



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

AGENDA

**Thursday, OCTOBER 1, 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. 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** - APPROVE MINUTES OF SEPTEMBER 3, 2009 (**Attachment**)
- X 5. PRESENTATION OF BID TO GOAL PROGRAM (**Attachments A-E**)
6. **ACTION** – CONSIDERATION AND POSSIBLE ACTION ON THE CREATION OF A STANDING FINANCE COMMITTEE
7. **ACTION** - DISCUSSION AND POSSIBLE ACTION ON THE STATUS OF THE MODIFIED PERMIT FOR THE POINT LOMA WASTEWATER TREATMENT PLANT AND THE COASTAL COMMISSION'S ACTIONS ON THE CONSISTENCY CERTIFICATION FOR THE MODIFIED PERMIT

Documentation
Included

- X 8. **ACTION** - DISCUSSION AND POSSIBLE ACTION ON BIOSOLIDS DISPOSAL SERVICES (**Attachment**)
- X 9. **ACTION** - DISCUSSION AND POSSIBLE ACTION ON ADDITIONAL SODIUM HYPOCHLORITE EXPENSE (**Attachment**)
- X 10. **ACTION** - DISCUSSION AND POSSIBLE ACTION ON POINT LOMA DIGESTER CLEANING (**Attachment**)
- X 11. **ACTION** - STRATEGIC PLAN (ANNUAL RETREAT) AD HOC COMMITTEE - REVIEW OF MAY 7, 2009 MEETING SUMMARY (**Attachments A-D**)
- X 12. **ACTION** – DISCUSSION AND POSSIBLE ACTION TO APPROVE THE 2010 MEETING CALENDAR (**Attachment**)
- 13. METRO TAC UPDATE
- 14. IROC UPDATE
- 15. FINANCE AD HOC COMMITTEE
- 16. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION/ METRO WASTEWATER JPA MEETING NOVEMBER 5, 2009
- 17. METRO COMMISSIONERS' AND JPA BOARD MEMBERS' COMMENTS
- 18. CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION
Initiation of litigation pursuant to subdivision (c) of Section 54956.9 (1 Potential Case)
- 19. 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.

October 1, 2009

Metro Commission/Metro
Wastewater JPA Agenda

Agenda Item 4

September 3, 2009 Draft Minutes



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

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

September 3, 2009

DRAFT Minutes

Vice Chairman Ernie Ewin called the meeting to order at 12:07 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	X	Scott Huth
City of Del Mar	Donald Mosier	X	
City of El Cajon	Bill Wells		Dennis Davies
City of Imperial Beach	Patricia McCoy	X	
City of La Mesa	Ernie Ewin	X	Art Madrid
Lemon Grove Sanitation District	Jerry Jones		Patrick Lund
City of National City	Alejandra Sotelo-Solis		Joe Smith
City of Poway	Betty Rexford		Leah Browder
City of San Diego	Jerry Sanders		Jim Barrett
County of San Diego	Dianne Jacob	X	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	X	

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

2. PLEDGE OF ALLEGIANCE

Commissioner Cox led the Pledge.

3. PUBLIC COMMENT

There was no public comment.

4. ACTION – CONSIDERATION AND POSSIBLE ACTION TO APPROVE MINUTES OF AUGUST 6, 2009

Upon motion by Commissioner Cox, seconded by Vice Chairman Jones, the August 6, 2009 Regular Meeting Minutes were approved unanimously.

5. ACTION – DISCUSSION AND POSSIBLE ACTION ON THE STATUS OF THE MODIFIED PERMIT FOR THE POINT LOMA WASTEWATER TREATMENT PLANT AND THE COASTAL COMMISSION'S ACTIONS ON THE CONSISTENCY CERTIFICATION FOR THE MODIFIED PERMIT

Jim Barrett representative of the City of San Diego provided an update to the JPA that the Mayor and City Attorney had signed and sent a letter to the Coastal Commission informing them of their intent to appeal the Coastal Commission's objections to a consistency determination and were working with staff to determine the best way to bring the issue back to the Coastal Commission. They were waiting to see what happened at the Coastal Commission the following week in Eureka which they would be attending. The City of San Diego's letter announcing their intent to appeal would allow for the Executive Director to call the Commission into Closed Session to discuss what they would do next. They were not sure if the next step was for the Coastal Commission to reconsider or for the City of San Diego to reapply for reconsideration. The City was therefore in a holding pattern as the Coastal Commission might have to provide findings which would result in a letter from them to the City of San Diego. He then added that City staff was taken aback when the Coastal Commission did not accept their own staff's recommendation to approve. If the Coastal Commission does accept their staff's recommendation and the consistency determination is approved, the waiver will be issued and San Diego will continue on. If they do not accept staff's recommendation, the City of San Diego will first appeal through the National Oceanographic and Atmospheric Administration to the Secretary of Commerce and depending on how that goes, will have the ability to actually go into litigation in Superior Court where they hold a very good chance of prevailing. Unfortunately until this issue is resolved, the EPA cannot issue the waiver, but still supports San Diego as does the Regional Water Quality Control Board.

San Diego Attorney Zeleny added that the appeal to the Secretary of Commerce is unusual in that they would not point out errors by the Commission, but instead would have to show that there is some overriding national interest that warrants the issuance of the waiver despite the objection of the Coastal Commission. This process is considered the administrative remedy that needs to be exhausted prior to filing anything with the courts down here. There is a possibility that a local judge would disagree so they are taking a very cautious approach and will file sooner rather than later just to make sure that their rights are protected and nothing is dismissed on a technicality.

Commissioner McCoy stated that as a former Coastal Commissioner, she felt what the Coastal Commission was looking for was that San Diego was moving forward on secondary and that they agree some monitoring stations were not effective and were working towards compliance down the road. Commissioner McCoy also requested our Chair be included in negotiations with the City of San Diego which impact the PA's.

General Counsel de Sousa reaffirmed receipt by the Commissioners of the letters sent to the Coastal Commission from the City of San Diego Mayor; a memorandum to the JPA members from BB&K providing an executive summary of the California Coastal Commission's objection to the consistency certification which was marked Attorney/Client Privilege and was not to be shared with anyone as it contained legal analysis; and a second memorandum to the JPA members from BB&K that could be shared as the legal analysis had been removed.

Chairman Ewin requested Karyn Keese prepare an update on the potential impact of secondary treatment to the PA's for distribution.

Commissioner Jacob thanked the City of San Diego and the Attorneys involved and restated the County's support. She further stated that as Chair of the County Board this year, she had sent a letter to the EPA reiterating support of the waiver and the County Board stands ready to assist in any way possible.

Jim Barrett stated that the City of San Diego was drafting a letter for the Congressional delegation and would make it available to the PA's. A lot depended on what happens at the next Coastal Commission meeting, information from which would be brought back to the PA's prior to the CCC's meeting 10/7 through 10/9 in Oceanside. At this time it is unclear which date the modified permit was scheduled for but will advise as soon as the information is received. Further, it was his understanding that in 2002 when the Coastal Commission took a similar position, they reversed themselves without a hearing.

Chairman Ewin stated that the next JPA meeting was October 1, 2009.

General Counsel de Sousa advised that since the next Coastal Commission meeting precedes the next MetroTAC meeting, they will get the information and can get the ball rolling and bring information to the JPA meeting on October 1, 2009.

Chairman Ewin requested each member bring their City/Agency up to speed, including when information is received from MetroTAC in September.

6. METRO TAC UPDATE

Metro TAC Chairman Huth reported that they did not meet in the month of August; however they spent considerable time dialoguing among staff of the PA's. They will continue keeping a close eye on the modified permit status and will be dialoguing with San Diego staff every other day.

7. IROC UPDATE

Commissioner Caires reported that at the August 10th IROC meeting, they held a lengthy discussion and review of the County rate increases;

8. FINANCE AD HOC COMMITTEE

Commissioner Ovrom reported that they had not held a meeting but were receiving reports on the audit progress from Karyn Keese and asked the members to look at the week of September 21st for a meeting.

9. STRATEGIC PLAN (ANNUAL RETREAT) AD HOC COMMITTEE – REVIEW OF MAY 7 2009 MEETING SUMMARY

Chairman Ewin noted that this item would be heard at the October meeting along with the recertification item.

10. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION/ METRO WASTEWATER JPA MEETING OCTOBER 1, 2009

It was noted that the Bid to Goal presentation had been bumped to the October meeting.

11. METRO COMMISSIONERS' and JPA BOARD MEMBERS' COMMENTS

There were none.

12. ADJOURNMENT OF METRO COMMISSION AND METRO WASTEWATER JPA

At 12:30 p.m., there being no further business, Chairman Ewin declared the meeting adjourned.

Recording Secretary

Agenda Item 5

- A. Bid to Goal Brief with Savings
- B. MOU
- C. BID Document
- D. Manager's Report to Council
- E. FY 2008 Independent Audit Results –
Financial and Performance Goal
Attainment



City of San Diego

Metropolitan Wastewater Department

Bid to Goal Agreement

Background

- Consolidates & Expands Existing Agreements
Pioneered in FY 1998
- Supports Proposed FY 2008 Budget
- Developed in Conjunction w/ BPR
- Oversight (PUAC) Approved
- Meet and Confer Completed

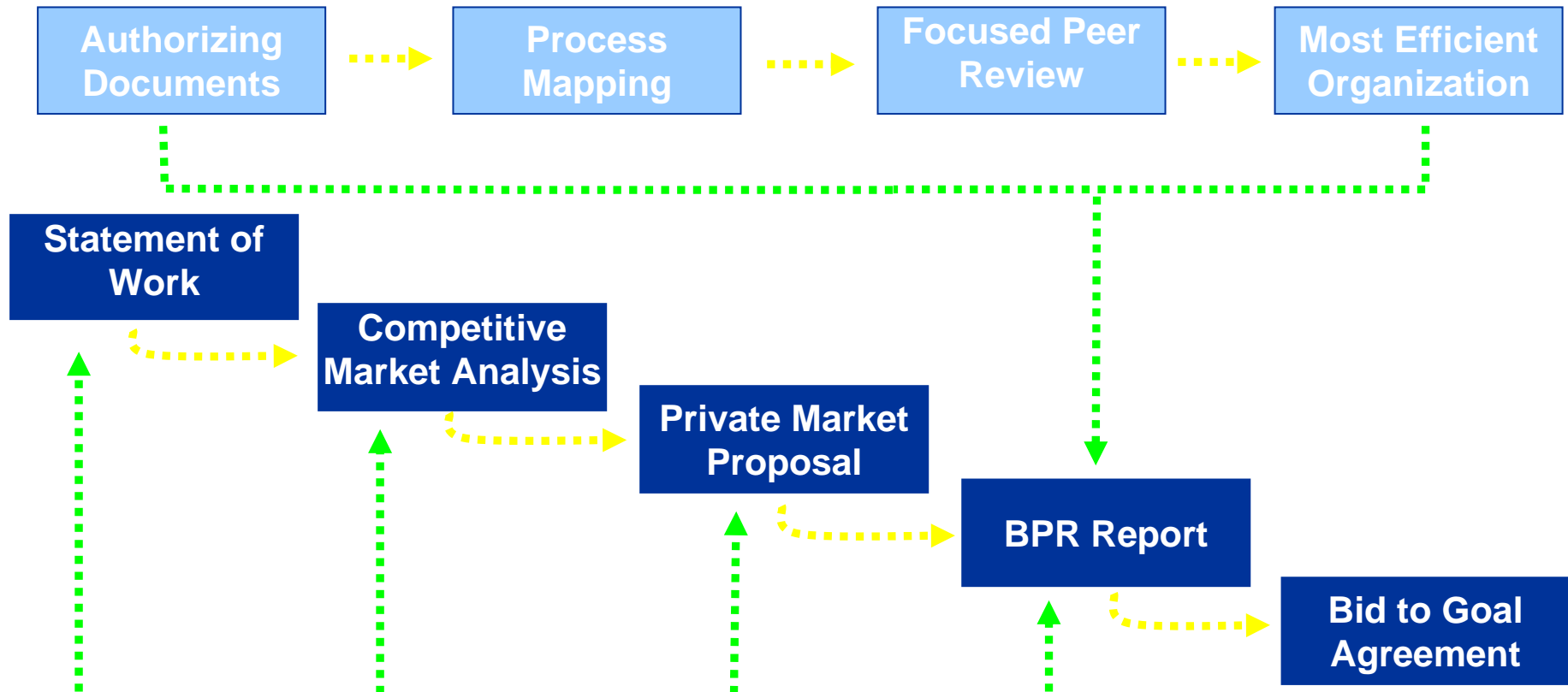


MWWD Bid to Goal Results to Date

- Service Levels Maintained or Exceeded
 - Yearly Treatment Plant Industry Awards for Performance
 - 1st ISO 14001 for U.S. Publicly Operated Sewerage Systems
- Cumulative Savings
 - \$120 million avoided costs
 - \$70 million additional savings
- Overall Program Awards / Recognition Received
 - 2002 ICMA for Innovation in Local Government
 - 2003 San Diego County Taxpayers' Golden Watchdog
 - 2003 Harvard JFK School of Government



Bid to Goal Reengineering Process



City-wide Business Process Reengineering
(e.g. Contracts, Information Technology, Human Resources, Engineering)



City of San Diego



Public Contract Operations (Bid to Goal)

Strategy to optimize delivery of services by a Government Agency using the most appropriate features of both:

- Public Sectors
- Private Sectors



Strategy to Optimize Government Service Delivery

Public Features

- * Control of Key Public Asset
- * No Profit Conflict w/ Health
- * Retained Budget Savings

Private Features

- * Competitive Budget
- * Performance Incentives
- * Formal Agreement



Terms of MWWD Bid to Goal

Existing Collection and Treatment Agreements End 6/30/07

New Agreement Expands Scope MWWD-wide:

Term = 5 Years (FY 2008 – FY 2012)

- Termination for Convenience After 1st Year

Budget Objective (Goal) set by Industry Expert

- Approved by PUAC

Incentives modeled on Private Sector

- Potential of \$4K Gainsharing per Employee, payable only if service levels satisfied & equivalent savings accrued to City



ORIGINAL

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

I. PREAMBLE

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

II. RECITALS

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

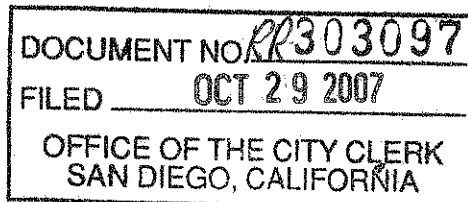
WHEREAS, the City desires to have this system operated and maintained in the most efficient and effective manner possible; while complying with all federal, state, and local laws, rules, and regulations; and while protecting the environment and promoting the health, safety and well-being of System employees,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

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

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

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

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



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

III. SCOPE AND DEFINITIONS

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

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

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

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

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

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

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

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

IV. GOAL

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

A. Key Performance Service Levels

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

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

Table 1: Key Performance Service Levels

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

B. MEO Budget Objective

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Gainsharing

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

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

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

V. ADMINISTRATION OF AGREEMENT

A. Term of Agreement

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

B. Termination for Default

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

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

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

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

C. Termination for Convenience

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

D. Performance Monitoring

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

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

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

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

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

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

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

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

E. Uncontrollable Events/Change in Law

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

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

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

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

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

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

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

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

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

F. Labor-Management Cooperation

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

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

G. Relationship with Labor Contracts

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

H. Dispute Resolution

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

I. Applicable Law

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

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

J. Impacts on Staff

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

K. Successor Agreement

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

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


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

Date: 01/17/08

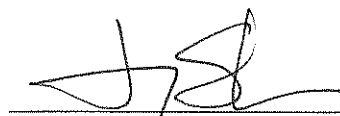
AMERICAN FEDERATION OF
STATE, COUNTY AND MUNICIPAL
EMPLOYEES, LOCAL 127, AFL-CIO

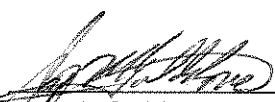

Joan Raymond, President

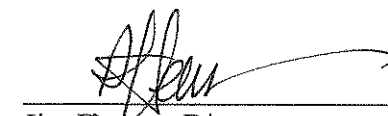

SAN DIEGO MUNICIPAL EMPLOYEES'
ASSOCIATION


Judie Italiano, General Manager

CITY OF SAN DIEGO


Jerry Sanders, Mayor, City of San Diego


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


Jim Barrett, Director,
Metropolitan Wastewater Department


RESOLUTION NUMBER R- 303097

DATE OF FINAL PASSAGE NOV 08 2007

10/29

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

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

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

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

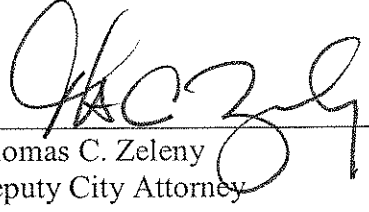
WHEREAS, the City would like to renew and expand the bid to goal agreements for the
Metropolitan Wastewater Department; NOW, THEREFORE,

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

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

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

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By 
Thomas C. Zeleny
Deputy City Attorney

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

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

ELIZABETH S. MALAND, City Clerk

By 
Deputy City Clerk

Approved: 11-8-07
(date)


JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor

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

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

AUTHENTICATED BY:

JERRY SANDERS

Mayor of The City of San Diego, California

ELIZABETH S. MALAND

City Clerk of The City of San Diego, California

(Seal)

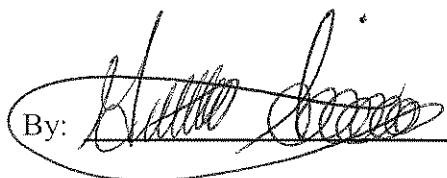
By: GIL SANCHEZ, Deputy

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

ELIZABETH S. MALAND

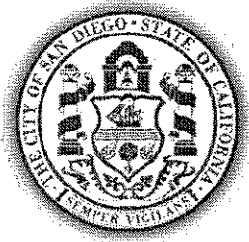
City Clerk of The City of San Diego, California

(SEAL)

By:  Deputy

BID TO GOAL
PUBLIC CONTRACT

*Metropolitan Wastewater
Department (MWWD)*



THE CITY OF SAN DIEGO

*Labor-Management Partnership
(LMP) Bid*

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1 LABOR-MANAGEMENT PARTNERSHIP (LMP) BID BACKGROUND

1.1 Introduction

The San Diego Metropolitan Wastewater Department (MWWD) has undertaken this Bid to Goal Reengineering Project as a productivity improvement initiative within the overall City of San Diego's Business Process Reengineering effort. The Bid to Goal concept and program was originally developed in 1997 as a pilot methodology in operating and maintaining MWWD's major treatment facilities. Its primary objective was to provide tangible evidence of organizational competitiveness through adaptations of the most appropriate features of the public and private sectors. The original pilot proved successful and received national recognition by such organizations as Harvard University's John F. Kennedy School of Government and the International City/County Managers' Association. The concept was subsequently expanded to MWWD's wastewater collection system, as well as to substantial portions of the City's Water Department. This renewed MWWD Bid to Goal Agreement fulfills a strategic goal of the department to bring the entire wastewater utility under the same performance management plan, thereby facilitating consistency and alignment of the organization's goal setting and accountability mechanisms.

Successful implementation of the Bid results in City employees continuing to provide management, operations, and maintenance services of the City's municipal and regional wastewater system, and follows directly from its primary and governing reference document, the Bid to Goal Memorandum of Understanding (MOU), as ratified by the City and its partnering labor organizations. The MOU sets forth the basic ground rules for an agreement between the Mayor on behalf of the City of San Diego, and the MWWD management team and employees, hereinafter referred to as the MWWD Labor-Management Partnership (LMP). The LMP is comprised of employees represented by Local 127 of the American Federation of State, County, and Municipal Employees (AFSCME Local 127) and employees represented by the San Diego Municipal Employees Association (MEA). Also included in MWWD's LMP are classified unrepresented employees, interns and the MWWD Management Team.

The Bid is intended to supplement the MOU, providing complementary detail and procedural information. It was developed by the MWWD Management Team and department staff, and provided to the two partnering labor organizations for review and comment. Strategies to achieve savings and performance improvement as well as performance accountability measures were largely developed and recommended to the MWWD Management Team by employees during the 2006 department-wide efficiency study known as Business Process Reengineering (BPR). It is intended that such strategies will continue to be developed over the life of the agreement, with attendant additional savings and improved performance.

The MWWD LMP Bid is summarized in Section 1.2. Section 2 of this document presents the basis for this MWWD LMP Bid. Section 3 presents the basis for the Budget Objective that was used to develop this Bid. Section 4 provides relevant definitions.

1.2 Summary of the MWWD LMP Bid Budget Objective

1.2.1 Budget Objective

The Budget Objective of the Bid ties the MWWD LMP's performance to the utility's mission and its vision to be a recognized Wastewater Industry leader (or 'Best-in-Class' organization) for its customers. It was based on an estimate of a competitive level private sector bid in the contemporary market to operate and support the City of San Diego wastewater system at specified service levels. This estimate was calculated by a third party industry expert and approved by the Public Utility Advisory Commission, the City Council and the Mayor. It is noted that implementation of this budget results in a significant reduction in previous budgets without impacting services to the ratepayers. The efficiencies and reorganizations required to attain these reductions are in addition to substantial optimizations achieved by MWWD over the past decade as part of predecessor efforts for continual improvement in individual MWWD divisions. *These additional efficiencies are greatly dependent on companion efforts in the City to improve such support functions as personnel management (recruiting, hiring, promoting, etc.), acquisition management (contracting for replacement parts, consultant services, information technology, etc.) and centralized engineering services.*

The Bid to Goal Budget Objective for this agreement's initial year (Fiscal Year 2008) is summarized in Table 1.1. Subsequent year Budget Objectives will be calculated utilizing specified methodology to account for such factors as actual increases in labor costs, non-personnel inflation and emergent requirements. It is noted that the Budget Objective is intended to be as close to the approved department operating and maintenance budget (excluding identified pass-through items) as practicable. In light of differences in timing for City of San Diego requirements to propose and gain approval of department budgets, compared to requirements for deriving and adjusting the Bid to Goal Budget Objective, it is anticipated that differences in these two values will exist. It is the obligation of the MWWD LMP to track and justify any reconciling factors to the satisfaction of auditors of annual performance reports.

Table 1.1: Fiscal 2008 Budget Objective

(A) Total Controllable Budget Objective		\$ 213,502,095	(*1)
Personnel Expenditures (PE)	(*2)		\$ 86,544,142
Non-Personnel Expenditures (NPE)	(*3)		\$ 126,957,953
(B) Total Pass-Through Budget Objective		\$ 262,822,846	
O&M Service Level Agreements			\$ 15,698,605
Debt Service			\$ 100,110,283
Reserves			\$ 46,335,002
Capital Improvement Plan			\$ 100,678,956
(A) + (B) Total MWWD Budget Objective		\$ 476,324,941	

Note (*1): In accordance with the MOU, the LMP will be held to the Total Controllable Budget Objective, not PE and NPE components. Similarly, numbers of employees (full time equivalents or FTEs) are not controlled by this Bid, only the Total Controllable Budget Objective offered to provide specified services. The City shall facilitate the execution of related personnel management decisions, such as classification and hiring actions.

Note (*2): Future year Controllable Budget Objective PE will be adjusted to match actual salary and fringe adjustments in negotiated labor contracts as well as City directed adjustments as reflected in the annual appropriation ordinance. Special one-time adjustments will be made for FY 2009 and beyond as follows:

(a): A decrement will be made for dollars associated with the 17.5 WWC FTE that were phased out during FY 2008 as part of the original BPR.

(b): A decrement will be made for dollars associated with transferring the trenching crews to a City Service Level Agreement.

Note (*3): Future year Controllable Budget Objective NPE will be adjusted to match actual adjustments in the local area Consumers' Price Index (CPI).

Note (*4): Future year Total Pass-Through Budget Objective will be adjusted to match actual budget changes in its four component parts identified in Table 1-1.

1.3 Budget Objective Components

The Total MWWD Budget Objective presented in Table 1.1 is divided into two major components for the purpose of performance auditing. The two components are 1) the Controllable Budget Objective, and 2) the Pass-Through Budget Objective.

1.3.1 The Controllable (In Scope) Budget Objective

The Controllable Budget Objective (also referred to as "in scope") represents the annual cost elements of the Bid that can generally be controlled by the MWWD LMP for the services specified. Cumulative actual costs (expenditures and encumbrances at the time of the annual performance report / audit) are compared to the Controllable Budget Objective to determine positive or negative variance on an annual basis. (Note that the in scope actual costs may be adjusted for activities deemed to differ from the services specified in this agreement. Refer to Paragraph 1.4 below.)

1.3.2 The Pass-Through Budget Objective

The Pass-Through Budget Objective represents the annual cost elements of the Bid that are generally outside the control of the MWWD LMP. The Pass-Through Budget Objective includes costs such as Service Level Agreements (SLAs), fees charged by other agencies, and other costs categorized as outside the control of the MWWD LMP. These costs will not be included in the annual determination of variance.

1.4 Adjustments to the Bid and/or Budget Objective

1.4.1 Background

In the Budget Performance Monitoring and Uncontrollable Events / Changes in Law sections of the MOU, the parties acknowledge that circumstances can occur that could require a negotiated adjustment to the Bid. MOU Section V.C. also lists several events qualifying for Bid adjustments. Furthermore, this Bid contains references to potential conditions or situations that may warrant adjustments to the Bid.

1.4.2 Process for Submittal and Approval of Bid Adjustments

Step 1 – Notification: Upon determination by the MWWD LMP of an event or situation that may qualify for a Bid adjustment, the MWWD Assistant Director shall notify the Mayor and/or

the Mayor's Representative in writing. The written notice should include a description of the nature of the event and an estimate of the requested adjustment/fiscal impact. Requests for Bid adjustments should be made as soon as practicable, upon identification of a potentially qualifying event. Requests submitted late in the fiscal year may result in a delay of the annual audit.

Step 2 – Review: The request will be reviewed by the Mayor and/or Mayor's Representative. It is intended that this step be interactive as required, with any clarifications or additional information being supplied promptly by the MWWD LMP.

Step 3 – Finding: After reviewing the request and additional information if any, the Mayor and/or Mayor's Representative will make one of the following determinations (with a target of 10 working days from receipt):

- ◆ Deny the request with justification consistent with provisions of this agreement.
- ◆ Approve the requested adjustment in a brief written determination addressed to the MWWD LMP, without requiring an Amendment to the Bid. (Utilizing such administrative adjustment is a judgment decision of the Mayor/Mayor's Representative and would normally be reserved for clear cases that impact only the Budget Objective for one year, and when a simplified process is deemed sufficient.)
- ◆ Request an Amendment to the Bid. The MWWD LMP would be required to prepare an Amendment to the Bid and obtain signatures from all parties to the agreement.

Step 4 – Resolution: To ensure transparency in this Public Contract Operations Bid to Goal Agreement, all adjustments approved per Step 3 shall be documented in subsequent applicable Annual Performance Reports. The appropriate application of each adjustment is subject to independent validation by audit. Adjustments with incomplete or improper documentation may not be accepted by the independent auditor. It is the responsibility of the MWWD LMP to properly and completely document all requested adjustments. (Similarly, note that any submission of any actual expenditure as out of scope must be fully justified in the Annual Performance Report by citation of appropriate provision to this agreement. Such justifications are also subject to audit.)

All requests for Bid Adjustments and/or Bid Amendments must be resolved before the annual audit can be completed.

1.5 The Mayor's Representative


The MWWD **Public Contract** (Bid to Goal) **Agreement** is designed to be an adaptation of a contract between a public agency and a private sector service provider. This agreement incorporates the useful *clarity* and *mutual accountability* to stated budgets and service levels of a traditional contract, into a legal vehicle with City employees that maintains the public sector advantages of better *transparency* and *control* over key City infrastructure with public health implications. At the Mayor's discretion, an individual outside the MWWD LMP may be

appointed to serve as the Mayor's Representative to administer this agreement. The intent of such an appointment would be to specify a point of contact to readily oversee routine matters (such as reviewing performance reports), as well as to facilitate the prompt resolution of non-routine issues. This appointment should be in writing with a copy addressed to the Chair of the MWWD LMP.

1.6 Bid Approval

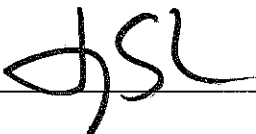
When this page is fully executed and dated, the Bid is accepted and the MWWD Bid to Goal program is initiated per the terms in the operative MOU and this document.

SUBMITTED FOR METROPOLITAN WASTEWATER DEPARTMENT


Metropolitan Wastewater Department Assistant Director

Date: 2/21/08

ACCEPTED BY THE CITY OF SAN DIEGO


Mayor

Date: 3-5-08

2 BID BASIS

2.1 Introduction

2.1.1 General

This Bid was developed from efforts in the organizational improvement process known as MWWD Bid to Goal Business Process Reengineering. Its main objective was to sustain a balanced and advantageous approach to providing wastewater management, operations and maintenance services in the best interests of public health, safety, welfare, environmental protection, and community economic interests.

The MWWD LMP shall establish a headquarters site located in the City to house most administrative functions; the site is currently located at 9192 Topaz Way, San Diego, California, 92123. The headquarters site and the other sites for operations may be relocated upon written approval of the Mayor. Any costs associated with such relocation shall be excluded from the scope (out-of-scope) of this Bid.

The MWWD LMP's actual costs to manage, operate, and maintain the System will be tracked and reported in relation to the Budget Objective.

Excluded from the scope of this Bid (out-of-scope), unless specifically noted, are the following services or facilities:

- ◆ Any new facility not operational as of June 30, 2007, or not named within this document
- ◆ Metropolitan Wastewater Department Capital Improvement Projects and System Modifications not operational as of June 30, 2007, or named within this document
- ◆ Services provided by Service Level Agreement with other City departments.
- ◆ Departmental Reserves, unless specific treatment is detailed.

2.1.2 Description of In-Scope Facilities

In accordance with this Bid, the MWWD LMP shall manage, operate, and maintain the System, and provide services and functions equal to or better than the base year, FY 2007. MWWD manages all of the resources needed to operate and maintain the City of San Diego's Municipal Sewerage System and the Metropolitan Sewerage System. The mission of MWWD is to "provide the public with safe, efficient, and effective regional wastewater services." The Municipal Sewerage System is specific to the City and consists of all elements required for the collection and conveyance of wastewater generated within the City of San Diego. The Metropolitan Sewerage System treats the wastewater generated by the City of San Diego and 15 nearby cities and districts with a population of more than 2 million.

2.1.3 Base Levels of Service, Risk and Associated Cost Responsibility

2.1.3.1 Level of Service

The Bid is presented for management, operations and maintenance services for the System at specified levels and conditions.

2.1.3.2 Risk Management and Cost Responsibility

A basic principle of contract operations, is the concept of risk management and associated allocation of cost responsibilities. In order to realize the benefits of reduced costs using competition-driven technologies and operating techniques, this Bid proposes an allocation of cost responsibilities in a manner similar to allocations commonly found in private sector contract operations.

The following Table 2.1 presents Examples of Cost Responsibilities of the MWWD LMP's In-Scope Items (those that are the responsibility of the MWWD LMP in return for the funds included in the Budget Objective) and out-of-scope Items (those that are outside the scope of the Bid). Should any "in scope" issues occur, the MWWD LMP assumes responsibility without a request for additional funding. However, should any Out-of-Scope or similar issues occur, the MWWD LMP is entitled to an adjustment in the Budget Objective or to an exemption of expenses matched to the specific issue by valid documentation.

In determining "scope" issues, the term "current" is defined as the level of service provided in FY 2007 (base year of agreement). With regard to unit rates, "current" is defined each year as the rate in place in FY 2008 accelerated (for each intervening year to bring it to the year of interest) by the local area Consumer Price Index (for non-personnel costs), and for approved City of San Diego labor rate increases for relevant labor organizations from the FY 2008 base rate.

Table 2.1: Examples of Cost Responsibilities

In-Scope Items	Example
To MWWD LMP	
Staffing	Current salaries, benefits
Postage	Current postal rates
Wastewater Treatment Chemicals	Current unit costs
Preventive Maintenance	Documented as cost-beneficial for all wastewater equipment
Predictive Maintenance	Costs of administering the program
Normal Equipment Repairs and Replacement	Replacement or repair of equipment
Regulatory Coordination/Reporting	Current or easy to anticipate routine regulatory issues and inspections
Utilities	Current rates for electrical, water, and sewer usage costs

Out-of-Scope Items	Example
Salary, benefits	Labor expended on out-of-scope activities.
Increase in the Number or Capacity of Facilities	Changes in number or capacity of facilities in service as of the end of FY 2007. New facilities costs are out of scope.
Inflation in major NPE beyond CPI	Chemicals suffer an 8% increase in a year that the Budget Objective NPE is increased 3% overall in line with the local CPI. In this case, 5% of the increased chemical costs should be claimed as out of scope in the Annual Performance Report. This is a cumulative issue for the term of the agreement, in that increases in later years must be compared to the cumulative CPI increases effective for each year. Future year adjustments may be accommodated in the normal budget cycle if timing permits.
Implementation Costs for Initiatives not specified in the Bid	Unfunded mandates by City, State, Federal governments. (If emergent initiative is funded, Budget Objective should be augmented accordingly).
Capital Improvement Projects	Operations for Additional Capital Improvements not listed in Table 2.3.
Changes in Service Levels and Guidelines	Employee time or MWWWD resources, beyond FY 2007 levels, for activities that are mandated by the City but are not associated with core functions as defined within the Bid.
Costs for Unusual Breakdowns of Equipment	Breakdowns of major equipment or capital assets beyond reasonable planning capacity, and for which all appropriate maintenance has been performed and no operator error has contributed.
System Modifications	Modifications implemented at the request of the City to anticipate or address system obsolescence.
Employees on Long-Term Leave or Extended Light Duty	Costs associated with filling in for employees on leave or light duty for greater than 60 consecutive work days (each partial day counts as one).
Independent Auditor Costs	Audits and feedback in regard to review of the internal quarterly reports and the Annual Report.
Deposits and Expenses from Reserves	Operating Reserve, the Employee Efficiency Incentive Reserve and the Dedicated Reserve for Efficiency Savings.

2.2 Service Levels

This Bid is presented for MWWWD services for the System. Key Performance Service Levels are noted in MOU Table 1. Unless otherwise noted (such as continual reductions in Sanitary Sewer Overflows and in annual gainsharing criteria), levels of service will be in line with those provided to ratepayers at the end of FY 2007.

2.2.1 Memorandum of Understanding (MOU)

The MOU is the basis for the preparation of this Bid. No material exceptions or modifications to the MOU are offered, and the Bid and levels of service proposed in this Bid are in accordance with the MOU. This Bid includes implementation and interpretive details regarding the policy statements contained in the MOU. Once the Bid is accepted, an agreement is operative for the continued provision of Management, Operations, and Maintenance services for the System during the specified term.

2.2.2 Associated In-Scope Responsibilities

The MWWD LMP will be responsible for all associated aspects of the Management Operations, and Maintenance Services for the System, as set forth in this Bid and under the MOU.

CITY POLICIES AND GUIDELINES. The MWWD LMP, subcontractors, agents, and invitees will be required to comply with all City policies and guidelines. Any cost associated with a change to City policies and guidelines during the term of this agreement is excluded from the scope (Out of Scope) of this Bid.

STORM WATER. Stormwater discharge from the System is regulated by various National Pollutant Discharge Elimination System (NPDES) permits for storm water. The MWWD LMP will operate the System in accordance with existing stormwater NPDES permits and existing storm Water Pollution Prevention Plans.

HAZARDOUS MATERIALS TRAINING (HAZMAT). The MWWD LMP shall comply with existing City and other regulatory HAZMAT policies.

EMPLOYEE SAFETY. The MWWD LMP shall be responsible for basic site security, such as maintaining fencing and locking gates at the level currently in place for the safety of employees, through MWWD LMP members.

TRAINING. The MWWD LMP shall ensure employees receive training opportunities to maintain necessary certification or other qualifications to meet regulatory requirements.

STAFFING. The MWWD LMP shall provide qualified staffing for the System, including supervisory staff, which maintains any certifications and qualifications necessary to comply with regulatory requirements. The MWWD LMP shall manage the personnel expenses to remain within the Budget Objective. To comply with the requirement for this paragraph, the MWWD LMP may, from time to time exceed the number of budgeted positions to make up for staffing shortages due to vacancies, light duty, furloughs, and other leaves of absence.

UTILITIES. Subject to modifications in the Budget Objective due to changes in billing rates, the MWWD LMP's responsibility with respect to utilities will be as follows:

- ◆ Telephone service and electronic communication charges and associated taxes and repairs.
- ◆ Water and sewer service charges and natural gas charges.
- ◆ Electrical use for the System.

REVENUE. Changes in revenues shall be accounted for as described in the MOU, Section V.B.

SPILLS. The MWWD LMP will be responsible for actions and costs associated with the

cleanup, reporting, and disposal of all spills from the System, or from MWWD LMP activities. It is the responsibility of third-party contractors to correct deficiencies in performance associated with working on MWWD activities. Except for incidental and administrative costs related to the correction of deficiencies in performance by third-party contractors, the costs associated with such deficiencies in performance shall be excluded from the scope (out-of-scope) of the Bid. Actions and costs associated with the actions, resolution of disputes, fines, monitoring, cleanup, reporting, and disposal of all spills at the site from third-party contractors working on CIP activities or any others shall be excluded from the scope (out-of-scope) of the Bid.

Other on-site third-party contractors (e.g., CIP) shall be responsible for cleanup, reporting, disposal, and all associated costs of all spills occurring as a result of their operations. The MWWD LMP will facilitate emergency and urgent actions in this regard. Costs thus incurred shall be excluded from the scope (out-of-scope) of the Bid. Note that other City department's sewer laterals and private sewer mains shall not be considered part of the System.

SOLID WASTE. The MWWD LMP shall be responsible for disposal of all solid waste generated on-site from MWWD LMP activities, in accordance with all applicable regulations. All costs for disposal of solid waste generated by third-party contractors working on CIP activities, or any others, shall be out-of-scope.

INSURANCE. The Metropolitan Wastewater Department shall furnish the MWWD LMP the required liability insurance as provided by the City for claims and similar events in accordance with the City's Risk Management policies. The costs of insurance are paid by the Metropolitan Wastewater Department. The costs for any claims shall be paid by MWWD LMP as a Pass-Through cost unless caused by employee negligence or operating error. The MWWD LMP shall provide all other insurance as provided by the City in accordance with the City's Risk Management policies.

TOOLS AND EQUIPMENT. The MWWD LMP shall furnish and maintain all tools and equipment needed to provide controllable Management, Operations and Maintenance Services consistent with Section 1.3.1.

VEHICLES. The MWWD LMP shall manage the operation and pay for maintenance of all City vehicles and other related equipment designated by the MWWD LMP for services for the System. The MWWD LMP may use privately owned vehicles to provide services. Authorized drivers of privately owned vehicles operated for MWWD LMP activities shall be reimbursed for all usage costs on a mileage reimbursement basis in accordance with City Policy and respective labor contract.

EMERGENCY PLANS AND SAFETY PROVISIONS. The MWWD LMP shall adopt and utilize the existing emergency plans safety provisions as prepared by the Metropolitan Wastewater Department.

SAFETY PROGRAM. MWWD LMP shall adhere to federal, state, and City safety programs in order to effectively minimize the potential for injury and property damage. All modifications or procedural changes due to safety recommendations by City or other regulatory agencies shall be deemed and treated as a Change in Law.

INFORMATION TECHNOLOGY (IT) SUPPORT. The MWWD LMP shall manage all required information technology support to ensure continued efficient operations. The MWWD LMP may elect to allow that such support (hardware and software) be provided through the Metropolitan Wastewater Department and the existing Metropolitan Wastewater Department Information Technology (IT) Section and/or the City's centralized support organization and/or San Diego Data Processing Corporation. If the MWWD LMP elects to provide such services through means other than the existing Metropolitan Wastewater Department IT Section and/or the City's centralized support organization and/or San Diego Data Processing Corporation, it will be responsible for all necessary hardware and software costs, including ongoing user support, as well as developing the necessary links to the Metropolitan Wastewater Department's information systems to ensure continued reliable and accurate operation of that system, in accordance with the requirements of the MOU.

FACILITIES. The areas and facilities specified in the Assumed QSD are to be provided to the MWWD LMP for its use and the MWWD LMP shall maintain the specified facilities as specified below under "Building, Grounds Maintenance, and Central Yards."

BUILDING, GROUNDS MAINTENANCE, AND CENTRAL YARDS. Areas within the existing MWWD facilities are to be provided to the MWWD LMP for its use. The MWWD LMP may elect to allow that such building maintenance support be provided external to the department (e.g., by other City departments or available best value service providers).

In addition, the areas for parking of employee vehicles and vehicles to be operated and maintained by the MWWD LMP shall be provided.

2.2.3 Functional Limits of Responsibility

The MWWD LMP will be responsible for providing Management, Operations, and Maintenance Services for the System in accordance with this Bid.

The MWWD LMP will be responsible for coordinating (but shall not be responsible for actually performing) several activities with regulatory agencies, and other contractors, if any, including:

- ◆ Contractors performing work on System capital improvements.
- ◆ Regulatory agency inspections.

2.2.4 Capital Improvements

2.2.4.1 General Requirements

The Capital Improvement Program (CIP) of the Metropolitan Wastewater Department and

third-party projects include proposed projects (Planned Capital Improvements or “CIP”) that will affect the operations and maintenance of the System, and that are identified in this Bid. The MWWD LMP will review and comment on planned CIP projects, coordinate with contractors during construction on operations related issues, and provide appropriate operations and maintenance staff to operate the planned capital improvements projects upon acceptance by the MWWD LMP. When and only when appropriate to City policy and Generally Accepted Accounting Practices, CIP support costs may be charged to the capital program as pass through expenditures. There will be operations and maintenance training provided to the MWWD LMP and equipment performance tests as part of the planned capital improvements. Implementation delays can have impacts on operations costs. Should such impacts be material, appropriate adjustments will be made to the Budget Objective in accordance with MOU Section on Uncontrollable Events/Changes in Law.

The MWWD LMP will monitor warranty aspects of planned CIP project equipment or facilities and accept corrective maintenance responsibilities after the planned capital improvements stipulated warranty or “good repair” period has expired. The MWWD LMP shall accept operational, routine maintenance and preventive maintenance responsibilities of these planned capital improvements after the MWWD LMP accepts them from the contractors. The MWWD LMP shall notify the Service Provider during the warranty period if equipment performance or reliability is deficient, or if operations and maintenance costs that are experienced during the warranty period appear excessive. The responsible contractor or equipment supplier shall make warranty repairs at no cost to MWWD LMP. Costs for repairs made by the MWWD LMP during the warranty period or on equipment reported by MWWD LMP during the warranty period to have deficient performance or reliability shall be excluded from the scope (out-of-scope) of the Bid.

In addition, lost work-time incurred by the MWWD LMP due to deficient performance or reliability under a warranty period of any CIP project shall be a basis for a request for modification of the Bid, or modification of the performance measurements impacted by such lost work-time.

2.2.4.2 Capital Expenditure Recommendation/Coordination

The MWWD LMP will assess the need for capital expenditures beyond the current plan and submit to the Metropolitan Wastewater Department recommendations and justification for major component costs of newly-accepted CIP projects.

2.2.4.3 Additional Capital Improvements

For the purpose of this Bid, Additional Capital Improvements are modifications not currently planned, or not included in the currently planned Capital Improvements. The impact of these additional improvements or modifications on operational costs and/or the Budget Objective will be negotiated at the appropriate time and may result in an amendment to the Bid.

2.2.5 Performance Specifications for MWWD LMP

Unless otherwise specified, the MWWD LMP shall deliver all services provided by MWWD to

ratepayers at levels equal to or better than those delivered in the base year, FY 2007.

2.2.6 Inspections and Reports

2.2.6.1 Inspections

The MWWD LMP shall attend and represent the MWWD at regulatory permit compliance inspections conducted by county, regional, state, and federal agencies having permitting authority and jurisdiction over the System. The MWWD LMP shall respond to the inspecting agency in writing with regard to any written inspection reports, and provide copies of inspection reports and responses to the Metropolitan Wastewater Department.

The MWWD LMP may request internal courtesy inspections by City regulatory personnel and may respond as the MWWD LMP deems necessary. Costs associated with courtesy inspections are in-scope. Inspections initiated by City regulatory personnel, such as the Fire Department, Environmental Services/HazMat, and the Safety Office, for no purpose other than to assist the MWWD LMP in assessing status, conducted more frequently than twice per year or what is then regularly required by any single agency shall be excluded from scope (out-of-scope) of the Bid. Inspections provided for by agreement or to validate remedies from previous inspection results are in scope.

2.2.6.2 Regulatory Reporting

The MWWD LMP shall review and certify all required regulatory agency reports and notifications in accordance with all current Metropolitan Wastewater Department practices, regulatory agency requirements, and permits, including the Regional Water Quality Control Board reports related to the System.

2.2.6.3 Periodic Reports

Information Reports. The MWWD LMP shall maintain monthly/accounting period data required for monitoring system performance, and report to the Director of Public Utilities.

2.2.6.4 Performance Reports

An Annual Performance Report covering best available information for the recently completed fiscal year shall be submitted on or before each November 30th by the MWWD LMP via the MWWD Assistant Director and the Director of Public Utilities to the Mayor or Mayor's Representative who shall oversee further distribution if appropriate.

During the fiscal year being executed, and before the Annual Performance Report is due, significant actual or highly probable deficiencies in MWWD LMP performance shall be reported in a supplementary Interim Performance Report submitted via the same route as the Annual Performance Report. Such "by exception only" Interim Performance Reports shall be in straight-forward narrative format and shall specify the performance issue of concern and identify corrective action(s) in progress or contemplated. Once such a report is initiated, update Interim Performance Reports shall be submitted if significant changes (including resolution) in the identified deficiency develop. All Interim Performance Reports shall be included as attachments in the Annual Performance Report. An example of a MWWD LMP Annual

Performance Report can be found in Appendix A.

2.2.7 Additional Required Services

Each Division shall meet regularly with Department Management to review business related issues. To the extent practical, Divisions shall announce and make available to personnel the opportunity to attend such periodic 'all hands' meetings.

2.2.8 Services Not Part of the Budget Objective

The MWWD LMP shall not have cost responsibility for providing the services listed below. When requested or directed to perform these, the MWWD LMP will account for these services as excluded from the scope (out-of-scope) of the Bid items. Departmental budget considerations shall be identified to the Metropolitan Wastewater Department in a timely manner.

- ◆ Employees on Long-Term Leave or extended light duty. The personnel costs associated with filling normal job duties for employees on leave or extended light duty for greater than 60 consecutive work days due to sickness, disability, military leave, jury duty, or suspension with pay or for any other reason. (Note: fill in for any partial day will count as one day in this context.)
- ◆ Other Additional Services: Provision of any additional service above the levels provided within this Bid, or support for out-of-scope activities.

2.2.9 Pass-Through Costs

2.2.9.1 Capital Improvement Program (CIP) Support

Beyond the components described above as pass-through, the sum of the actual amount of unallocated costs incurred by the MWWD LMP providing support services to the Metropolitan Wastewater Department CIP shall be treated as pass-through. The MWWD LMP shall account for all CIP related costs and properly allocate these costs to CIP in accordance with policy.

- ◆ Permit Applications: Assistance in preparation of regulatory permit applications, Waiver requests or change negotiations relative to System operations and maintenance. The MWWD LMP shall approve applications prior to submittal by the Metropolitan Wastewater Department. Permit Inspection or Renewal fees paid to regulatory agencies shall be a pass-through Cost.

2.2.9.2 Permit Applications and Claims

The MWWD LMP shall approve applications prior to submittal by the Metropolitan Wastewater Department. Costs associated with the following activities shall be treated as Pass-Through or out of scope expenditures: assistance in preparation of regulatory permit applications, waiver requests or change negotiations relative to System operations and maintenance, and permit inspections and renewal fees paid to regulatory agencies.

The costs for all claims shall be charged to the MWWD LMP as a Pass-Through cost.

However, if a claim is the result of negligence of the MWWD LMP or failure to comply with the terms of the MOU, then the costs of the claim are to be paid as part of the Controllable Budget Objective and not as a Pass-Through Cost.

2.3 Pricing

Adjustments for actual cost increases and costs related to unforeseen circumstances may be made only pursuant to provisions in the MOU Section V and clarifications in this Bid.

2.4 Modifications

2.4.1 System Modifications

It may be necessary or desirable to further modify, alter, or improve the System, either at the request of the MWWD LMP or the City. These modifications may be appropriate to increase the efficiency or improve the performance of the System, to anticipate or address the obsolescence of any portion of the System, or to respond to a Change in Law. All such System Modifications shall be financed and designed, built, procured, and implemented by the City.

2.4.2 Modifications at MWWD LMP Request

The MWWD LMP may propose that the City make System Modifications. All System Modifications proposed by the MWWD LMP shall be subject solely to the City's approval. The City has no obligation to accept the MWWD LMP's proposed System Modifications. If pursuant to a Change in Law, relief will be in accordance with MOU Section entitled Uncontrollable Events/Changes in Law.

2.4.3 Modifications Due to Changes in Law

When a Change in Law occurs, the City shall make all System Modifications necessary to permit the MWWD LMP to perform its obligations under the agreement. If a requirement for secondary treatment at the Point Loma Wastewater Treatment Plant is implemented by regulatory agencies, it shall be considered a Change in Law. The City and the MWWD LMP shall cooperatively evaluate alternate solutions and expeditiously address Changes in Law. Material operations and maintenance cost charges resulting from Changes in Law shall be out-of-scope and result in Budget Objective adjustments, unless otherwise specified.

2.4.4 Modifications by the City

The City may undertake System Modifications. If such modifications impair the ability of the MWWD LMP to meet the Regulatory Conditions, do not comply with this Bid, adversely affect the MWWD LMP, or impose additional cost, delay, liability, or obligation to the MWWD LMP, then a modification to the Bid shall be determined in good faith.

2.4.5 Procurement of System Modifications

The City may require that any System Modification be designed, built, procured, and implemented as a Metropolitan Wastewater Department public works project. If undertaken by the Metropolitan Wastewater Department or a third-party contractor, the MWWD LMP shall

cooperate and assist in the implementation of the System Modification, in accordance with Section 2.2.5 of this Bid.

After acceptance of this Bid, modifications to this agreement may be proposed by any party to this agreement as outlined in Section 1.4 of this Bid and resolved by mutual agreement and be authorized in writing.

2.5 System Repairs, Replacements and Major Maintenance Activities

2.5.1 In Scope Repairs or Replacements

In order to provide for a high level of System reliability and to continue the development of in-house expertise of the staff for work on specialized wastewater equipment, certain System repairs, refurbishments, and replacements shall be performed by the MWWD LMP staff. Examples of such repairs, refurbishments, and replacements are identified in Table 2.2. Expenses associated with these activities shall not be considered part of the Controllable Budget Objective, i.e., shall be treated as pass-through costs.

Table 2.2: In-House Repairs, Refurbishments, Replacements

Examples
Refurbishment of Wastewater Screens
Reconditioning of Pump Rotating Assemblies
Other Repair, refurbishment, or replacement activities as directed by the WWT&D Deputy Director

2.5.2 Infrastructure Asset Management (IAM) Reserve

There shall be an Infrastructure Asset Management (IAM) Reserve created and funded to support ongoing System maintenance (repair(s) and replacement(s)). The IAM Reserve may be used to fund non-capital repairs, replacements or refurbishments, or for capital requirements when Capital Funds are not readily available to meet the needs of the System for continuous operation. Any Reserve funds not expended at the end of one Fiscal Year, shall be transferred into the Reserve for the subsequent fiscal year for expenditure in succeeding years.

The MWWD LMP shall have the right to draw on Reserve funds to make infrastructure asset repair(s) or replacement(s), or for non-capital maintenance activity, such as the contract cleaning of digesters, routine pump refurbishment, or for any activity approved by the MWWD Assistant Director. The amount of the current year Appropriation transferred to the IAM Reserve shall be excluded from the Controllable (In-Scope) Budget Objective. Similarly, actual expenditures made from the Reserve (from current or prior year contributions) shall be excluded from the In-Scope Variance Calculation. The purpose of these exclusions is to remove any incentive for the MWWD LMP for attaining savings from planned System maintenance, thereby promoting the implementation of best industry practices in infrastructure asset management. Note that expenditures for labor and fringe benefits of the MWWD LMP

for activities associated with these asset repairs or replacements shall be charged to the Controllable Budget Objective (In-Scope) and not be charged to the IAM Reserve. To summarize, this IAM Reserve is designed to both (1) prevent deferring System maintenance by facilitating best industry practices in infrastructure asset management, and (2) stabilize budgets (Budget Objectives) from year to year by accommodating real world variances in annual maintenance funding requirements by providing a Reserve for deposit of funds in low-requirement years and a source of funds in high-cost years.

Each year, each Division of the MWWD LMP shall include a contribution to the IAM Reserve in its Controllable Budget Objective. The amounts for FY 2008 are presented in Table 2.3. Future year contributions may be amended, based upon documented analyses as part of the ongoing development of the MWWD Asset Management Program. These amendments should be incorporated into the normal budgetary process.

Table 2.3: FY 2008 Contributions to the Infrastructure Asset Management Reserve by Division

MWWD Division	Annual Contribution
Treatment and Disposal	\$ 4,000,000
Wastewater Collection	\$ 400,000
Envir. Monitoring and Tech. Services	\$ 400,000

3 BASIS OF BUDGET OBJECTIVES

3.1 General

The Basis of the MWWD LMP's Bid presented in Section 2 of this document summarized the responsibilities of the MWWD LMP. In essence, Section 2 presented the terms and conditions that define the duties and responsibilities of the MWWD LMP to the City. The Basis of the Budget Objectives in this Section 3 presents the key assumptions of each Division of MWWD LMP and the basis for computation of the costs comprising the Budget Objectives for each section. The following information is provided for each division of MWWD:

- ◆ Significant Planned Initiatives or Improvements
- ◆ Cost Assumptions
- ◆ Additional Opportunities Not Included in the Bid

3.1.1 Departmental Cost Assumptions

- ◆ The extent of the San Diego Wastewater System for the purpose of determining the Budget Objective for the MWWD LMP is defined in the Assumed Quantifiable System Definition (Appendix B).
- ◆ The salary and fringe benefits are based upon the City of San Diego's average compensation package for each job classification as defined by the Fiscal Year 2008 Budget. Any changes to the compensation package will result in an adjustment to the Bid.
- ◆ Provide levels of service consistent with those experienced by ratepayers in FY 2007.
- ◆ Incorporate in Budget Process the ability to include unfunded but approved FTEs to allow management of staffing levels.
- ◆ The total controllable budget objective assumed full funding of the staff positions identified in the MEO. Industry experts were firm that this level of funding was required to effectively run the wastewater utility. It is acknowledged that actual vacancy rates will not be zero, but that the time involved in filling vacancies will be reduced in the future by continuous personnel management improvements. Actual future vacancies will be accommodated by such measures as overtime and limited or temporary staffing arrangements not to exceed the total controllable budget.
- ◆ Approval of a consolidated MWWD LMP (Director's) Contingency at the Department level.

3.2 Wastewater Treatment and Disposal Division

3.2.1 Significant Planned Initiatives or Improvements

- ◆ Completion of Asset Management Program Development (2 years)
- ◆ "Champions" for energy and chemicals assigned to control costs.

3.2.2 Cost Assumptions

- ◆ Overtime Rate – 6.0 percent.
- ◆ Paid Industrial Leave, light duty and furlough rate – 1.0%
- ◆ Chemical and Energy Bid Costs at Current Rates
- ◆ Asset Management Plan and IAM Reserve Included

3.3 Wastewater Collection Division

3.3.1 Significant Planned Initiatives or Improvements

- ◆ Greater worker flexibility between work units
- ◆ Improve sewer cleaning quality:
 - ◆ Improved tool quality
 - ◆ More frequent cleaning training
 - ◆ Modify sewer cleaning QA/QC program
- ◆ Reduce cleaning requirements in low risk areas
 - ◆ Modify cleaning frequency decision process to better use available data
- ◆ Improve coordination, scheduling, and tracking of canyon activities
- ◆ Improve use of management tools to increase sewer repair productivity
- ◆ Optimize pump station maintenance program
- ◆ Review organizational design of sewer acceptance, warranty, and repair/replacement decision making and modify to increase coordination
- ◆ Eliminate assignment charges from Equipment Division for vehicles beyond useful life
- ◆ Redefine and reallocate operations engineering services that are being reduced in the WWC Bid
- ◆ Transfer additional sewer alarm monitoring functions and activities to current alarm contract.

3.3.2 Cost Assumptions

- ◆ Substantial reduction in overtime
- ◆ Paid Industrial Leave, light duty and furlough rate – 1.0%
- ◆ Streets SLA will continue and refocus after elimination of current backlog
- ◆ Algorithm for Collection System flow meters alarms will reduce false alarms by 90%

- ◆ Contingency for larger emergencies held at Department level
- ◆ WWC Bid does not include inspection and potential cleaning of Metro sewers
- ◆ Large diameter sewer inspection focusing on cleaning needs assessment (was not performed in FY06)
- ◆ A reduction in the quantity of motive equipment
- ◆ Claims against MWWDD will be paid at the Department Level
- ◆ No significant changes to existing permits and regulatory procedures are anticipated.
- ◆ In general, FY2006 service levels will be maintained

3.4 Environmental Monitoring and Technical Services Division

3.4.1 Significant Planned Initiatives or Improvements

- ◆ In-Sourcing “To-Be” Process Matrix to be followed
- ◆ Aggressive recruitment and hiring processes will eliminate delays in filling vacancies.

3.4.2 Cost Assumptions

- ◆ Overtime Rate – 1.5 percent.
- ◆ Paid Industrial Leave, light duty and furlough rate – 1.0%
- ◆ Overtime related to call-backs and/or emergencies such as spills or other events is in excess to the above baseline.
- ◆ Overtime associated with new and/or continued special projects, the waiver, and or other work beyond FY 2007 service levels will be determined on a case by case basis and will be out-of-scope.
- ◆ Mandated City training and meetings limited to no more than 40 hours per employee per year.
- ◆ Standby pay established to address operational needs may be addressed through a budget adjustment.
- ◆ EMTS Staff defines the Statement of Work and parameters for any new or renegotiated SLAs/contracts supported by the EMTS operating budget.
- ◆ Assumes NPE such as equipment, supplies and capital outlay associated only with FY 2007 service levels or as otherwise specified in this agreement.
 - ◆ Does not include NPE associated with non-regular or unforeseen replacement of equipment and/or maintenance that may be needed during the 5-year bid period.
- ◆ Assumes maintenance of existing vendor contracts for existing IT/LIMS/GIS applications.

- ◆ Assumes adequate annual funding of EMTS Division's IT needs budget request (including SDDPC labor costs for new technology implementation projects).
- ◆ Assumes MWWD continues its current policy of providing funding for network costs, standard hardware, software and other "department-wide resources."
- ◆ Assumes additional outlays associated with improved efficiencies such as programming to automate routine regulatory reporting requirements, equipment/instrumentation training, etc.
- ◆ Capital outlay and other NPE in FY 2008 indexed to inflation for subsequent years. Unspent capital outlay rolls over to next year total budget allocation.
- ◆ Cost increases from vendors treated as out-of-scope and budget adjusted proportionately.
- ◆ EMTS sets equipment and [analytical] software standards in conformance with standards required by or necessary to meet regulatory requirements.
- ◆ No significant changes to regulatory requirements affecting monitoring and reporting programs.
- ◆ Special projects and emergency response to continue at current levels.

3.5 Engineering and Program Management Division

3.5.1 Significant Planned Initiatives or Improvements

- ◆ Reorganization of the Long Range/Master Planning Section for Muni and Metro Facilities.
- ◆ Additional automation of the Collection System CCTV and condition assessment process.
- ◆ Creation of a Program Management section to oversee the management of MWWD CIP projects performed by a centralized Engineering Department.

3.5.2 Cost Assumptions

- ◆ Overtime Rate – 2.0 percent.
- ◆ Paid Industrial Leave, light duty and furlough rate – 1.0%
- ◆ City-wide BPR Process – Services not assumed to remain in MWWD will be provided at historic service levels and cost levels.
- ◆ Functions under review in the City-wide BPR Process include Design, Construction, Engineering Support to Operating Divisions, and Development Review.
- ◆ No funding for Secondary Treatment, contract services for inspection of force mains and interceptors, permit costs or contract services for support to operating divisions, mitigation, restoration, and canyon access design, implementation and easement acquisition.

3.6 Administrative Services Division

3.6.1 Significant Planned Initiatives or Improvements

- ◆ Consolidation of the Services & Contracts Division and the Information and Organizational Support Division into the Administrative Services Division.
- ◆ Centralization of the following functions: Budget Analysts, Payroll and Training within the HR section.
- ◆ Rate Case function transferred from Financing Services Dept. to the utility departments (Water & MWWD)
- ◆ Reductions: cut SDDPC positions to reflect centralized helpdesk and infrastructure services. Eliminated: 3 full-time and 4 part-time SDDPC positions, Program Manager now half-time.
- ◆ IT Budget Allocations: Applications, maintenance contracts and division specific projects are budgeted within the division
- ◆ Reduction: OES II SLA deleted
- ◆ Process Improvement: Addition of the Accident Review Committee to Safety's Accident Investigation

3.6.2 Cost Assumptions

- ◆ Overtime Rate – 2.0 percent.
- ◆ Paid Industrial Leave, light duty and furlough rate – 1.0%
- ◆ City-wide BPR Process
 - ◆ Certain Key Services Remain in MWWD
 - ◆ Services Not Assumed to Remain in MWWD will be provided at historic service levels and costs.
- ◆ Functions Shifting to Other Divisions:
 - ◆ COMNET
 - ◆ Engineering
 - ◆ Flow Metering

3.6.3 Additional Opportunities Not Included in the Bid

- ◆ Add management position for high visibility agreements

3.7 Other Metropolitan Wastewater Department and City Activities

The MWWD LMP is necessarily dependent upon other City departments to support the activities associated with the MWWD LMP's Bid. Appendix C lists all effective Service Level Agreements with such departments. Specific services to be provided by these agreements are

described in respective SLA documents available by contacting the Administrative Services Division Deputy Director.

It is important to note that SLAs are renegotiated relative to price and content each year. This agreement assumes timely renegotiation of all SLAs such that appropriate management of dependent activities (budget formulation, rate setting, etc.) is facilitated. Similarly, mutual SLA accountability is assumed relative to quality of services provided, consequences as to non-performance and meaningful dispute resolution processes.

4 DEFINITIONS AND INTERPRETATION

As used in this Bid, the following terms shall have the meanings set forth below:

"Agreement Date" means the date the MOU and Bid are executed by the parties hereto. The MWWD Bid to Goal Agreement Date is 7/1/2007.

"APCD" is the Air Pollution Control District having jurisdiction over the System.

"AWWA" is the acronym for American Water Works Association.

"Applicable Law" means any law, rule, code, standard, regulation, requirement, court decree, court order, court agreement, permit, action, determination, guideline, or order of, or any Legal Entitlement issued by, any professional or industry organization or society or any Governmental Body having jurisdiction, applicable from time to time to any of the activities associated with the construction, operation, maintenance or repair of the System; the collection, transmission, treatment, and disposal of wastewater; the production, transmission, storage and delivery of reclaimed water; the transfer, handling, transportation or disposal of residuals, and any other transaction, matter or obligations of the parties contemplated hereby, without limitation, any of the foregoing which pertain to water treatment, residuals, health, safety, fire, environmental protection, labor relations, and building codes).

"Assumed Quantifiable System Definition (QSD)" means detailed projections concerning various measurable characteristics that define the existing System under this Bid. The Assumed Quantifiable System Definition for the environment expected to be managed by the MWWD LMP, was developed for preparing the Bid. Significant changes in the Assumed Quantifiable System Definition values will impact the costs of providing services and are grounds for renegotiation of the Bid.

"Best in Class" means achieving the top performing quartile in relevant performance measures reported in the QualServe program.

"Bid to Goal MOU" means the Memorandum of Understanding (MOU) concerning the Bid to Goal offer of the MWWD LMP which was approved by the Mayor and City Council.

"Budget Objective" means the total annual compensation paid to the MWWD LMP to operate, maintain and manage the in-scope activities of the MWWD LMP in accordance with this Bid, for each fiscal year during the term of this agreement. The Budget Objective includes the in-scope costs of operations, maintenance and management, the Pass-through Costs, the contingency, and the allowance for inflation. The Budget Objective is the compensation the MWWD LMP will be paid for the services they provide, and shall not be changed, except as provided in the MOU and this Bid. Refer to Section 1.3 of this Bid for definition of the components of the Bid Objective, specifically the Controllable Bid Objective and the Pass-Through Bid Objective.

“CDHS” means the State of California, Department of Health Services.

“Change in Law” means generally any of the following events which occur after the agreement date:

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

"City" means the City of San Diego, California.

“CMUA” is the acronym for California Municipal Utilities Association.

“Code Compliance Inspection” means any inquiry into potential municipal, federal or state Code violations.

“Construction Reimbursable Services” means the services provided by the MWWD LMP for approved work on the System requested by a non-MWWD entity, such as a contractor or a developer, or another City department for which MWWD LMP costs are not reimbursed. The Water Enterprise Fund, the Metropolitan Wastewater Department, or the City may be reimbursed for Construction Reimbursable Services.

“MWWD LMP” means the Management Team of MWWD and the employees of the in-scope activities, as represented by Local 127 of the American Federation of State, County, and Municipal Employees (AFSCME Local 127), the San Diego Municipal Employees Association (MEA), and including other classified unrepresented employees.

“EPA” is the United States Environmental Protection Agency.

“Management, Operations and Maintenance” Service means the level of service identified in this agreement relative to appropriate decisions and actions required to run the System identified in the Assumed QSD at the specified service levels for the competitive Budget Objective presented.

“Mayor” means the Mayor or his/her Representative.

“MWWD” means the City of San Diego Metropolitan Wastewater Department.

“MOU” is the Memorandum of Understanding (MOU) concerning the Bid to Goal program of the MWWD LMP which was approved by the San Diego City Council.

"Notice to Proceed" means those written instructions issued by the City to the MWWD LMP, requiring the MWWD LMP to commence operation of the System.

“NPDES” means the National Pollutant Discharge Elimination System.

“Pass-Through Costs” means the amount equal to the actual and direct expenditures paid by the MWWD LMP for SLAs to other City departments, for capital expenses, for debt service, and for contributions to or expenditures from specified reserves.

“Prudent Industry Practice” means these methods, techniques, standards and practices which, at the time they are to be employed hereunder and in light of the circumstances known or reasonably believed to exist as such time, are generally accepted as prudent in the municipal water industry as practiced in the southern California region.

“Public records Act” means the California Public records Act codified at California Government code Section 6250 et. seq., as amended from time to time.

“Risk Management” is defined as the City of San Diego Risk Management Department.

“Routine Maintenance” is defined in the Performance Specification for Maintenance paragraph of the Bid.

“RWQCB” means the Regional Water Quality Control Board having jurisdiction over the System.

“Service Level Requirements” is defined as the primary service levels of core MWWD functions that must be maintained at current standards, or better, as provided in this Bid.

“Service Territory” means the City of San Diego, portions of San Diego County and all other territory in which customers are served by the Metropolitan Wastewater System during the term hereof.

“Sludge” means residual biosolids generated or treated by the System resulting from the treatment of wastewater.

“Solid Waste” means any material waste remaining from operations and maintenance, and administrative activities.

“Spill” means a discharge of sewage from a separate sewer system before the headworks of a wastewater treatment facility.

“State” means the State of California.

“System” means the infrastructure assets of the Metropolitan Wastewater Department which are included in the Assumed QSD.

“Uncontrollable Circumstance” means generally any of the events or conditions defined in the MOU and having a material and adverse effect on the performance by the parties of their respective obligations under this Agreement, or on its operation, maintenance or management of the System.

“Utilities” means any and all utility services and installations whatsoever (including gas, water, sewer, electricity, telephone, and telecommunications), and all piping, wiring, conduit, and other fixtures of every kind whatsoever related thereto or used in connection therewith.

APPENDIX A: MWWD LABOR-MANAGEMENT PARTNERSHIP ANNUAL PERFORMANCE REPORT

MWWD LMP

ANNUAL PERFORMANCE REPORT

FY XXXX

Date:

Submitted by:

I. Financial Performance

A. Variance Calculation:

Adjusted Controllable In-Scope Budget Objective _____

(Attach an explanation of any difference from MOU)

Less - Actual Controllable In-Scope Spending _____

(Attach an explanation of adjustments from official report of total MWWD execution to reach in scope spending)

Equals - Financial Performance Variance vs. the Controllable Budget Objective

A. Disposition of Variance

Make a statement as to the amount (if any) eligible to be deposited into the Employee Efficiency Incentive Reserve (EEIR). For the initial calculation, do not consider the \$10M cumulative cap since the residual value of the EEIR at the future time of deposit may not be known. However, if any cap related considerations are valuable to readers/auditors of the report, so note in a footnoted annotation.

For positive variance, follow MOU guidelines in the paragraph IV.C entitled Goal, subparagraph Accountability: Employee Efficiency Incentive Reserve and Resulting Operational Savings.

For negative variance, make default calculation per MOU paragraph V.B. entitled Administration of Agreement, subparagraph Termination for Default.

B. Deposit in Dedicated Reserve for Efficiency Savings (DRES)

Taking into account the above Disposition of Variance, present the calculation for deposit into the DRES.

II. Operations and Maintenance Performance

A. Key Performance Metrics

Report in tabular form the actual performance relative to the Key Performance Service Levels identified in MOU Table 1. (Include performance goal and actual performance. Cite official reports by title, date, and location of original. Attach copy if practical.)

B. Other Performance Indicators

1. Report in tabular form the actual performance for each of the performance measures selected annually per the division/section gainsharing program. (Include reference to or copy of specific support documentation.) Present the computation for gainsharing payout for each division (section if relevant).
2. Report in tabular form any additional performance measures of significance to management oversight. Include notes or annotations for such items as awards achieved and known or potential concerns for future performance along with recommendations for action.

C. Status of Reserve for Asset Repair and Replacement

Report Reserve balance, planned and actual spending over past year, disposition of unspent funds, future year planning (e.g., trends indicate that the Plan should be increased/ decreased as follow: w/ Rationale)

III. Narrative Description/Key Considerations/Recommendations

- A. (optional) Describe how Budget Objective and key performance indicators were met.
- B. Explain negative financial variances and MWWD Standards not met, including but not limited to those noted in above paragraph II. Include assessment of causal factors and recommended corrective measures, if needed.
- C. Discuss any unusual circumstances or assumptions not borne out and associated recommendations regarding future plans and execution.

Attachment_____

BID TO GOAL

ADJUSTMENT JUSTIFICATION FORM

(Include additional pages, if needed)

1. TYPE OF ADJUSTMENT (CIRCLE ONE)

Per MOU:

- Inflation in major NPE beyond appropriate consumer price indices;
- Mandated changes in service levels;
- Changes in Assumed Quantifiable System Definition described in the Bid, including increases in wastewater flow volumes significantly in excess of volumes projected in the system financing plans and significant detrimental changes in influent characteristics;
- Catastrophic breakdowns of major equipment or capital assets;
- Catastrophic acts of nature, terrorism or war
- Changes in Law
- Other (explain in detail)

2. ADJUSTMENT (a) CALCULATION and (b) JUSTIFICATION

(Cite and attach Assistant Director's Notice of Adjustment Materiality; expand if appropriate)

3. AMPLIFYING INFORMATION

(Cite and attach any related correspondence, minutes or meeting notes)

APPENDIX B: Assumed Quantifiable System Definition

Assumed Influent Conditions

The wastewater characteristics used as the basis for the proposal of the MWWD Labor-Management Partnership are documented in the following reports. Changes in these wastewater characteristics impacting the costs for providing the services are grounds for renegotiation of the Budget Objectives for providing the services in accordance with this Agreement.

- (1) *Annual Receiving Waters Monitoring Report for the Point Loma Ocean Outfall, 2005*
- (2) *Annual Receiving Waters Monitoring Report for the South Bay Ocean Outfall (South Bay Water Reclamation Plant), 2005*
- (3) *Point Loma Ocean Outfall Annual Monitoring Report 2005*
- (4) *South Bay Water Reclamation Plant and Ocean Outfall Annual Monitoring Report 2005*
- (5) *North City Water Reclamation Plant Influent Monitoring Data*

System Definition

The Quantifiable System Definition on the following table lists key aspects of the System for which services are to be provided. This table does not fully define the components of the System in detail. The actual "as-built" records on the Commencement Date are the authoritative definition of the System. The Projections section of the table presents the projections used to develop the Budget Objectives for the services in conjunction to the System. Changes in these projections are grounds for renegotiation of the Budget for providing the services in accordance with this Agreement.

Quantifiable System Definition

System Component	Notes	Unit	Actual			Projection					
			FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Member Agencies (including City of San Diego)	9	Each	16	16	16	16	16	16	16	16	
Municipal Customers (City of San Diego population served)	9	Each	1,263,950 (est.)	1,278,193 (est.)	1,287,623	1,297,028	1,306,412	1,315,838	1,327,837	1,342,375	
Total Customers (Metro Population)		Each	2,075,571 (est.)	2,103,075 (est.)	2,125,205	2,147,334	2,169,464	2,191,593	2,214,320	2,237,643	
Point Loma WWTP (Advanced Primary) (a, b, c)	12										
Capacity	1	mgd	240	240	240	240	240	240	240	240	240
Average Annual Flow (d)	2	mgd	185.2	172.9	183.4	185.2	187.3	188.3	189.4	190.5	
Point Loma Gas Utilization Facility											
Electrical Production Capacity	10	kW	7,120	7,120	7,120	5,920	5,920	5,920	5,920	5,920	5,920
Annual Electrical Production	11	kWh	37,597,086	37,300,389	37,250,000	36,959,500	36,669,500	36,378,500	36,088,000	35,797,500	
Digester Gas Engines		2	2	2	2	2	2	2	2	2	2
Energy Generator Peak Generator Unit		1	1	1	1	0.5	0	0	0	0	0
Hydro Unit		1	1	1	1	1	1	1	1	1	1
North City WRP (a, c)											
Capacity	1	mgd	30	30	30	30	30	30	30	30	30
Average Annual Influent Flow	2	mgd	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5
Average Annual Reclaimed Water Supplied		mgd	2.2	3.6	5.9	6.2	6.1	7.1	7.4	8.3	
EDR System (1.1 mgd)		unit	5	5	5	5	5	5	5	5	5
Privatized landfill gas facility	10	kW	3,800	3,800	3,800	4,750	4,750	4,750	4,750	4,750	4,750
South Bay WRP (a, b, c)											
Capacity	1	mgd	15	15	15	15	15	15	15	15	15
Average Annual Influent Flow (e)	2	mgd	4.7	4.5	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Average Annual Reclaimed Water Supplied (e)		mgd	0	0	7.0	7.1	7.2	7.3	7.4	7.4	7.4
Metro Biosolids Center (a, b, c)											
Digestion Capacity	1	mgd	9	9	9	9	9	9	9	9	9

Quantifiable System Definition

System Component	Notes	Unit	Actual			Projection				
			FY 2005	FY 2006	FY2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Dewatering Capacity	4	TPD	158	158	158	158	158	158	158	158
Digestion Influent Flow (e)	2	mgd	0.173	0.173	0.173	0.173	0.173	0.173	0.173	0.173
Dewatering Production	5	wet TPD	317.8	317.8	317.8	317.8	317.8	317.8	317.8	317.8
Privatized cogeneration facility	10	kW	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400
Pumping Station No. 2 (a, b, c)										
Capacity	6	MG	432	432	432	432	432	432	432	432
Average Annual Flow (d)	2	mgd	185.2	172.9	183.4	185.2	187.3	188.3	189.4	190.5
Force Main	7	miles	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Natural Gas Engine Pump Sets		each	2	2	2	2	2	2	2	2
Emergency Generator		each	1	1	1	1	1	1	1	1
Pumps		each	8	8	8	8	8	8	8	8
Pumping Station No. 1 (a, c)										
Capacity	6	mgd	153	153	153	153	153	153	153	153
Average Annual Flow (d)	2	mgd	65.6	60.5	69.4	70.5	71.5	72.6	73.1	74.1
Force Main	7	miles	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Pumping Station No. 64 (a, c)										
Capacity	6	mgd	60	60	60	60	60	60	60	60
Average Annual Flow (d)	2	mgd	24.6	23.2	24.9	25.2	25.4	25.7	26.1	26.4
Force Main	7	miles	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Pumping Station No. 65										
Capacity	6	mgd	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2
Average Annual Flow (d)	2	mgd	8.2	7.5	7.1	7.3	7.4	7.6	7.9	8.1
Force Main	7	miles	1.76	1.76	1.76	1.76	1.76	1.76	1.76	1.76
Pump Station 77A&B (a, c)										
Capacity		mgd	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8
Average Annual Flow (d)		mgd	no data	3.8	4.7	4.7	4.7	4.7	4.7	4.7
Emergency Generators		each	2	2	2	2	2	2	2	2
Force Main		miles	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3

Quantifiable System Definition

System Component	Notes	Unit	Actual		Projection					
			FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Pumping Station, East Mission Gorge (c) Capacity	6	mgd	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Average Annual Flow (operates during wet weather only)			flows are varied, average about 5 - 7 mgd of average daily flow on the rainy days							
	2	mgd								
	7	miles	8	8	8	8	8	8	8	8
Pumping Station, Penasquitos (a, c) Capacity	6	mgd	24	24	24	24	24	24	24	24
Average Annual Flow	2	mgd	6.9	5.2	9.4	9.5	9.6	9.6	9.7	9.7
Force Main	7	miles	5.01	5.01	5.01	5.01	5.01	5.01	5.01	5.01
Pumping Station, Otay River (b) Capacity (Wet well 1 only, 9A=Muni)	6	mgd	12	12	12	12	12	12	12	12
Average Annual Flow (g)	2	mgd	3.5	2.7	5.1	5.3	5.5	5.7	5.9	6.0
Emergency Generator		each	1	1	1	1	1	1	1	1
Force Main	7	miles	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Pumping Station, Grove Avenue (a, b, c) Capacity	6	mgd	18	18	18	18	18	18	18	18
Average Annual Flow (driven by reclaimed water demand/permits)	2	mgd	4.7	4.5	9.0	9.0	9.0	9.0	9.0	9.0
Emergency Generator		each	1	1	1	1	1	1	1	1
Force Main	7	miles	3.48	3.48	3.48	3.48	3.48	3.48	3.48	3.48
Siphons		Barrels	19	19	19	19	19	19	19	19
Diversion Structures (f)		each	68	69	70	71	72	73	74	75

Quantifiable System Definition

System Component			Actual		Projection					
	Notes	Unit	FY 2005	FY 2006	FY2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Gravity Sewer Mains (f)										
In ROW, Less than or equal to 24" (f)	7	miles	2,879	2,899	2,919	2,939	2,959	2,979	2,999	3,019
Outside ROW, Less than or equal to 24" (f)	7	miles	2,475	2,495	2,515	2,535	2,555	2,575	2,595	2,615
In ROW, Greater than 24" (f)	7	miles	213	213	213	213	213	213	213	213
Outside ROW, Greater than 24" (f)	7	miles	84	84	84	84	84	84	84	84
Collection System Pumping Stations (f)										
Wet Pit, Dry Pit (17 wet, 4 dry) (f)	9	Each	82	83	84	85	86	87	88	89
Submersible (f)	9	Each	34	34	34	34	34	34	34	34
Engine Generator Sets, Fixed (f)	9	Each	74	75	76	77	78	79	80	81
Engine Generator Sets, Mobile (f)	9	Each	2	2	2	2	2	2	2	2
Odor Control Systems, Activated Carbon (f)	9	Each	17	18	19	20	21	22	23	24
Force Mains (f)	7	miles	112	112	112	112	112	112	112	112
Maintenance Access Paths in Environmentally Sensitive Areas (f)	7	miles	187	197	207	217	227	237	247	257
Number of Lower Laterals (f)	9	Each	260,000	262,000	264,000	266,000	268,000	270,000	272,000	274,000
Miles of Lower Laterals (g)	9	Miles	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370
Air/Vacuum Relief Valves (g)	9	Each	218	218	218	218	218	218	218	218
Permitted Food Service Establishments	9	Each	4,556	4,556	4,556	4,556	4,556	4,556	4,556	4,556
Stormwater Interceptor Stations	9	Each	16	17	18	19	20	21	22	23
Flow Measuring Stations, Permanent	9	Each	138	146	146	146	146	146	146	146
Flow Measuring Stations, Temporary	9	Each		20	20	20	20	20	20	20
Industrial Wastewater Control Program	14									
Permitted Significant Industrial Users	9	Each	82	80	80	80	80	80	80	80
Permitted SIU Discharge Points	9	Each	185	185	185	185	185	185	185	185
Zero Discharge Categorical Permits	9	Each	37	37	37	37	37	37	37	37

Quantifiable System Definition

Management System Summary											
			Actual		Projection						
System Component	Notes	Unit	FY 2005	FY 2006	FY2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Additional Control Mechanisms	9	Each	1,601	1,601	1,601	1,601	1,601	1,601	1,601	1,601	
Large User Surcharge Meters	9	Each	213	217	222	226	230	235	240	245	
Ocean Monitoring Program	13										
Spatial Extent		sq. mi	375	375	375	375	375	375	375	375	
Sampling Stations	0	Each	210	210	210	210	210	210	210	210	
Total Annual Samples Analyzed	0	Each	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	
Collection System Main Replacement Program											
Main rehabilitation (g)	7	miles	1.86	0	20.10	16.34	65.50	25	25	25	
Less than or equal to 15" (g)	7	miles	29.25	22.51	8.52	6.09	0.85	14.63	16.33	16.50	
Greater than 15" (g)	7	miles	9.12	5.6	2.31	1.03	0	5.37	3.67	3.48	
Capital Improvement Program											
Construction Value Managed, Plants (\$M)	8	\$ Active	4.21	1.28	5.47	7.78	19.05	30.80	36.75	33.06	
Construction Value Managed, Pump Stations (\$M)	8	\$ Active	13.56	2.87	5.33	8.99	7.37	12.36	7.26	5.18	
Construction Value Managed, Main Replacement (\$M)	8	\$ Active	33.29	14.20	13.20	22.97	36.89	92.65	71.24	73.23	
Construction Value Managed, Rehab Mains (\$M)	8	\$ Active	0.16	0.21	7.30	28.3	31.5	22.5	22.5	22.5	
Construction Value Managed, Ancillary Facilities (\$M)	8	\$ Active	3.63	0.23	0	0	0.83	0.66	0.75	0.78	
Land controlled by MWWD		acres	595.7	595.7	595.7	595.7	595.7	595.7	595.7	595.7	
Buildings controlled by MWWD											
Alvarado Laboratory		each	1	1	1	1	1	1	1	1	
Naval Training Center Laboratory		each	1	1	1	1	1	1	1	1	

Quantifiable System Definition

System Component	Notes	Unit	Actual		Projection						
			FY 2005	FY 2006	FY2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Metropolitan Operations Center (all buildings)		each	1	1	1	1	1	1	1	1	
Mitigation and Restoration Land or Sites (g)		acres	8	21	15	34	20	15	13	8	

Notes:

- 1 - Permitted Capacity in million gallons per day
- 2 - Average Annual Flow (into facility or system) in million gallons per day
- 3 - Average Annual Influent Concentration in milligrams per liter
- 4 - Permitted Capacity in dry tons per day
- 5 - Average Annual Dewatering Production in dry tons per day
- 6 - Firm Rated Capacity in million gallons per day
- 7 - Length in miles
- 8 - Total Dollars in active design and construction projects
- 9 - Total number in system inventory as of August 1, 2006
- 10 - Total Electrical Generation Capacity in Kilowatts
- 11 - Total Annual Electricity Production in Kilowatt-hours
- 12 - Operates under the provisions of a Clean Water Act Section 310 (h) modified permit as amended by the Ocean Pollution Reduction Act (OPRA) of 1994.
- 13 - Reflects general NPDES permit required "Monitoring and Reporting Programs" for the Point Loma and South Bay ocean outfall regions; does not include additional ocean sampling, modifications to the programs, and/or implementation of special studies resulting from a scientific review by the Scripps Institution of Oceanography or per agreement and approval from the San Diego Regional Water Quality Control Board and USEPA.
- 14 - Program Modified by requirements of the PLWWTP CWA section 301(h) modified permit.
 - a - Distributed Control System
 - b - Engine Generator Sets, Ancillary Facilities
 - c - Screens
 - d - Flows were projected in terms 10-year return. Projected reclaimed water demands were incorporated in this projection. If reclaimed water demand decreases, flow will increase
 - e - Estimated by WWTD staff
 - f - Estimated by WWC staff
 - g - Estimated by EPM staff

APPENDIX C: SERVICE LEVEL AGREEMENTS

Dept. #	Service Provider Department
Administrative Services Division	
045	City Attorney
050	City Auditor
052	City Treasurer - Investments
890	Customer Srvc./Community Service Centers
056	Dept. of Finance - Debt Management
102	Purchasing & Contracting - Contracting/EOCP ¹
102	Purchasing & Contracting - Purchasing ¹
070	Real Estate Assets
760	Water Department
Environmental Monitoring & Technical Services Division	
758	ESD - Household Hazardous Waste
Engineering & Program Management Division	
5431	E & CP Field Eng. - Water & Wastewater – CIP
850	E & CP Water & Sewer Design – CIP
850	E & CP Water & Sewer Design - O&M ¹
449	Park & Recreation - Open Space Division
Wastewater Collection Division	
075	Development Svcs./ NCC-Graffiti Control
543	E & CP Field Division
757	ESD - Parking Lot Sweeping
538	GS - Station 38
534	GS - Street Division - Trench Restoration
110	Police Department
Wastewater Treatment & Disposal Division	
532	GS - Facilities Division
MWWD as Service Provider	
533	EMTS/WWC Services to Stormwater
534	WWC Services to Street Division - Low Flow Diversion

¹ SLA in development



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE
ISSUED: 5/15/2007

REPORT
NO:

ATTENTION: Council President and City Council

SUBJECT: Public Contract Operations (MWWD Department-wide Bid to Goal) Implementation

REFERENCE: Metropolitan Wastewater Bid to Goal Memorandum of Understanding

REQUESTED ACTION:

Ratify the MWWD Bid to Goal Memorandum of Understanding (MOU) and authorize the Mayor to approve and accept a responsible and responsive MWWD Labor-Management Partnership (LMP) Bid to encompass all MWWD operations and functions in an organization-wide Public Contract Operations (Bid to Goal) Agreement.

STAFF RECOMMENDATION:

Approve the requested action.

BACKGROUND:

In 1997, City Council authorized an innovative pilot Bid to Goal Agreement (Agreement) with the Metropolitan Wastewater Department (MWWD) Operations and Maintenance (O&M) Division for the operation and maintenance of certain wastewater treatment facilities through Fiscal Year (FY) 2003. In FY 2000, Amendment I to this Agreement was authorized to add remaining City of San Diego wastewater treatment infrastructure. Amendment II to this Agreement was approved in FY 2004 continuing the Agreement through FY 2007. A second Bid to Goal Agreement covering the Wastewater Collection (WWC) Division functions was subsequently approved for the period FY 2002-2007.

Since its inception, the Bid to Goal approach has demonstrated remarkable success as a strategy to optimize public sector service delivery utilizing the most appropriate features of both the public and private sectors. Over the past 9 years, significant improvements in the efficiency and effectiveness of relevant MWWD functions have been realized. In particular, baseline budgets were reduced by approximately \$120 million (avoided costs) and an additional \$70 million in audited savings (beyond benchmarked competitive budgets) were realized. Further, these efficiencies were accomplished with service level maintenance or improvements that included reductions of sewer spills from 316 in FY 2001 to 71 in FY 2006, while maintaining full regulatory compliance, receiving Association of Metropolitan Sewerage Agencies (AMSA) platinum and gold awards for performance, and becoming the first U.S. publicly-operated

wastewater department to achieve ISO-14001 certifications for Environmental Management Systems in WWC, O&M, and the Environmental Monitoring and Technical Services divisions. The O&M Bid-to-Goal Agreement received the International City/County Managers Association (ICMA) Program Excellence Award for Innovations in Local Government Management in FY 2002, and it was recognized in FY 2004 by the Ash Institute for Democratic Governance and Innovation associated with Harvard University's John F. Kennedy School of Government as the most significant government optimization initiative since Managed Competition.

This proposed renewed and expanded Bid to Goal Agreement is complementary to the recent MWWD Business Process Reengineering (BPR) effort that validated MWWD performance levels and developed a Most Efficient Organization (MEO). This Agreement maintains most of the elements of the two operative Agreements (both of which expire at the end of FY 2007), with the following significant refinements:

- Whereas the existing two Agreements cover the major collection, conveyance, treatment and disposal functions of MWWD, this successor Agreement consolidates those Agreements, updates benchmarked service levels, and expands the scope to include all support functions including environmental monitoring and technical services, engineering services, budgeting, information systems, and human resources management.
- Whereas key service levels are identified for a five year term and default provisions are identified in case budget or performance metrics are not sufficiently met (similar to current Agreements), a provision has been added to enable termination of the Agreement for convenience at any time after the initial year. This provision will provide flexibility for the City to pursue Managed Competition or other optimization measures if desired and deemed to be cost-effective.
- The two existing performance management systems (Pay for Performance and Assurance Program/Gainsharing) utilized to encourage savings from efficiencies beyond those identified in the Bid to Goal Budget Objective are consolidated and redesigned into a unified system that will better support the proposed, consolidated department-wide Agreement. The proposed Employee Efficiency Incentive Reserve is capped at \$10 million for the MWWD-wide Agreement, as opposed to the combined \$8 million cap for the two operative Agreements with coverage limited to MWWD's two major operating divisions.

City Council action is requested to ratify the successor MWWD-wide Bid to Goal Memorandum of Understanding to be effective commencing in FY 2008, and (consistent with past practice) contingent on the Mayor accepting a responsive and responsible LMP Bid which will provide clarification and details necessary to administer this Agreement. MWWD and the Labor Organizations have reached a tentative Bid to Goal agreement pending the City Council approval.

FISCAL CONSIDERATIONS:

MWWD's Department-wide Public Contract Operations Bid to Goal Agreement is projected to yield an estimated annual cost avoidance of \$20 million per year over the course of the five year agreement compared to projections made prior to implementing the BPR improvements and expanded Bid to Goal Agreement scope and provisions. Incentives and accountability provisions are incorporated to encourage efficiency savings beyond these projections.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

Two existing MWWD Public Contract Operations Bid to Goal Agreements and related Amendments derived via the Bid to Goal strategy were approved with MWWD's O&M and WWC Divisions. Both expire at the end of FY 2007.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Past Bid to Goal efforts and the proposed expansion to a department-wide agreement were discussed with the Public Utilities Advisory Commission in conjunction with presentations on the MWWD Business Process Reengineering process. As with former benchmarking efforts and Bid to Goal Agreements, ongoing performance results will be briefed in public forum at appropriate oversight venues.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Results of actions described above are intended and designed to deliver reliable, cost-effective services to the sewer system's ratepayers with reduced staff and associated expenses. This agreement also extends and maintains the ongoing labor-management partnership of the City of San Diego and participating labor organizations.

Originating Department

Deputy Chief/Chief Operating
Officer

REPORT TO THE CITY COUNCIL		
EXECUTIVE SUMMARY SHEET		
DATE REPORT ISSUED:	5/15/2007	REPORT NO.:
ATTENTION:	Council President and City Council	
ORIGINATING DEPARTMENT:	Metropolitan Wastewater (MWWD)	
SUBJECT:	Public Contract Operations (MWWD Department-wide Bid to Goal) Implementation	
COUNCIL DISTRICT(S):	Citywide	
STAFF CONTACT:	Margaret Wyatt x26467, MS 901 A	
<u>REQUESTED ACTION:</u>		
Ratify the Bid to Goal Memorandum of Understanding and authorize the Mayor to approve and accept a responsible and responsive MWWD Labor-Management Partnership (LMP) Bid.		
<u>STAFF RECOMMENDATION:</u>		
Approve the requested action.		
<u>EXECUTIVE SUMMARY:</u>		
In 1997, City Council authorized the first Bid to Goal Agreement (Agreement) with the Metropolitan Wastewater Department (MWWD). Currently, two divisions of MWWD have Agreements in place (through FY 2007). Over the past 10 years, the Bid to Goal approach has demonstrated remarkable success as a strategy to optimize public sector service delivery, promoting significant improvements in the efficiency and effectiveness of relevant MWWD functions. This proposed department-wide Agreement is complementary to the recent MWWD Business Process Reengineering (BPR) effort that validated MWWD performance levels and developed a Most Efficient Organization (MEO). While this Agreement maintains most of the elements of the two operative Agreements, significant refinements are included and addressed in the accompanying Report to Council. MWWD and the Labor Organizations have reached a tentative Bid to Goal agreement pending the City Council approval.		
<u>FISCAL CONSIDERATIONS:</u>		
MWWD's Bid to Goal Agreement is projected to yield estimated annual savings of \$20 million compared to projections made prior to implementing the MEO. Incentives and accountability provisions are incorporated to encourage efficiency savings beyond these projections.		
<u>PREVIOUS COUNCIL and/or COMMITTEE ACTION:</u>		
Two existing MWWD Bid to Goal Agreements and related Amendments were approved with MWWD's Operations & Maintenance and Wastewater Collection Divisions (both expire 6/30/2007).		
<u>COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:</u>		
Past Bid to Goal efforts and the proposed expansion to a department-wide agreement were discussed with the Public Utilities Advisory Commission in conjunction with presentations on the MWWD BPR process. Performance results will be briefed in public forum at appropriate venues.		
<u>KEY STAKEHOLDERS & PROJECTED IMPACTS (if applicable):</u>		
Results of actions described above are intended and designed to deliver reliable, cost-effective services to MWWD's ratepayers with reduced staff and expenses. This agreement extends and maintains the labor-management partnership of the City and participating labor organizations.		
Originating Department		Deputy Chief/Chief Operating Officer

FY 2008 Audit Results

Water and Wastewater Department's

Bid to Goal and Pay for Performance Programs

May 11, 2009

Goals & Description of Programs

- Delivers Quality Services & Savings to Ratepayers, increasing accountability and public trust of Water and MWWWD employees
- Develops Competitive Budgets that beats a Private Market Proposal (PMP) developed by industry experts
- Combines Bests Features of Private & Public Sector
- Serves as a Performance Measurement System that develops team-oriented goals for rate-payers benefits.

Other Important Aspects

Public employees are held accountable to a validated competitive standard.

- Employees are involved in attaining savings to ratepayers via goals that result in operational efficiency and effectiveness improvements.
- Additional Savings, beyond the private market proposal, are shared on a dollar-for-dollar basis between ratepayers and the Employee Efficiency Incentive Reserve (EEIR) Program
 - funds team-based Gainsharing payments
 - employee recommended reinvestments linked to improved operations and productivity
- **RESULTS:** *improved business awareness and meaningful workforce participation in allocating organizational resources*

POAC (B2G) Program History

- FY97: MWWD P4P Program Starts
- FY98: WWTD Division Initial Public Contract Operation Agreement (PCOA) (i.e. Bid to Goal)
- FY02: WWC Division PCOA
- FY05: Water Operations Division PCOA & P4P
- FY07: Water Customer Support Div. PCOA & P4P
- FY08: MWWD Dept-Wide PCOA
- FY10:(Target) Water Dept-Wide PCOA

Recent B2G Accomplishments

- ✓ WWTD: In FY1998, there were 373 positions. In FY2009, there were 290 positions with the Division.
- ✓ PRISC Study, funded with \$750,000 of Bid savings in CY06. Changing mix of chemicals = est. savings of FY09 \$1.7 mil.
- ✓ Sanitary Sewer Spills decreased 600% from CY2000-08 (i.e. 2000:12.5/100 miles of pipe: 2008; 2/100 miles of pipe).
- ✓ CSD: Same day service restoration: nearly 100% from 95%.
- ✓ Water Ops. In FY05, responded to reported service leaks w/in 2 days 69.7% of the time. In FY08, response time was 86.2%.
- ✓ Water Ops: B2G savings funded project added capability eliminating need to buy 4.5 MG/month of treated water. This saves \$118,000/year.

FY08 Payout Status

- Water Operations Division:
 - ✓ Currently in Final Year of a 5-Year Contract
 - ✓ FY 2008 Gainsharing Payout Made
 - ✓ FY 2008 Pay-for-Performance Payout Pending
- Water Customer Support Division
 - ✓ Currently in Year 3 of a 5-Year Contract
 - ✓ Termination only as a result of “default”
 - ✓ FY 2008 Payout Pending
- MWWD
 - ✓ Currently in Year 2 of 5-Year Contract.
 - ✓ FY 2008 Payout Pending

FY 2008 Financial Results

	Water/Ops	Water/CS	MWWD
BID	\$65,809,348	\$22,294,047	\$207,157,305
Actual	\$56,014,991	\$20,684,095	\$181,868,296
Savings	\$ 9,794,357	\$ 1,609,952	\$ 25,289,010
Percent	14.8%	7.2%	12.2%

FY 2008 Performance Results

	Water/Ops	Water/CS	MWWD
Total Goals	26	18	32
Goals Fully or Partially Achieved	22	13	28
Goals Not Achieved	4	5	4

Key Audit Findings & Recommendations

Water Operations

- Enhance the review of released encumbrances
- Conduct periodic internal audits of performance result
- Download SWIM DBs into Excel for easier review
- Improve communication with IT staff to be sure data is being captured correctly
- Increase individual accountability
- Follow the adopted goal criteria precisely

Key Audit Findings & Recommendations

Customer Support Division

- Enhance review of accounting information
- Precisely define goal achievement criteria, calculations and achievement
- Incorporate dynamic system changes in data collection, tracking and monitoring of goals
- Encourage periodic internal audits
- Continue to develop goals that proactively enhance productivity in key areas of focus for the Water Dept

Key Audit Findings & Recommendations

Metropolitan Wastewater

(First Dept-wide audit conducted for the new Bid)

- Prepare reconciliations of total expenditures, out-of-scope items and encumbrances released as part of the financial reporting
- Resolve contract issues with the Director's contingency
- Develop documentation for Department goals similar to that for Division goals

Looking Ahead

Water

- A department-wide PCO Agreement (B2G) is being developed

MWWD

- PCO amendments are being developed

Both PCO Agreements

- Will be presented to the City Council for review in July
- Are evolving toward a future joint Public Utilities PCO Agreement

Agenda Item 8

Biosolids Disposal Services

City of San Diego, Public Utilities Department

Amendment to Continue Biosolids Disposal Services Provided by San Diego Landfill Services

Presenter: Christopher McKinney, Deputy Director, Wastewater Treatment and Disposal Division

The Public Utilities Department submits for review and approval a Second Amendment to the Facility Franchise Agreement (FFA) for the Miramar Landfill. The Amendment would extend certain provisions of the Agreement for an additional five years to allow for continued collection, transportation, and disposal of biosolids processed at the Metropolitan Biosolids Center (MBC) by San Diego Landfill Systems, Inc. (SDLS). These services would continue through March 2015.

Background

In June 1999, the City of San Diego (the City) and SDLS entered into a FFA for the Miramar Landfill. Section 4 of that Agreement provided for a five-year period in which SDLS would collect, transport, and dispose of biosolids processed at the Metropolitan Biosolids Center (MBC). Prior to the end of the first five-year period in February 2005, the City and SDLS exercised their option in the Agreement and negotiated a five-year extension which will expire on February 28, 2010.

Action under Review

The City and SDLS have negotiated another extension to the Agreement for a second five-year term, beginning March 1, 2010, that provides for maximum beneficial use of biosolids. If the Amendment is ultimately approved, SDLS will continue to use land application and alternate daily landfill cover as its approved methods of beneficial biosolids use. Presently, SDLS is beneficially using 98% of the biosolids. If, in the future, alternative methods of beneficial use are identified, prior approval of the City shall be required before such methods or sites can be used by SDLS. The City has reserved the right to pursue its own alternatives, if such alternatives afford the City additional benefits in the use of biosolids.

Pending approval of the Metro Commission, the Public Utilities Department will request that the City Council increase the term of the contract by another five years and authorize \$1,725,000 within FY 2010 (approximately 1/3 of the annual cost of \$5,160,000, based on estimated 120,000 tons at current \$42.98/ton). The Second Amendment does not directly change the current cost of the ongoing collection, transport, and beneficial use of biosolids. However, the cost will potentially escalate in subsequent fiscal years through FY 2015 per the terms and conditions of the Franchise Agreement. Prices escalation is based on the Consumer Price Index for All Urban Consumers in Los Angeles-Riverside-Orange Counties. The FY 2010 price is \$42.98 per ton. The price in FY 2010 was compared to rates paid by other regional agencies for biosolids disposal and was determined to be competitive.

Agenda Item 9

Additional Sodium Hypochlorite Expense

City of San Diego, Public Utilities Department

Additional Funds Request for Sodium Hypochlorite Purchases

Presenter: Christopher McKinney, Deputy Director, Wastewater Treatment and Disposal Division

The Public Utilities Department submits for review and approval a request for authorization of additional expenditures for the purchase of sodium hypochlorite. City of San Diego Resolution R-304381 authorized expenditures of \$3,680,000 for sodium hypochlorite. Additional funds are necessary for unanticipated use of this chemical for wastewater partial disinfection at the Point Loma Wastewater Treatment Plant (PLWTP). The amount of the additional request is \$2,345,000 and would bring the total authorized amount to \$6,025,000. This amount would be sufficient for all Wastewater Treatment and Disposal (WWTD) Division facilities using sodium hypochlorite through March 2010.

Background

Sodium hypochlorite is a chemical used, among others, to disinfect wastewater and control odors. Use of this chemical for disinfection and odor control has remained fairly constant over the last two years at the North City Water Reclamation Plant, Metropolitan Biosolids Center, and five wastewater pump stations.

In FY 2009 the Metropolitan Wastewater Department, now a branch of the Public Utilities Department, began using sodium hypochlorite at the PLWTP for partial disinfection of treated wastewater. Partial disinfection was implemented at the PLWTP for two primary reasons: (1) the EPA reinterpreted guidelines concerning bacteria levels within 3 nautical miles of the coast, and (2) the Department anticipated that partial disinfection would likely be required with the next ocean discharge permit. Plant staff have increased the sodium hypochlorite dose for disinfection purposes from 8 ppm to 10 ppm during process startup. Staff may increase the dose to a maximum of 16 ppm, if disinfection needs warrant. The prior Council authorization for sodium hypochlorite purchases was based on estimates which did not anticipate the additional use at the Point Loma Wastewater Treatment Plant.

This request would increase the authorization for sodium hypochlorite purchases to allow the Department to maintain sufficient chemicals to meet the increased disinfection dose. There is no change in the approved vendor, Olin Chlor Alkali Products, or the bid price at this time. The bid price was last adjusted by +7.2% on April 1, 2009 due to increased commodity prices. This adjustment was made per Pricing Agreement 8070141-0, within bid terms.

Agenda Item 10

Point Loma Digester Cleaning

CITY OF SAN DIEGO
PUBLIC UTILITIES DEPARTMENT WASTEWATER BRANCH
September 16, 2009

Presenter: TBD

Background

Opened in 1963, the Point Loma Wastewater Treatment Plant (PLWTP) treats approximately 160 million gallons of wastewater per day generated in a 450 square mile area by more than 2.2 million residents. Located on a 40 acre site on the bluffs of Point Loma, the plant has a treatment capacity of 240 million gallons per day (mgd).

Eight digesters at the Point Loma Wastewater Treatment Plant use heat and bacteria to break down the organic solids removed from wastewater, similar to human digestion. Digesters can become partially filled with a bottom layer of settled grit and a top layer of floating scum. These accumulations reduce the active volume of the digesters and degrade their performance. When this happens, the digesters must be drained and deposits removed.

Effective removal of grit from wastewater in the headworks of plant is the best preventive approach in reducing the amount of grit entering the digesters. Similarly, separate processing of scum collected from the clarifiers, such as heating to rendering plant, can reduce scum accumulation in the digesters. However, grit and scum entering the digesters cannot be eliminated completely. Under standard operating procedures, the digested biosolids is removed and processed as usual. The remaining heavy material deposits in the digesters are then removed (usually manually) and handled separately.

The digester cleaning is an expensive and time consuming process. The digesters must be shut down to remove heavy inorganic material. The disposition of this heavy material will dictate the intensity of odors associated with the cleaning operation. Liquid separated from the material is typically drained and sent back to the plant headworks. The solids are held for further dewatering and subsequent disposal.

Proposed Project

The Public Utilities Wastewater Branch is requesting authorization to advertise, bid, and award a contract to the lowest responsible bidder for the Point Loma Wastewater Treatment Plant Digesters C1 and 8 Cleaning. The cleaning consists of the removal of sands, grit and debris from the digesters to maintain optimal digester capacity for the anaerobic digestion process.

Digester C1 was upgraded with a new roof in 2003, and Digester 8 was constructed in 2000; these digesters have not been cleaned since then. This work will improve plant operations and ensure the City meets all federal regulations required for Class "B" Biosolids. Postponement of digesters cleaning will result in accumulation of more grit and scum reducing the volume of sludge that the digester can process. Additionally, the scum blanket that forms on the top of sludge will affect the digester mixing and heating of the sludge. The heating/mixing system in an anaerobic digester is the most important part of sludge treatment process. Even small changes in

temperature may inhibit microbial performance which can cause reduction in digester gas production, and in the worst case, can cause foaming and digester failure.

Digester foaming is a common problem in anaerobic digesters. Digester foaming problems can range from being a periodic minor nuisance to a major problem leading to catastrophic failure of a digester structure. Foaming conditions that get out of control can block gas collections system and safety relief systems causing increased gas pressure high enough to lift a digester cover resulting in structural failure. Investigation of the digestion system reveals that the digesters are under loaded and they are being over mixed.

The \$3,863,000 total cost of this requested action is based on estimated three million gallons of non-digestible material accumulated within the two digesters. The actual material quantities will be determined after the cleaning contract is awarded and dewatering of digesters. The final contract value will be based on the actual quantities.

This requested action is for the approval to execute a contract with the low responsible bidder, to clean and remove solids from Digesters C1 and 8.

The total cost of this request is \$3,863,000 and is available in the Public Utilities Wastewater Operating Fund 700001.

The proposed schedule is as follows:

Schedule

- Council Action – October 2009
- Open Bid – January 2010
- Digesters C1 & 8 Cleaning – March 2010 thru July 2010

Agenda Item 11

Strategic Plan (Annual Retreat) Ad Hoc
Committee – Review of May 7, 2009 Meeting

A. Power Point Presentation

B. Summary Notes from the May 7 Workshop

C. Metro TAC 2009-2010 Work Plan

D. Purposes & Goals Power Point from
August JPA meeting



Metro Commission/JPA May 7th, 2009 Strategic Planning Workshop

Review and Follow-up Discussion

Oct. 1, 2009



Purpose of Agenda Item

1. Review the May 7, 2009 Workshop highlights, and agree on follow-up action items.
2. Attain consensus on the core elements of the MC/JPA's Strategic Plan.
3. Agree on Action Plan to finalize a Strategic Plan document.
4. Develop consensus as to the Metro TAC's Work Priorities, and note where they link to the Strategic Plan.



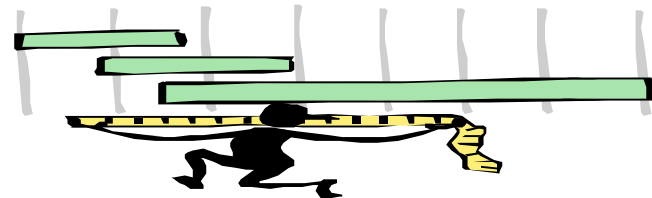


May 7th Workshop Highlights

1. Top Desired Outcomes of Workshop
2. Pre-Workshop Questionnaire – Top Themes
 - ✓ MC/JPA Mission: Assessment of progress
 - ✓ Strategic Goals: Assessment of Progress
 - ✓ FY10 Top Priorities
 - ✓ Five Year (2010-2014) Priorities
3. Current Reality Update
 - ✓ MC/JPA
 - ✓ Summary of Past Year
 - ✓ Financial Update
 - ✓ Metro TAC Workplan
4. Summary of Workshop Evaluations

Core Elements of Strategic Plan

1. Vision and Mission Defined
2. Strategic Goals (Key Areas of Focus)
3. Key Strategic Initiatives (Projects to Achieve Goals)





Mission Statement

“The Mission of the Metro Commission is to create an equitable partnership with the San Diego Mayor and 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.”

Five (5) Strategic Goals



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

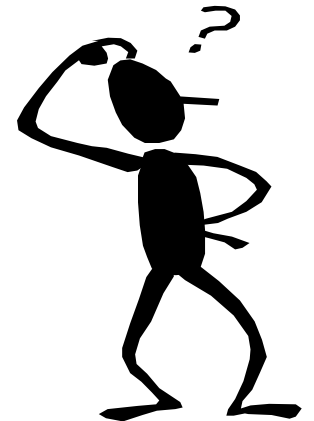


TAC-Related Priorities

1. State WDR's & WDR Recommendation Plan
2. The "No Drugs Down the Drain" Program
3. Fiscal-related Items
4. PLWWTP Waiver (and, Preparing for the future)
5. IPR Pilot Program(s)
6. Lateral Issues
7. Grease Recycling
8. Water Reduction - Impacts on Sewer Rates
9. Flushable Items that do not Degrade
10. Power Tariff

Agreements and Next Steps

1. Agreements?
2. Next Steps/Action Items?



Action Planning

Item #:	Action :	Date due:	Person held accountable:

Meeting Adjourned!



Metro Commission/JPA

Strategic Planning

**Summary of Workshop
Discussion Notes**

May 7, 2009

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Summary of May 7, 2009 Metro Commission/ Wastewater JPA Workshop

I. Introduction

The Metro Commission/Wastewater JPA Commissioners, Alternates and TAC members and Alternates and staff, participated in a “Strategic Planning Workshop” on May 7, 2009. This is a Summary of the Discussion Notes. The following were the top desired outcomes for the Workshop.

1. **Positive and Constructive Retreat:** Convene a forum for Metro Commission/Wastewater JPA members to develop clarity and alignment around the key strategic goals of the Metro Commission/Wastewater JPA. Develop enhanced Commissioner and Metro TAC member camaraderie, teamwork, focus and commitment to the tasks that lay ahead.
2. **Priority Development/Strategic Goals:** Develop the Fiscal Year 2010 priorities and Revisit/Refine the agreed upon 3-5 year Strategic Plan – Develop alignment of the immediate next steps, and the top short and long term strategies for pursuing MC/JPA Strategic Goals.
3. **Historical Perspective and Future Opportunities:** Ensure that new members have a better understanding of the issues, a common understanding of the history and accomplishments of the MC/JPA to-date, and possible regional leadership roles for the MC/JPA in the future

II. SUMMARY OF WORKSHOP SURVEY/RESPONSES/DISCUSSION

Facilitator John Gavares provided an overview of the survey responses noting that a pre-workshop survey was administered to the Metro Commission/Metro Wastewater JPA members/alternates and TAC members/alternates. Nineteen (19) surveys were returned and a summary of themes from the survey responses had been provided to all participants along with their meeting agenda.

Topics of the survey which had responses received were:

I. Desired Outcomes for the Strategic Planning Workshop

1. Develop Fiscal Year 2010 Priorities and a 3-5 Year Strategic Plan (16)
 - a. Prioritization for Fiscal Year 2010: Agreement of the PA's as to what issues will be focused on. (10)
 - b. Revisit/Refine/Agree-upon 3-5 Year Roadmap/Strategic Plan (6)
2. New Member Orientation (8)
3. Miscellaneous (5)

II. Metro Commission/Metro Wastewater JPA Mission

1. Responses to the Question "Are we achieving our Mission?"
Yes: 14 No: 1 Partially: 2
2. Responses to the Question "Are there areas we can improve upon?"
Yes: 11 No: 0

Comments received on how the JPA is achieving their mission:

Mission Successes:

1. Key Mission Successes included:
 - √ Exhibit E Annual Audit
 - √ CIP Project Involvement
 - √ Secondary Waiver Input
 - √ IROC is receptive
 - √ Has strengthened through the years
 - √ Receptivity of City of San Diego Staff to input, such as training of AP staff
2. Opportunities for greater leadership.
3. Opportunities for greater partnering.

Comments received on how to be even better:

Areas for Increased Mission-Focus:

1. Fair Rates: The issue of recycled water revenue going to the Water fund needs to be received.

2. We have an opportunity for even greater Leadership on Regional Wastewater Issues and Environmental Stewardship (e.g. IPR, Water Outfall, Recycled Water).
3. Partnership: Things could be smoother, easier, and a bit less difficult. Another opportunity!
4. Miscellaneous: Membership Roles can be clarified, and involvement increased!

III. Metro Commission/Metro Wastewater JPA Strategic Goals:

1. Responses to the Question “Are we achieving our Strategic Goals?”
Yes: 12 No: 2 Mostly: 3
2. Response to the Question “Are there areas we can improve upon?”
Yes: 5 No: 1 Mostly:

IV. Four (4) Strategic Goals:

1. Reduce costs and ensure fair rates.
2. Create alignment among the Metro Commission/JPA members.
3. Enhance positive/effective relations with the City of San Diego.
4. Create/sustain a positive image in the region.

Goal #1 REDUCE COSTS AND ENSURE FAIR RATES

Pluses

1. The City of San Diego is working hard to reduce costs.
2. We have avoided costs by not going to secondary treatment with the waiver approval.
3. MC Successfully provides financial oversight.

Even better if....(EBI's)

1. More Bid to Goal updates, and even a real private sector bid of WW functions.
2. Reducing costs for non-renewables like energy & water itself, through investment in alternative energy costs for infrastructure.

Goal #2 MC/JPA ALIGNMENT

Pluses

1. Interaction at both TAC and Commission levels has positively fostered regional PA alignment.

2. The MC/JPA provides a critical forum for sharing of resources/developing solutions to common agency issues.

Even better if....(EBI's)

1. Areas for increased cooperation and coordination exist
2. Small agencies should pay less, because they are small polluters, as compared to big entities.

Goal #3 RELATIONS BETWEEN PA'S AND CITY OF SAN DIEGO

Pluses

1. In general, we have good relations with the City of San Diego, even though there are some issues.

Even better if....(EBI's)

1. The issue of recycled water revenue going to the Water fund needs to be resolved.
2. There are issues and concerns regarding the City of San Diego's treatment cost and budgeting/audit process.
3. We have the capacity to have a stronger partnership.

Goal #4 CREATE A POSITIVE IMAGE

Pluses

1. We have a positive image in the region, even though we are relatively unknown.
2. Citizens do not know about the MC/JPA.
3. The City of San Diego's efforts for water re-purification and secondary treatment create a good image.

Even better if....(EBI's)

1. A regional presence would require a significant public relations effort.
2. There is anger over increased rates and meter connection fees and we may be able to help.
3. We should continue involvement at RWQCB and City of San Diego meetings, etc.

V. 2009-2010 Priorities

1. These priorities were listed based on the frequency that they were cited as a "Top 7 Priority." The mean score for each item is cited next to each item as well.
2. Promote regional recycled water production as a sustainable water resource. (16) (2.8)
3. Resolve financial issues with San Diego related to PA's committing reserve funds and debt service coverage to Metro. (14) (3.79)
4. Establish a policy of support for regional IPR/RA. (13) (3.46)

5. Monitor/participate in City of San Diego recycled water optimization study. (13) (4.0)
6. Assist City of San Diego in training accounting personnel and estimate a billing system to PA's. (12) (2.3)
7. Participate in San Diego's rate cases in 2009 and 2010, and in upcoming bond issues. (11) (3.9)
8. Resolve financial issues for revenue from reclaimed water sales. (10) (3.8)
9. Value high cost engineering projects. (7) (3.7)
10. Create legislative policy guidance for supporting our goals. (7) (4.86)
11. Promote regional FOG (Fats, Oils, Grease) program, and grease recycling. (6) (6.0)
12. Promote regional "No Drugs Down the Drain" Program. (5) (6.6)
13. Re-establish a communications program to community leaders/media. (5) (5.0)
14. Finalize PA leasing capacity policy. (4) (4.0)
15. Promote regulation program for elimination of non-degradable flushable cleaning items. (3) (5.7)
16. Develop strategy to combat devastation of the water infrastructure via radical environmentalism.

VI. 2010-2014 Priorities (5-Year)

These priorities were listed based on the frequency that they were cited as a "Top 5 Priority." The mean score for each item is cited next to each item as well.

1. Promote reg. recycled water production as a sustainable water resource. (16) (2.13)
2. Participate in ongoing waiver issues and monitor secondary treatment sites. (14) (1.94)
3. Develop a multi-year Strategic Plan document. (14) (2.71)
4. Establish Legislative Policy Guidelines. (11) (3.09)
5. Promote a regional FOG (Fats, Oils, Grease) Program and No Drugs Down the Drain Program. (9) (4.0)
6. Expand participation in outside organizations (E.G. SCAP, CASA, Water Reuse Association, etc.) (6) (4.0)
7. Expand participation in efforts to reduce pharmaceuticals in water. (6) (4.3)
8. Actively participate in the City of San Diego's ocean monitoring program. (3) (3.0)
9. Other:
 - √ Financial (5)
 - √ Pipelines & Regional Water Supply (3)
 - √ PA Leasing capacity Policy, if not done.
 - √ Develop strategy to combat devastation of the water infrastructure via radical environmentalism.

VII. Discussion

1. Chairman Robak noted that there was a great response rate to the survey.
2. Commissioner Caries stated that the survey documented that the JPA was on the right track, focusing on the right issues and still working on relations with the City of San Diego.
3. Vice Chairman Ewin stated the Regional Recycled Water issue needed to be a top priority, if it was not being done, the JPA needed to do it, taking an involved, leadership role. Further, that it was nice to have a process in place so as not to have to reinvent one each time new members came on board.
4. IROC Chairman Billings stated that IROC represents the Rate Payers, not the City of San Diego.
5. Metro JPA General Counsel de Sousa stated that when the Metro Commission was created, participation by the cities was wanted and needs to be reestablished that the JPA is an “asset” to the City of San Diego.
6. Facilitator Gavares responded that the City of San Diego values the input received from the MetroTAC and JPA and that the input is utilized and discussed by management team.
7. San Diego representative Barrett stated that the 4 goals emphasize recycled, reclaimed and do not exist by themselves, nor do they sustain expansion and he was not sure how the specific issue fits with the goals. The Metro has long standing financial issues as well as transportation, if concentration on fixing these long standing issues, the City of San Diego might be a bit more amiable to working with the PA's.
8. Alternate Commissioner Scalzitti stated that the customer did not know the difference between the City of San Diego and the Metro Commission, just that there was a water supply and treatment. Everyone needs to work together toward the same goal.
9. Vice Chairman Ewin stated that the Elected Officials needed to know their roles and determine or establish how independent they were, are, and confirm that their Council's give them the latitude needed to support the JPA in accomplishing their goals. When Mayor Sanders attends, the meeting should be designed so that Elected Officials are working with Elected Officials.
10. MetroTAC Chairman Huth responded to a comment by Mr. Barrett, stating that the JPA has an understanding that San Diego has needs as well as their own and the City of San Diego needed to recognize that the JPA's relationship was good; there have been few setbacks such as

the transportation issue. The environmental study coming out of the waiver process should have been discussed with the PA's prior to agreement as they should be seen as a partner, the largest customer of the group and both should continue to work together.

11. Commissioner Caires stated that there were longstanding issues in need of resolving such as the transportation agreements and the JPA needed to commit to moving in a direction to resolve these.

VIII. CURRENT REALITY UPDATE

Note: Due to technical difficulty with the projector, the MetroTAC Work plan was heard first followed by the Summary of the Past Year and the Financial Update.

1. SUMMARY OF PAST YEAR: Augie Caires.

Commissioner Caires delivered a presentation on the 2008-2009 Fiscal Year activities of the Metro Commission/Joint Powers Authority. He noted the following:

- The year had been smooth, quiet, routine and successful. This was the 11th year for the JPA.
- The work model of Projects and Programs – TAC; Engineering – PBS&J, Financial Audits – Karyn Keese & Doug Wilson and Approvals – Metro Commission/Joint Powers Authority Committees & Commissions had been successfully followed.
- The cost to the PA's has been under \$250,000 per year.
- Internal organization changes including new Administrative Assistant, Chair and Vice Chair and five new Commissioners.

BIG ISSUES:

a. Waiver of Secondary Treatment

- 5 Year Reprieve
- Delays up to \$1.5 billion cost
- Political Fallout

b. Audits

- Getting Back on Tract
- 2005/2006 Resulted in a \$10.9 million Credit
- 2006/2007 and 2007/2008 are in Process
- Budget: PA's share is \$64 million

c. Return to Credit Markets

- New Money in the amount of \$14.5million
- Retire private debt of \$224 million
- Refunding of \$500 million
- PA's Benefits:
- Timely CIP Funding
- SRF Program Augmentation
- Credit Rating of AA-

d. IPR Pilot

- \$11.8 million San Diego Ratepayers
- 1MGD Pilot Capacity
- DPH Monitoring
- Meaningful Economic Benefit
- Pioneering Effort

e. MWWD Strategic Business Plan

- Excellent guiding document
- TAC review and comment
- PA's are key stakeholders
- Plan has been implemented

f. IROC Annual Report

- Focus:
 - Efficiency
 - Effectiveness
 - Performance
 - Vulnerability
 - Rate Integrity
 - Future Perspective
- Key Recommendation:
 1. Move to full IPR/RA
 2. Prepare alternatives if future waivers are denied
 3. Allocate resources to reduce wastewater spills
 4. CIP optimization
 5. Assess System Vulnerabilities
 6. Be on cutting edge of wastewater treatment technologies
 7. Find beneficial uses for biosolids
 8. Continued emphasis on green technology

SMALLER ISSUES

- Statewide Sewer System Management Plan (SSMP)
- Recycled Water Optimization Study
- Bid to Goal Program & Audit

- Transportation Agreements – Only two (2) of the PA's had approved theirs
- Operating Reserves &: Debt Financing
- Capacity Leasing Concepts
- Capacity Valuation Study
- Recycled Water Pricing
- Inflow/Infiltration Study
- Consolidation of Water & Wastewater Departments
- Southern California Coastal Water Research Project
- Analysis of Flushable Items

2. FINANCIAL UPDATE: Ernie Ewin

Vice Chairman Ewin provided an introduction and overview of the AdHoc Finance Committee roles, responsibilities and accomplishments.

Purpose

- The Committee was formed to monitor the Metropolitan Wastewater Division (MWWD) finances.
 - Since 2003 MWWD had not been able to enter the bond market to finance capital projects
 - The City of San Diego was not current on their audits from 2003 to present until March 2009
- Exhibit E audits are still outstanding
 - 2007 and 2008

History of Exhibit E Audits

- Exhibit E Annual savings to PA's that more than covers annual Metro JPA costs.
- Average returned to PA's is \$3.9 million per year since 1996
- 2006 audit results returns \$10 million to PA's

Total Billed Versus Actual Costs Graphic provided in handout

2009 Ad Hoc Finance Projects

- Engaged in MWWD 2009 Series A and B Bond issues
 - Series A priced on May 5, 2009
- Closeout of 2006 Exhibit E Audit (complete)
 - Return to PA's of \$10 million
- Engaged in 2007 and 2008 Exhibit E Audits (ongoing)
- Engaged in reclaimed water revenue discussions (ongoing)
- Engaged in MWWD request for operation reserves and debt coverage issues (ongoing)

JPA Secretary and MetroTAC member Scherer noted that at one time the City of San Diego had to postpone construction projects due to bonding issues and the PA's were concerned with potential construction costs – that was the Finance Ad Hoc Committee's only charge.

MetroTAC Chairman Huth stated that construction costs, due to the economy were not accelerating as in the past. The economy and timing were providing benefit to the PA's projects.

3. METROTAC WORKPLAN: Scott Huth

MetroTAC Chairman Huth presented the 09-10 Work Plan-Top 10 Items

1. State WDR's & WDR Recommendation Plan

The Waste Discharge Requirements (WDRS0, 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) by a certain date, based on population served. The SSMP covers the operations, maintenance, capacity and management of the collection system. One specific component of the WDR's is to develop a communications plan for staff and the public. The MetroTAC went to work together on these items to develop uniform Sump's for the PA's.

2. "No Drugs Down the Drain"

The State has initiated a program to reduce pharmaceuticals entering the wastewater flows. The MetroTAC will monitor proposed legislation, coordinate regional disposal events, and develop educational tools for the public.

3. 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 PA's. Current items include debt finance and reserve coverage issues, recycled water credits, annual audits, and quarterly billings.

4. PLWWTP Waiver

The City of San Diego is attempting to acquire a new 5 year waiver to operate PLWWTP at advanced primary. The MetroTAC will continue to monitor the process and provide support when appropriate. Also, MetroTAC wants to participate in the recycled water study that is a requirement of a settlement with environmental groups in exchange for their support of the waiver.

5. IPR Pilot Program(s)

The San Diego City Council directed the Mayor to pursue an Indirect Potable Reuse (IPR) pilot program to replenish potable water sources with reclaimed water. The MetroTAC wants to monitor and participate in this process to understand the project, offer input, and ensure that the PA's are fairly represented.

6. Lateral Issues

Sewer laterals are owned by the property owners they serve, yet laterals often allow infiltration and roots into the main line causing maintenance issues. As this is a common problem among PA's, the MetroTAC will gather statistics from national studies and develop solutions.

7. 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 PA's.

8. 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.

9. Flushable Items that do not Degrade

Several PA's 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.

10. Power Tariff

Power companies are moving to a peak demand pricing scheme which negatively impacts PA's 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 PA's.

IX. DEVELOPMENT ALIGNMENT REGARDING TOP THEMES/PRIORITIES (Action Planning Activity)

1. Priority Teams Established

- a. Recycled Water (1,3,4)
- b. Financial (2,5,6,7,13)
- c. Legislative (9)
- d. Public Image (10,11,12,14)
- e. Value Engineering (8)

a. Recycled Water

1. How will you know if we are successful in achieving this Strategic Initiative in Fiscal Year 2010?

1. Get at table with City of San Diego to evaluate the reuse of water
2. Look at reuse regionally, not just San Diego boundaries, include all PA's
3. Public education

2. Develop a DRAFT "Project Plan"

1. Most Responsible Person (MRP's)/Team Members:

MetroTAC active committee, JPA Ad Hoc Committee, City of San Diego, IROC

2. What are the top 3 Phases for this Initiative in Fiscal Year 2010 (E.g. Readiness Development, Data-Gathering, etc.)

1. Recycled water study
2. Results of IPR pilot study

3. Achievements/Deliverables by Quarter: Cannot accomplish in 1 year.

4. Date/Time/Place and Attendees of first meeting(s) (if Appropriate): No response provided.

5. Other Comments: None provided.

b. Financial

1. How will you know if we are successful in achieving this Strategic Initiative in Fiscal Year 2010?

1. If all parties can agree on a fair and equitable cost.

2. Develop a DRAFT "Project Plan"

1. Most Responsible Person (MRP's)/Team Members:

Vice Chairman Ewin and his Finance Ad Hoc Committee are ready and available to assist the JPA to help resolve all issues and reach consensus as needed.

2. What are the top 3 Phases for this Initiative in Fiscal Year 2010 (E.g. Readiness Development, Data-Gathering, etc.): None provided.

3. **Achievements/Deliverables by Quarter:** No response provided.
4. **Date/Time/Place and Attendees of first meeting(s) (if Appropriate):** No response provided.
5. **Other Comments:** None provided.

c. Legislative

1. How will you know if we are successful in achieving this Strategic Initiative in Fiscal Year 2010?

1. Policy's in place
2. Reaffirmed/Revised Mission Statement
3. Action plan/someone lobbying on our behalf
4. Regular updates

2. Develop a DRAFT "Project Plan"

1. Most Responsible Person (MRP's)/Team Members:
MetroTAC Chair, General Counsel, Metro JPA Chair

2. What are the top 3 Phases for this Initiative in Fiscal Year 2010 (E.g. Readiness Development, Data-Gathering, etc.)

1. Strategic planning development.

3. Achievements/Deliverables by Quarter:

1st Qtr: Revise & Confirm or revise Mission statement
(**agendize and have JPA approve**)
Identify levels of legislative activity
(**Local – City of San Diego; Regional – County Board;
State Board – State & Legislative, Coastal Commission;
Federal – EPA**)

2nd Qtr: Goals that flow out of the strategic planning session and the
other Priority Teams
(**to JPA to go back to their Councils**)

3rd Qtr: Action Plan – Resources
(**to Participating Agencies**)

4th Qtr: Start implementing.

4. Date/Time/Place and Attendees of first meeting(s) (If Appropriate): No response provided.

5. Other Comments: None provided.

d. Public Image

1. How will you know if we are successful in achieving this Strategic Initiative in Fiscal Year 2010?

1. Increased public awareness of JPA
2. Media Hits
3. Tie together other initiatives to promote accordingly

2. Develop a DRAFT “Project Plan”

1. Most Responsible Person (MRP’s)/Team Members:
Metro JPA Chair

2. What are the top 3 Phases for this Initiative in Fiscal Year 2010 (E.g. Readiness Development, Data-Gathering, etc.)

1. Reappoint a Communications Ad Hoc Committee

3. Achievements/Deliverables by Quarter:

1st Qtr/2nd Qtr/3rd Qtr/4th Qtr:
Ad Hoc Committee to determine

4. Date/Time/Place and Attendees of first meeting(s) (If Appropriate): No response provided.

5. Other Comments: None provided.

e. Value Engineering

1. How will you know if we are successful in achieving this Strategic Initiative in Fiscal Year 2010?

1. We are in agreement with projects MWWD are bringing forward
2. We know MWWD’s project development process and have been able to provide changes as needed

2. Develop a DRAFT “Project Plan”

1. Most Responsible Person (MRP’s)/Team Members:
MetroTAC Chair Huth, Padre Dam TAC member Brown, PBS&J representative Keese, Chula Vista TAC member Newton, JPA Member Mosier

2. What are the top 3 Phases for this Initiative in Fiscal Year 2010 (E.g. Readiness Development, Data-Gathering, etc.)

1. Set a threshold
2. Have an annual review process with presentations from City of San Diego and Consultant (PBS&J) and have JPA provide input

3. Achievements/Deliverables by Quarter:

1st Qtr: Develop threshold for using value engineering for small, medium and large

2nd Qtr: Have MWWD annual review of the project development process to include what they are doing in the area of value engineering

3rd Qtr: Further define opportunities for TAC/JPA input into MWWD's process

4th Qtr: None provided

4. Date/Time/Place and Attendees of first meeting(s) (If Appropriate): No response provided.

5. Other Comments: None provided.

Summary of Evaluation and Input Forms

May 7, 2009 Strategic Planning Meeting

I. Workshop Rating: The rating of the workshop, on a scale of 1 to 5, (1 being a waste of time; 5 being “Very Successful”), was a **3.96**. The distribution of ratings was: Three 5’s; One 4.5’s; Four 4’s; Zero 3.5’s; Three 3’s, and; Two 2’s.

II. What did you like most about the workshop?

1. Accomplishments (7)

- ✓ Action Items were good. Look forward to having a Strategic Plan Document developed.
- ✓ Came out with good action plan.
- ✓ Review of overall priorities of the JPA and TAC
- ✓ Open discussion of recycled water opportunities and priority—Good to see alignment of JPA on that issue (2)
- ✓ Good information.
- ✓ Seeing different viewpoints was valuable.

2. Good Design and Use of Time (7)

- ✓ Put a lot of action into a small amount of time.
- ✓ On time – Well focused
- ✓ Short and succinct.
- ✓ To the point.
- ✓ Shorter was better.
- ✓ John did a good job
- ✓ Narrow scope

3. Location (5)

III. What could have been improved?

1. More time for discuss plans/priorities for future years (2)
2. It was fine. Nothing, but (diet coke too!) (2)
3. More JPA members should have spoken about their thoughts
4. On –site parking?
5. A prettier location – not ☺

IV. What suggestions do you have for successful follow-up and follow-through on concepts discussed at the session?

1. Do this three times a year, as a review. These meetings can be one hour longer.
2. None (3)
3. Let's get it done and people were engaged. After we narrow the # of focus items then pursue. (2)
4. Just make sure we get a written accounting of salient points discussed.
5. Discuss consolidation of SD + PA's Water & Wastewater Departments to improve efficiency and eliminate inter-jurisdictional conflicts.
6. More caffeine, less sugar

V. Other Comments

1. Well done! Great Location, Good Food, Thank you. Great Job to John Gavares & rest of the meeting planners. John did a nice job. Lori did great pulling it together. (5)
2. At the next JPA meeting we should do a recap and see if we can put the priorities in to a work plan.

MetroTAC
2009/2010 Work Plan – Top 10 Items

Title	Description
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) by a certain date, based on population served. The SSMP covers the operations, maintenance, capacity, and management of the collection system. One specific component of the WDRs is to develop a communications plan for staff and the public. The MetroTAC wants to work together on these items to develop uniform SSMPs for the PAs.
“No Drugs Down the Drain”	The state has initiated a program to reduce pharmaceuticals entering the wastewater flows. The MetroTAC will monitor proposed legislation, coordinate regional disposal events, and develop educational tools for the public.
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. Current items include debt finance and reserve coverage issues, recycled water credits, annual audits, and quarterly billings.
PLWWTP Waiver	The City of San Diego is attempting to acquire a new 5 year waiver to operate PLWWTP at advanced primary. The MetroTAC will continue to monitor the process and provide support when appropriate. Also, MetroTAC wants to participate in the recycled water study that is a requirement of a settlement with environmental groups in exchange for their support of the waiver.
IPR Pilot Program(s)	The San Diego City Council directed the Mayor to pursue an Indirect Potable Reuse (IPR) pilot program to replenish potable water sources with reclaimed water. The MetroTAC wants to monitor and participate in this process to understand the project, offer input, and ensure that the PA's are fairly represented.
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 PA's, 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.
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.
Flushable Items that do not Degrade	Several PA's 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.
“Power Tariff”	Power companies are moving to a peak demand pricing scheme which negatively impacts PA's 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.



METRO COMMISSION / JOINT POWERS AUTHORITY

Purposes & Goals

Ernie Ewin
Vice Chair



Financial:

1. Control Metro costs
2. Ensure fair and equitable rate system
3. Annually audit Metro financials
4. JPA may engage in joint financing activities



Policy:

5. Maintain waiver of secondary treatment
6. Promote water recycling and indirect potable reuse (IPR)
7. Promote regional wastewater governance



Monitoring / Oversight:

8. Review/approve Metro CIP projects and programs
9. Commission shall advise the City on Metro issues
10. Participate on the "Independent Rates Oversight Committee"
11. Monitor legal and regulatory compliance



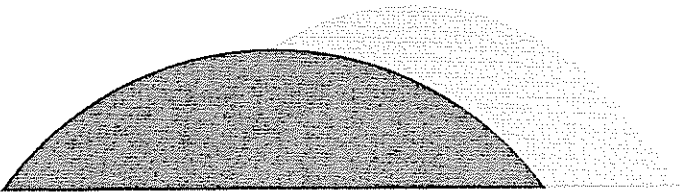
Communications:

12. Communicate with political and community leaders regarding wastewater issues



Organizational:

13. Inform PA's individually and collectively on matters regarding the Metro system
14. Create alignment among the Commission/JPA members
15. Enhance positive/effective relations with San Diego



Organizational continued...

16. Create/sustain a positive image in the region
(of the Commission and JPA)
17. Establish Rules of Conduct and meeting
schedule for Commission and JPA

QUESTIONS?

Agenda Item 12

2010 Meeting Calendar

**Metro Commission/Metro JPA
and
MetroTAC Committee**

2010 Meeting Schedules

**METRO COMM/METRO JPA
1st Thursday of the month**

**METRO TAC
3rd Wednesday of the month**

December 3, 2009	12:00 – 1:00	December 16, 2009	11:00 – 1:30
January 7, 2010	12:00 – 1:00	January 20, 2010	11:00 – 1:30
February 4, 2010	12:00 – 1:00	February 17, 2010	11:00 – 1:30
March 4, 2010	12:00 – 1:00	March 17, 2010	11:00 – 1:30
April 1, 2010	12:00 – 1:00	April 21, 2010	11:00 – 1:30
May 6, 2010	12:00 – 1:00	May 19, 2010	11:00 – 1:30
June 3, 2010	12:00 – 1:00 (SANDIST meeting immediately following)	June 16, 2010	11:00 – 1:30
July 1, 2010	12:00 – 1:00	July 21, 2010	11:00 – 1:30
August 5, 2010	12:00 – 1:00	August 18, 2010	11:00 – 1:30
September 2, 2010	12:00 – 1:00	September 15, 2010	11:00 – 1:30
October 7, 2010	12:00 – 1:00	October 20, 2010	11:00 – 1:30
November 4, 2010	12:00 – 1:00	November 17, 2010	11:00 – 1:30
December 2, 2010	12:00 – 1:00	December 15, 2010	11:00 – 1:30

**Meetings are held at
MWWD MOC II Auditorium, 9192 Topaz Way, SD, CA 92023
(*unless otherwise noted on the agenda*)**