado who had expressed concerns with looking at a strategic plan, not because she did not believe in "stratagery", but because of the fact that the JPA was a minor partner to the City of San Diego, and she kept seeing the JPA spinning a lot of wheels in attempting to develop a strategic plan when in reality, it was actually San Diego's plan. As long as the City of San Diego did the outreach and kept the JPA informed, which they had over the last two years, she really did not want to see the JPA going down the road of developing a strategic plan that did not have as much meaning as the JPA might think it had, just because it wanted to be heard, have a public presence and be recognized by the public. These were the concepts that were discussed in September of last year, when what needed to be done was to build a better relationship with the City of San Diego and reliance on that good relationship be a major focus of the JPA's strategy.

Commissioner Caires stated that in keeping with this, the JPA also agreed at that May meeting to meet in the spring to decide where they might want to move as an organization and that was really what was being discussed. Whether this developed into a strategic plan or a plan of some sort, that sort of discussion with everyone present for 2-3 hours or whatever it took, was a valid idea. He too thought that a lot of the initiatives started several years ago had fallen by the wayside, so there was less significance to strategic planning in the traditional sense because of those factors. However, as an organization, getting everyone together and planning what they want to accomplish for the next year is still a valid course of action.

Commissioner McCoy stated she had reviewed the meeting minutes and thought that a lot of money could be saved as previously suggested by Commissioner Jones, by having this discussion at the annual retreat, and as Commissioner Cox had stated the JPA should be looking to see what San Diego was doing and the annual retreat would be the place to make an assessment and determine a course of action.

Commissioner Caires clarified that the annual retreat was the meeting he was referring to.

Chairman Robak, going back to the Coronado meeting, stated that the thrust at that time was Walke & Conlee, the communications consultants were on board and the JPA was spending roughly \$30,000 annually for them. The Strategic Plan Ad Hoc Committee was advocating doubling that with a focus in support of the continued waiver process. Prior to that, in prior years, there was a strategic plan that was worked, but there was not a focus on the waiver. The strategic plan needed to be updated over all and the intent of the Strategic Plan Ad Hoc Committee would be a group of 2 to 3 people and staff to get together and develop some concepts for the annual retreat rather than going out and spending money on a facilitator as collectively everyone needed to agree as a group on what that plan would look like.

Vice Chairman Ewin stated that the other critical thing was to understand how the JPA was achieving their mission statement and what specific things either in ad hoc committee structures or how Metro TAC is working and what they are doing as they are meeting on a collaborative basis with all the agencies and with the City of San Diego. The Commissioners should have an opportunity to come together to all be on the same page and then set up some strategic objectives.

Metro TAC Chairman Scott Huth commented that separate from the purest strategic planning, looking out 5 to 10 years, there is also a need to do an annual work program, most of which would contain the items that the Metro TAC brings forward to the JPA. There have previously been 11 items identified and then today, the study that San Diego has recently negotiated. These are topics that the Metro TAC is going to want to work with the policy makers on and possibly have some Ad Hoc Committees specific to one or two of the items that come up. So in the course of looking at strategic planning, it would be a good time to talk about the annual work program which are the topics the JPA will be seeing and their TAC members are working on. In the past this has been blended in with the retreat, so there were work program items that were not necessarily a strategic objective, but some that will need policy decisions from the Board on the direction that should be focused on.

Chairman Robak stated that he thought it would be a good idea to do some exploration and have a meeting or two to decide what to bring to the full Board. He then asked for volunteers to form a Strategic Plan Ad Hoc Committee to include himself along with Commissioner Caires, Scott Huth and any others interested in serving.

Commissioner Rexford inquired and Chairman Robak clarified that this committee would work similar to the Finance Ad Hoc Committee who does the detail work on finance issues month in and out, and then brings the information back to the full Commission for consideration and action if necessary on financial issues. The Strategic Plan Ad Hoc Committee will formulate some things and bring them back to the full Commission for consideration. Commissioner Rexford requested consideration for holding the Strategic Plan Ad Hoc Committee on the same day as the Finance Ad Hoc Committee.

General Counsel Paula de Sousa made a point of clarification, that what she heard was the Strategic Plan Ad Hoc Committee would help formulate what the planning session would be for the Board in April/May, not doing any strategic planning, but setting the agenda for the retreat of the Board.

Commissioner McCoy requested and received clarification from Chairman Robak that the Committee would be providing a list of what the agenda at the retreat would contain and the Board at that time could request the additional ideas be added or modifications made.

Commissioner Cox inquired as to whether there had been a date selected for the annual retreat at this time. General Counsel Paula de Sousa responded that the retreats had been held mostly in April, last year in May and had been done in conjunction with the regular JPA Commission meeting which occurred prior to the strategic planning portion.

Vice Chairman Ewin suggested the annual retreat be scheduled tentatively for May 7, 2009.

Chairman Mark Robak offered to host the meeting at Otay. Commissioner Huth stated that if the facility was available, Coronado would be willing to host again.

8. DISCUSSION REGARDING CONTINUED ADMINISTRATIVE SUPPORT SERVICES

Chairman Robak stated that the JPA's current Administrative Assistant would be leaving the City of Chula Vista and what had been discussed internally was possibly having her continue on in a contractual basis. Commissioner Cox stated that should it be the pleasure of the Commission to maintain the contract with Lori Peoples, the City of Chula Vista would contribute the office space and equipment necessary to assist her. Chairman Robak expressed his appreciation for the offer and requested if any of the other participating agencies would like to provide this support, that they contact him, otherwise a contractual relationship would be pursued with Ms. Peoples.

Commissioner Cox also offered the Chula Vista Nature Center, if available, for the May retreat discussed under the prior item.

9. DISCUSSION REGARDING SCHEDULING OF NEW MEMBER/ALTERNATE ORIENTATION AND METRO FACILITIES TOUR

Chairman Mark Robak stated that there were now 6 new members/alternates on the Board, and he would like to schedule a formal orientation for them. Updates to a prior informational binder are in the works, and Metro TAC Chairman Scott Huth was assisting in the scheduling of a tour of the major metro facilities including Point Loma, the North City Treatment Plant, and the Biosolids Plant.

Commissioner McCoy inquired as to whether the International Wastewater Treatment Plant could be viewed as well. Chairman Robak responded that it was not technically part of the JPA scope, but perhaps the South Bay Reclamation Plant could be toured.

Commissioner Caires stated that because the orientation would require the involvement of the Attorney, Metro TAC representative, his covering of the history and introduction and overview by the Chair and perhaps someone from San Diego, the orientation would probably run about 1 ½ to 2 hours. Metro TAC Chairman Scott Huth requested consideration for holding the orientation either before or after the regular Metro Commission/Metro Wastewater JPA meeting as in the past, and then scheduling the tour after receiving dates from those who would want to attend, which could be scheduled with Mr. Ferrier for a later date.

Chairman Robak requested the orientation be scheduled on the same date as the next board meeting, March 5, 2009 at 10:00 a.m. and requested the Administrative Assistant coordinate the securing of a meeting room.

Metro TAC Chairman Scott Huth added that the facilities tour would probably take three quarters of a day, and suggested anyone wishing to get a head start on their understanding of the facilities could check the JPA website at www.metrojpa.org or www.metrojpa.com as well as San Diego's webpage which is www.sandiego.gov/mwwd each of which would provide a lot of information on the current issues as well as a video tour.

10. REVIEW OF GOALS AND OBJECTIVES (STRATEGIC PLAN)

This item was discussed under Item 7.

11. IROC UPDATE

Commissioner Caires provided the following update:

- The City Council vote on the Waiver was 6-1, and the study requested by the Surfrider and Coastkeeper organizations was a study to optimize the production and use of recycled water which covers IPR as well. The price was limited to \$2 million, and the study would be pretty comprehensive and a valuable tool for the JPA.

- The Independent Rate Oversight Committee's first annual report to the Mayor and Council is in its final draft and was an outstanding, fair and direct report. It seeks meaningful improvement in the utilities.

IROC Vice Chairman Barry Newman stated that the report would be presented to IROC on Monday February 9, 2009 for final approval and would then be submitted under current plans to the NR&C on 2/25 and concurrently to the Mayor and Council.

Commissioner Caires stated he had previously mentioned that there were certain sections relevant to the JPA such as indirect potable reuse; allocation of resources to reduce wastewater spills; contingencies should future waivers not be granted; CIP planning and optimization and vulnerability assessments to name a few. After the report had gone to the San Diego Mayor and Council, copies would be provided to the Commissioners for review, which would provide a good perspective on another group of independent citizens who are overseeing the operations of Metro Water and Metro Wastewater and who have provided after their first year, this independent review and report. Commissioner Caires then suggested consideration of having Chairman Billings or Vice Chairman Newman make a brief presentation to the JPA after they have reviewed the report.

IROC Vice Chairman Barry Newman added that as far as IROC was concerned, the JPA was visible, relevant and a very important consideration to their reviewing assessment largely due to the fact of the significant role that Commissioner Caires has played in both the IROC and in Committees and at that at almost every step of their proceedings, they had been aware and alerted to the position of the JPA. Although they may not have always agreed, the position had provided a valuable input to their proceedings. He then thanked the JPA for the participation of Commissioner Caires.

City of San Diego General Counsel Tom Zeleny added with regards to the Waiver, that the cost of the study was considered a Metro expense and would be shared by the Participating Agencies of the JPA. Further, that an additional clause was put in the agreement to help protect everyone which was that if someone else filed litigation over the Waiver, the City and JPA's would have the discretion to suspend or terminate the study and the agreement, the idea being not to do the study and litigate as well.

Commissioner Rexford inquired, and General Counsel Paula de Sousa responded, that expenses of the Metro Wastewater System are paid by the City of San Diego Metro Department and the JPA shares in those costs, paying about 34% of the total which is spread among the Participating Agencies. Therefore the cost of the study Mr. Zeleny has spoken about would be shared by the Participating Agencies and the City of San Diego by that same split with the thought that this was in lieu of litigating on any challenges to the Waiver.

12. COMMUNICATION AD HOC COMMITTEE

No report.

13. FINANCE AD HOC COMMITTEE

Vice Chairman Ewin reported that the Committee meets on the last Thursday of each month at noon at Best Best & Krieger, and the purpose of the Committee was to look at any actions, internal or external, that might effect the JPA participants and their allocations and charges for the services received through Metro. The first meetings began when the City of San Diego looked like they were not going to be able to bond and whether or not there might be a need for the JPA to look at the ability to bond among themselves to either keep some projects going, and or, depending on when San Diego's financial circumstances changed, to allow the JPA's to look at the percentage they paid as a rule for charges that they might be able to handle internally. Some of the measures San Diego took were to secure private financing, and the Committee reviewed the rates and terms and determined that the amount of difference between what the JPA's may or may not have been able to save by securing bond funding themselves, was not significant, however, the Committee continues to review this.

A number of issues were covered at last Thursday's meeting. An update was received from the City of San Diego relative to their bond issue that they are planning to go to market on in May.

The Committee understands what it will be for, what the percentage will cover and some of the technical aspects of the key elements and bond language that the underwriters will be considering.

The second item is that the Committee also had the opportunity to review "Exhibit E" which is the annual audit. Our representatives look closely at the transactions, both credits and debits, which affect what each of our cities, have to pay as their share of the annual bill of 34-35%.

Vice Chairman Ewin then invited Karyn Keese of PBS&J, one of our Financial Consultants, to address the Commission. Ms. Keese stated the auditors had come to the Finance Ad Hoc Committee and that the 2006 Audit "Exhibit E" portion had been issued. It was the decision of the Committee that it first go to the Metro TAC for review and then to the JPA at their meeting next month. The good news was that there was a substantial credit for 2006 coming back in the amount of approximately \$11 million total to all Participating Agencies and the final reconciliation would be going out along with a copy of the audit in the Metro TAC agenda. San Diego City Staff had been working very hard and there was hope that the audits could be completed in a more timely matter. Further, she and JPA Treasurer Doug Wilson had spent the past week with City of San Diego staff reviewing all 300+ samples from the 2007 audit and would be turning in questions shortly. They are hopeful that the 2007 and 2008 audits could be done by mid summer, bringing everything back on track. The refund for 2006 will be received in the fourth quarter billing as a deduction to the fourth quarter bill.

Vice Chairman Ewin requested the "Exhibit E" information be sent to the JPA Commissioners as well.

Vice Chairman Ewin then requested and City of San Diego, Deputy Director of Metropolitan Wastewater Department, Darlene Morrow-Truver provided a brief report on the restructuring of the Metro Water and Metro Wastewater Departments. She stated that they were in the process of consolidating the two departments into what would be called the Public Utilities Group and the administrative services sections consisting of the Finance, IT, HR, Training, Safety, and an internal Control Group which was being enhanced, would be centralized. Ms. Morrow-Truver's counterpart in Metro Water, Mr. Rod Greek, would be taking over the Financial and IT pieces but she would continue with the Training, Safety, OD and Internal Controls and would continue to be heavily involved in the "Exhibit E" auditing and verifying numbers and making sure the reports get to the JPA, but the actual Finance would be under Rod Greek. Vice Chairman Ewin stated that one of the important things to note was that when he first came on board, the people involved in the processing of "Exhibit E" reports were located all over the place and as he understands it, there would now be only one or two people to deal with who will know exactly what is going into the report, and they would be centrally located making everything more timely and accurate. Ms. Morrow-Truver added that the transition is expected to be completed by July 1, 2009.

Chairman Robak inquired, and Ms. Morrow-Truver responded that the plan was to have the 2007 and 2008 audits completed and to the JPA by June 30, 2008. The 2007 Financial CAFR should be done by March at the latest and they were going to start pulling the samples for 2008 and expected to get their Fiscal Year 2008 CAFR done by the end of March as well, so by June 30, 2008 they hoped to be caught up. Chairman Robak stated for the new Commissioners, that this would mean that they would be receiving rebates for these two years as well to their billings in the fourth quarter adjustment and the last probably in the first quarter of the new fiscal year.

Chairman Robak stated that the two representatives who attended the last Finance Ad Hoc Committee were he and Vice Chairman Ewin as Commissioner Ovrom was absent. He then asked General Counsel Paula de Sousa if she had anything to add. Ms. de Sousa added that she was still gathering information regarding the update provided on the City of San Diego's successful bond issuance for water and that they were thinking of a spread of interest rates between 4-9% and they ended up getting a really great rate of 4.53%. Apparently because there was so much more bonded indebtedness involved in the sewer system, it was not likely that the City of San Diego would even come close to this type of rate, but they were are trying to get an idea of what it may be. She further stated that the meetings with the City of San Diego were very positive and the Committee was receiving very thorough updates and consistent reporting on consistent themes.

Vice Chairman Ewin stated that the Committee has a lot of fun and learns a lot and invited any other member interested in joining their Committee to do so.

14. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION/METRO WASTEWATER JPA MEETING – (February 5, 2009)

Chairman Robak stated that the orientation for the new members/alternates will be scheduled prior to the next regular meeting on March 5, 2009 at 10:00 a.m.

Administrative Assistant Lori Peoples stated that the weather based irrigation system would be presented in April as the presenter was not available in March.

Vice Chairman Ewin requested that a brief discussion of "Exhibit E" be placed on the March agenda.

15. METRO COMMISSIONERS' AND JPA BOARD MEMBERS' COMMENTS

Chairman Robak stated that in an effort to build camaraderie, there were some left over Metro JPA shirts made and they will be brought to the next meeting for those new members who would like one.

16. ADJOURNMENT OF METRO COMMISSION AND METRO WASTEWATER JPA

At 1:15 p.m., there being no further business, Chairman Robak declared the meeting adjourned.

Recording Secretary

Agenda Item 6

**CITY OF SAN DIEGO METROPOLITAN
WASTEWATER DEPARTMENT**

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

For the Fiscal Year Ended June 30, 2006

DRAFT

CITY OF SAN DIEGO METROPOLITAN WASTEWATER DEPARTMENT
Schedule of Allocation for Billing to Metropolitan System and Independent Auditor's Reports
For the Fiscal Year Ended June 30, 2006

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

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

We have audited the accompanying Schedule of Allocation for Billing to Metropolitan System (the "Schedule") of the Metropolitan System of the City of San Diego Metropolitan Wastewater Department (MWWD), an enterprise fund of the City of San Diego, (the "MWWD") for the year ended June 30, 2006. This Schedule is the responsibility of the MWWD's management. Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the Schedule. We believe that our audit provide a reasonable basis for our opinion.

As described in Note 1, the accompanying Schedule referred to above was prepared for the purpose of complying with, and in conformity with the accounting practices prescribed by the Regional Wastewater Disposal Agreement between the City of San Diego (City) and the Participating Agencies in the Metropolitan Sewerage System dated May 18, 1998 and the First Amendment dated May 15, 2000 (Agreements). Accordingly, the Schedule is not intended to present the financial position or the changes in financial position of the MWWD in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the allocation for billing to Metropolitan System for the year ended June 30, 2006 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2008 on our consideration of the MWWD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Certified Public Accountants

Los Angeles, California
December 22, 2008

DRAFT

CITY OF SAN DIEGO METROPOLITAN WASTEWATER DEPARTMENT

Notes to the Schedule of Allocation for Billing to Metropolitan System

For the Fiscal Year Ended June 30, 2006

Note 1 – General

The City of San Diego Metropolitan Wastewater Department (“MWWD”) operates and maintains the Metropolitan Wastewater System (the “Metropolitan System”) and the Municipal Wastewater Collection System (the “Municipal System”). The Utility operates the collection and transportation of untreated raw sewage for the City of San Diego (City) as well as other municipalities and districts (the “Participating Agencies”). The Participating Agencies and the City have entered into the Regional Wastewater Disposal Agreement dated May 18, 1998 and amended on May 15, 2000, for their respective share of usage and upkeep of the Metropolitan System. The accompanying Schedule of Allocation for Billing to Metropolitan System (the “Schedule”), represents the allocation of expenses for billing related to the Metropolitan System of the Participating Agencies.

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

Note 2 – Participating Agencies

The Participating Agencies consist of the following municipalities and districts:

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

Note 3 – Summary of Significant Accounting Policies

(a) General

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

(b) Basis of Presentation

The Schedule has been prepared for the purpose of complying with the Regional Wastewater Disposal Agreement between the City and the Participating Agencies as discussed in note 1 above. As a result, the Schedule is not intended to be a presentation of financial position or the changes in financial position in conformity with generally accepted accounting principles. The more significant differences are:

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

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

CITY OF SAN DIEGO METROPOLITAN WASTEWATER DEPARTMENT
Notes to the Schedule of Allocation for Billing to Metropolitan System (Continued)
For the Fiscal Year Ended June 30, 2006

Note 3 – Metropolitan System Capital Improvement Expense

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

Metropolitan System capital improvement income credits include contributions-in-aid-of-construction received from federal and state granting agencies and reimbursements from bond proceeds.

Note 4 – Debt service allocation

Debt service allocation is that portion of the principal and interest payments relating to the 1993, 1995, 1997A and 1999A sewer revenue bond issuance and outstanding loans with the State of California.

Note 5 – Metropolitan System Income Credits

Metropolitan system income credits are revenues earned by the Metropolitan System for which costs have been incurred during the current or previous fiscal years.

Note 6 – Total allocation for billing purposes

Costs to be billed to Participating Agencies include all individual construction projects and operation and maintenance expenses attributable to the Metropolitan System. Costs are apportioned back to the Participating Agencies based on their percentage of each of the totals of flow, suspended solids, and chemical oxygen demand (“COD”). Each participating Agency and the City are sampled quarterly, with plants sampled daily. The percentages are determined from cumulative samples and monitored flow.

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

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

CITY OF SAN DIEGO METROPOLITAN WASTEWATER DEPARTMENT
Notes to the Schedule of Allocation for Billing to Metropolitan System (Continued)
For the Fiscal Year Ended June 30, 2006

Note 7 – Pension

The rates supporting expenses related to the employer share of pension costs are actuarially determined by the City's actuary. Employer contribution rates are usually set with a 2 year time-lag resulting in the rates in effect for fiscal year ending 2006 being determined by the actuarial plan prepared in fiscal year ending 2004. The City's enterprise funds fully paid their pension rates set by the actuary in the actuarial report prepared in fiscal year 2004 for the fiscal year 2006.

Note 8 – Post employment retirement healthcare benefits

The Governmental Accounting Standards Board (GASB) has issued several statements recently including, Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. These statements have potentially significant effects on the structure and amount of other post employment benefits other than pensions that the City provides to its employees. Under the new rules, the City will be required to recognize the cost of benefits when earned rather than when paid or provided. The costs will be measured and accrued based upon periodic actuarial valuations similar to current practice with pension plans. The actuarial valuations will provide information on annual required contributions (ARC) to fund the plan. If the City fails to fund the plan, based on the ARC, it will be required to report a liability on the face of the financial statements for the "underpayment". The City will be required to implement statements No. 43 and 45 in years ending June 30, 2007 and June 30, 2008 respectively.

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF THE SCHEDULE OF ALLOCATION FOR BILLING TO METROPOLITAN
SYSTEM PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the accompanying Schedule of Allocation for Billing to Metropolitan System (the "Schedule") of the Metropolitan System of the City of San Diego Wastewater Department (MWWD), an enterprise fund of the City of San Diego, (the "MWWD") for the year ended June 30, 2006, and have issued our report thereon dated December 22, 2008. Our report contained an explanatory paragraph describing that the Schedule was prepared for the purpose of complying with, and in conformity with the accounting practices prescribed by the Regional Wastewater Disposal Agreement between the City of San Diego and the Participating Agencies in the Metropolitan Sewerage System dated May 18, 1998 and the First Amendment dated May 15, 2000 (Agreements). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Utility's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the Schedule being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the MWWD in a separate letter dated December 22, 2008

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

Certified Public Accountants

Los Angeles, California
December 22, 2008

**CITY OF SAN DIEGO
METROPOLITAN WASTEWATER
DEPARTMENT**

Report to Management

For the Fiscal Year Ended June 30, 2006



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

In planning and performing our audit of the Schedule of Allocation for Billing to Metropolitan System (the "Schedule") of the Metropolitan System of the City of San Diego Metropolitan Wastewater Department ("MWWD") for the fiscal year ended June 30, 2006, we considered the City of San Diego's (City's) internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule and not to provide an opinion on the internal control over financial reporting.

However, during our audit we noted certain matters involving internal controls and their operation, and are submitting for your consideration related recommendations designed to help the City make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to the City. This letter does not affect our report dated December 22, 2008, on the Schedule of the Metropolitan System.

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

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

Certified Public Accountants

San Diego, California
December 22, 2008

CITY OF SAN DIEGO METROPOLITAN WASTEWATER DEPARTMENT

Report to Management (Continued)
For the Fiscal Year Ended June 30, 2006

CURRENT YEAR COMMENT

Recording of Metropolitan and Municipal Wastewater Utility Related Expenses

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

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

Recommendation – We recommend MWWD improve its internal controls over cash disbursements by instituting reviews to ensure that all cash disbursement items are accurately allocated to the Metropolitan System thereby meeting compliance with the City's contractual agreements with the participating agencies.

Management Response – MWWD has one full-time accountant on staff to specifically work on this accounting issue. Currently this accountant reviews all payment documents and verifies appropriate support is provided with these documents as to whether it is a Metro versus Muni expense and if an allocation is used the accountant verifies the documentation and appropriateness of the allocation method. This accountant will provide training to the staff in the various divisions within MWWD to ensure those responsible for processing the payments have a clear understanding of Muni and Metro and the importance of tracking these costs. Updated facilities lists are provided to both accountants and analysts involved with the recording of the Metropolitan System's expenses. In addition, MWWD has instituted procedures to maintain separate purchase orders for Metropolitan (Metro) and Municipal (Muni) expenses. MWWD has developed a department internal control review team that continues to work on various control issues. Additionally on staff in our Audit Support Group there is an analyst that has Exhibit E experience. That staff member will continue to provide assistance and training to our accountant. The Internal Control team remained active until last year. While we were going through a Business Process Re-engineering this committee became dormant due to resource issues. The Internal Control Team will be re-looked at during the fiscal year ended June 30, 2009.

Recognition of Expenditures

Observation – During the testwork performed on cash disbursement expense items, it was noted that 3 out of the 325 cash disbursement items did not have sufficient evidence to determine which fiscal year the expenditure should have been recorded.

Recommendation – We recommend that MWWD implement appropriate record retention procedures so that supporting documentation files are not misplaced or lost. We also recommend that MWWD perform, follow up procedures with vendors to ensure that invoices are received in a timely manner.

Management Response – The timing errors identified during the audit was a result of the City's June 30, 2006 CAFR audit. These types of timing errors should not occur on a go forward basis as the City's Comptroller's office is responsible for the review and payment of various City-wide vendors.

CITY OF SAN DIEGO METROPOLITAN WASTEWATER DEPARTMENT

Report to Management (Continued)
For the Fiscal Year Ended June 30, 2006

PRIOR YEAR COMMENTS

Recording of Metropolitan and Municipal Wastewater Utility Related Expenses

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

Recommendation – We recommend the MWWD improve its internal controls over cash disbursements by instituting reviews to ensure that all cash disbursement items are accurately allocated to the Metropolitan System thereby meeting compliance with MWWD’s contractual agreements with the participating agencies.

Status – In Progress. Please see current year finding.

Allocation Ratio Expenses

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

Recommendation – We recommend that the MWWD develop a more efficient and effective method of reviewing the allocation basis of all job order expenses.

Status – In Progress. Please see current year finding.

Legal Expenses Charged to Metropolitan System

Observation – During the testwork performed on legal expense charges made to the Metropolitan System, we noted 2 payments in our population that were related to the Gleason Settlement. The Gleason settlement is not an allocable expense to Metro.

Recommendation – We recommend the MWWD implement appropriate reviews of legal charges

Status – In Progress.

TABLE B

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT
 PROJECTED DISTRIBUTION OF SYSTEM WASTEWATER COSTS - FISCAL YEAR 2006
 FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

AGENCY	ALLOCATION OF COSTS BY FLOW, SUSPENDED SOLIDS AND CHEMICAL OXYGEN DEMAND				TOTAL PAID FOR FY 2006	DIFFERENCE
	FLOW (a)	SS (a)	COD (a)	TOTAL FLOW, SS & COD		
CHULA VISTA	\$7,122,362	\$3,487,219	\$3,196,439	\$13,806,020	\$17,553,400	(\$3,747,380)
CORONADO	\$941,282	\$306,391	\$331,986	\$1,579,659	\$1,958,344	(\$378,685)
DEL MAR	\$283,312	\$188,555	\$124,463	\$596,330	\$690,196	(\$93,866)
EL CAJON	\$3,524,197	\$1,563,791	\$1,339,695	\$6,427,683	\$7,255,740	(\$828,057)
IMPERIAL BEACH	\$1,006,426	\$469,162	\$391,661	\$1,867,249	\$1,972,768	(\$105,519)
LA MESA	\$2,154,246	\$911,962	\$769,722	\$3,835,930	\$4,351,184	(\$515,254)
LAKESIDE/ALPINE	\$1,400,099	\$646,833	\$482,825	\$2,529,757	\$3,174,064	(\$644,307)
LEMON GROVE	\$931,785	\$395,542	\$354,404	\$1,681,731	\$1,985,836	(\$304,105)
NATIONAL CITY	\$2,306,487	\$1,127,761	\$1,031,781	\$4,466,029	\$4,695,824	(\$229,795)
OTAY	\$145,401	\$472,102	\$206,934	\$824,437	\$954,944	(\$130,507)
PADRE DAM	\$1,224,547	\$1,543,092	\$903,775	\$3,671,414	\$5,526,804	(\$1,855,390)
POWAY	\$1,422,661	\$583,713	\$463,922	\$2,470,296	\$3,265,608	(\$795,312)
SPRING VALLEY	\$2,752,935	\$1,162,664	\$956,534	\$4,872,133	\$5,987,308	(\$1,115,175)
WINTERGARDENS	\$377,864	\$145,932	\$111,471	\$635,267	\$807,284	(\$172,017)
SUBTOTAL PARTICIPATING AGENCIES	\$25,593,604	\$13,004,719	\$10,665,612	\$49,263,935	\$60,179,304	(\$10,915,369)
SAN DIEGO	\$49,908,916	\$26,831,968	\$25,544,924	\$102,285,808		
TOTAL	\$75,502,520	\$39,836,685	\$36,210,536	\$151,549,742		