



Metro Finance Committee
(Finance Advisory Committee to Metro JPA)

TO: Finance Committee Members and Metro Commissioners
DATE: Wednesday, June 29, 2011
TIME: 8:30 a.m.
LOCATION: Atkins Global, 9275 Sky Park Court, Suite 200, San Diego*

* The location and time of future meetings is subject to change

THIS NOTICE HAS BEEN DISTRIBUTED TO THE METRO COMMISSIONERS AND FINANCE COMMITTEE MEMBERS.

1. Roll Call
2. Public Comments
Persons speaking during Public Comment may address the Metro Finance Committee on any subject matter within the jurisdiction of the Metro Finance Committee 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 meeting.
3. Approval of Minutes from the May 25, 2011 Finance Committee Meeting (**Attachment**)
4. Review of Items to be Brought Forward to the Metro Commission/Metro JPA
 - A. 2011 Year End Projections (**Attachment**)
 - B. 2012 Metro Operating and CIP Budget (**Attachment**)
 - C. Fourth Amendment to Metro JPA Treasurer's Service Agreement with Padre Dam Muni Water District (**Attachment**)
 - D. JPA Fiscal Year 2011 Potential Audit
5. Other Business of the Finance Committee
6. Adjournment

The Metro Finance Committee may take action on any item listed on the Agenda whether or not it is listed "for action".

Materials provided to the Metro Finance Committee related to any open-session item on this agenda are available for public review by contacting Karyn Keese (858)514.1008 during normal business hours.

Finance Committee 2011 Meeting Schedule

| | | |
|-------------|-----------|--------------|
| January 26 | May 25 | September 28 |
| February 23 | June 29 | October 26 |
| March 23 | July 27 | November 30 |
| April 27 | August 31 | December 28 |

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

The Metro Finance Committee requests individuals who require alternative agenda format or special accommodations to access, attend, and/or participate in the Metro Finance Committee meetings, contact Margaret O'Donnell at (619)525.1354, at least forty-eight hours in advance of the meetings.

Agenda Item 3



**Metro JPA Finance Committee
May 25, 2011
Draft Minutes**

Meeting called to order: 8:34 a.m. at Atkins Global Offices, 9275 Sky Park Court, San Diego, CA 92101 by Committee Chairman Ovrom.

1. Roll Call

Attendees:

Al Ovrom, Committee Chairman, Metro Wastewater JPA Finance Committee
Merrilee Boyack, Vice- Chair, Metro Wastewater JPA Finance Committee
Augie Caires, Committee Member
Louis Natividad, Committee Member
Ed Spriggs, Committee Member

Support Staff:

Karen Jassoy, Treasurer
Karyn Keese, PBS&J
Brooke Miller, BBK

City of San Diego Staff:

Edgar Patino, Public Utilities Department (PUD)

General Public:

There were no general public members.

2. Public Comment

There was no public comment.

3. Approval of Minutes from the February 23, 2011 Finance Committee Meeting

Upon motion by Committee Member Natividad, seconded by Committee Member Caires, the February 23, 2011 Regular Meeting Minutes were approved unanimously.

4. Metro Wastewater Financial Update

Mr. Patino reported that the PUD staff is in the process of preparing a projected fiscal year 2011 year-end financial report as well as finalizing the fiscal year ending 2012 budget. It is staff's goal to present the Metro portion of both reports to the Finance Committee at their June 2011 meeting.

5. Amendment No. 1 to PBS&J 2011 Contract (Name Change to Atkins and Change of Scope)

Ms. Keese reviewed the Amendment for the Committee. The first part of the Amendment is to change PBS&J's name on their fiscal year 2011 contract from PBS&J to Atkins North America, Inc. The acquisition of PBS&J by Atkins was effective April 1, 2011. The second part of the Amendment is a request for \$16,418 in additional funding. During FYE 2011 several projects have arisen for which MetroTAC has requested additional support from PBS&J that were not anticipated in the original scope of work. Specifically, PBS&J staff has been supporting the review and commenting on the City of San Diego's Recycled Water Study which includes attending status update meetings, attending workshops, reviewing technical memoranda, soliciting and compiling comments from the PA's on the technical memoranda, planning and attending strategy meetings with the PA's, and preparing white papers for distribution. This Amendment has been reviewed and approved by Metro TAC.

ACTION: Upon motion by Committee Member Caires and seconded by Vice-Chair Boyack, the Committee unanimously approved that the Contract Amendment should be brought forward to the Metro JPA/Commission for review and possible acceptance at their June 2, 2011 meeting.

6. Atkins 2012 Contract Scope of Work

Ms. Keese reviewed the Atkins proposed scope of work for 2012. The overall dollar amount of the contract remains the same but a \$5.00 per hour increase in the hourly rate is being requested. The hourly rate has remained the same for the past several years. This is still a 10% discount on Ms. Keese's normal hourly rate. The Committee reviewed the 2012 Special Projects. All of the four special projects surround the production and sale of recycled water. This Scope of Work has been reviewed and approved by Metro TAC.

ACTION: Upon motion by Vice-Chair Boyack, seconded by Committee Member Caires, the Committee unanimously approved that the Atkins 2012 Contract and Scope of Work should be brought forward to the Metro JPA/Commission for review and possible acceptance at their June 2, 2011 meeting.

7. Metro Wastewater JPA 2012

Chairman Ovrom introduced the draft Metro Wastewater JPA Budget for Fiscal Year 2011/12. The forecasted Fiscal Year 2010/11 (current year) year-end budget is \$194,414 or \$18,936 less than the adopted budget of \$213,350. The proposed 2011/12 budget is \$206,150 or \$7,200 less than last years. Committee member Natividad asked what the balance was in the JPA reserves. Treasurer Jassoy stated she did not have that information with her but she would email it to the Committee once she returned to her office.

ACTION: Upon motion by Vice-Chair Boyack, seconded by Committee Member Natividad with an amendment to the motion that the approval was conditioned on receiving the reserve balances, the Committee unanimously approved that the Metro Wastewater JPA 2011/12 budget should be brought forward to the Metro JPA/Commission for review and possible acceptance at their June 2, 2011 meeting.

8. Recycled Water Revenue Issue

Ms. Keese reviewed the issue with the Committee and stated that this was for information only. The City has agreed to pay the PUD wastewater department the revenue currently being held by the water department for the sales and incentives from recycled water at the South Bay plant.

Therefore the PAs will receive their percentage of the revenue as an income credit to the fiscal year 2009 audit. The total PA revenue calculated by the City, less operations costs for the distribution system, plus interest is \$1,237,942. Two issues remain open which were recommended by Metro TAC to be reviewed by legal counsel. The first is the capacity reservation charge that was paid by Otay that the City has not acknowledged should be paid to the wastewater department, and therefore the PAs. The second is whether per the Regional Wastewater Agreement the distribution system maintenance is an allowable expense that the PAs should participate in. The Committee concurred that the two matters should be referred to legal counsel for review.

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

The Finance Committee recommended that items 3, 5, 6, and 7, should be moved forward to the June 2011 Metro JPA/Commission meeting.

10. Other Business of the Finance Committee

Committee Member Boyack asked when the Finance Committee would see action items from the Strategic Planning Workshop. Committee Member Caires reviewed the status of the Strategic Planning Committee. The output from the workshop will be reviewed by the JPA at the June 2011 meeting. He estimates that action items would be ready for Committee discussion in July or August.

11. Adjournment

The meeting was adjourned at 9:40 a.m. The next regularly scheduled meeting of the Finance Committee will be June 29, 2011 at the Atkins San Diego Office.

Agenda Item 4



The City of San Diego

Public Utilities Department

June 15, 2011





Fiscal Year 2012 Budget Metro Fund Summary

| Non-General Fund | FY 2011 | | FY 2012 | | Change from FY | |
|------------------|---------|----------------|---------|---------------|----------------|---------------------|
| | FTE | Adopted Budget | FTE | Budget | FTE | 2011 Adopted Budget |
| Metro | 479.92 | \$233,716,069 | 443.97 | \$202,177,350 | (35.95) | (\$31,538,719) |
| Total | 479.92 | \$233,716,069 | 443.97 | \$202,177,350 | (35.95) | (\$31,538,719) |



Reductions Summary Metro Fund

| <u>Description</u> | <u>Metro</u> |
|-------------------------------------|----------------|
| Public Utilities Restructure | \$ (3,034,209) |
| Reduction of CIP Contingency | (2,102,590) |
| Cost of Chemicals | (2,977,670) |
| McGuigan Settlement | (1,412,400) |
| Reduction in Supplies | (977,884) |
| Consolidation of Security Contracts | (158,400) |



Service Level Impacts Non-General Fund

- No service level impacts will be realized as a result of the reductions in the previous slide



New Initiatives and Challenges in FY 2012

- To seek out Grants and SRF Loans to finance Capital Program which will simultaneously aid in mitigating future pressure on rates (approx \$224M)
- Implement the Beneficial Use of Digester Gas (BUDG) project at the Point Loma Wastewater Treatment Plant



CIP Budget Request Metro Fund

| CIP Number | Project Title | Fund Number | Fund Name | Fiscal Year 2012 Metro CIP Budget |
|------------|---|-------------|---------------------------------|-----------------------------------|
| ABO00001 | AA- Metro Treatment Plants | 700009 | Metropolitan Sewer Utility Fund | \$0 |
| L10000 | Metro Facilities Control System Upgrade | 700009 | Metropolitan Sewer Utility Fund | \$700,000 |
| S00312 | PS 2 Onsite Standby Power | 700009 | Metropolitan Sewer Utility Fund | \$250,000 |
| S00322 | MBC - Biosolids Storage Silos | 700009 | Metropolitan Sewer Utility Fund | \$5,294,557 |
| S00315 | Pt. Loma Grit Processing | 700009 | Metropolitan Sewer Utility Fund | \$3,750,000 |
| | Metro Total | | | \$9,994,557 |



The City of San Diego

Fiscal Year **2012** PROPOSED BUDGET

Questions

June 15, 2011

Public Utilities Department

7



The City of San Diego

Public Utilities Department

Metro Fund

June 15, 2011



Fiscal Year

2012

PROPOSED BUDGET

Public Utilities Department

Wastewater 3-Year Budget vs Actuals

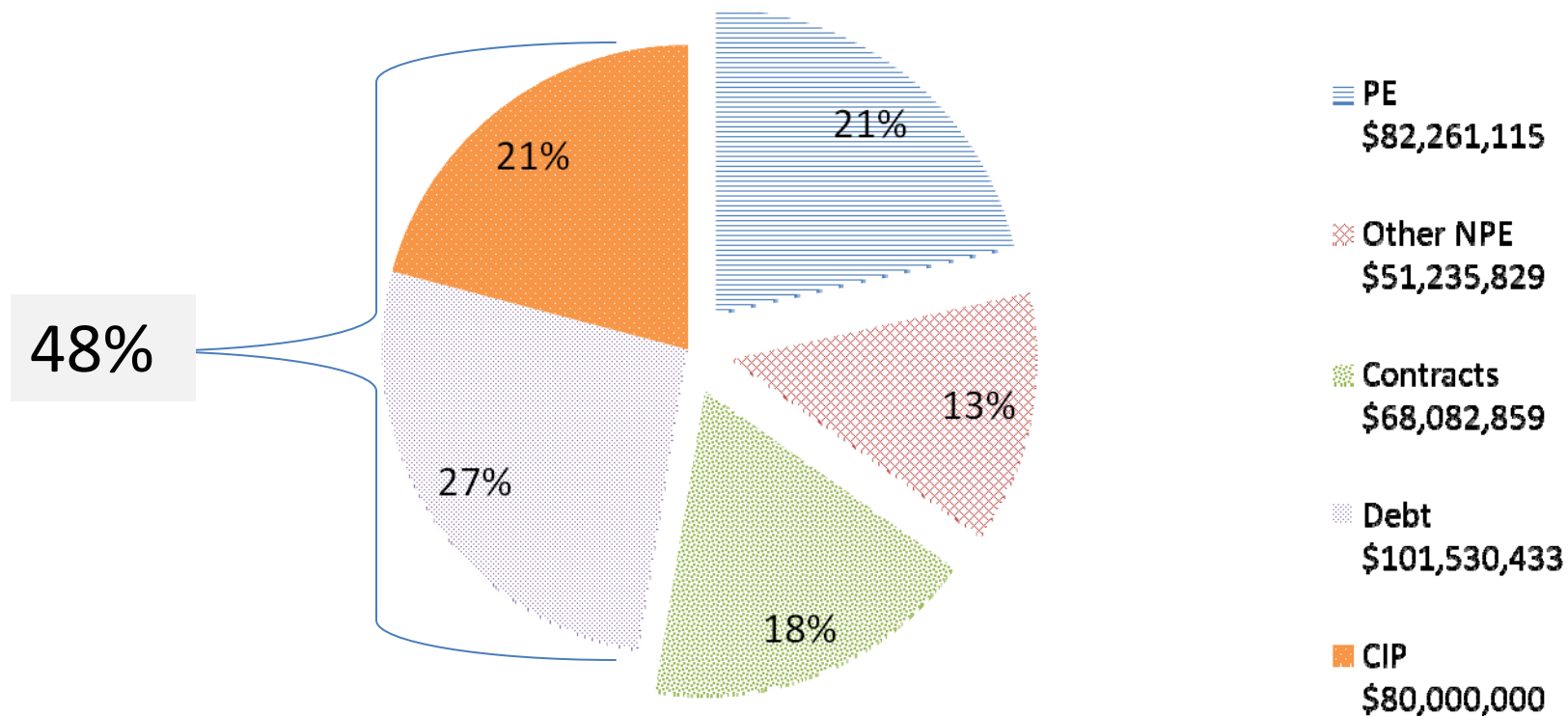
| WASTEWATER | FY 2010 Budget | FY 2010 Projected | FY 2011 Budget | FY 2011 Projected | FY 2012 Mayoral Budget | FY 2012 Budget % change vs FY 2011 Projected |
|-----------------------|---------------------------|------------------------------|---------------------------|------------------------------|-----------------------------------|---|
| Personnel Expense | \$ 80,014,149 | \$ 82,051,824 | \$ 88,776,873 | \$ 82,261,115 | \$ 83,211,595 | 1.16% |
| Non-Personnel Expense | 302,149,630 | 242,053,895 | 257,466,957 | 220,849,121 | 245,391,706 | 11.11% |
| TOTAL | \$ 382,163,779 | \$ 324,105,719 | \$ 346,243,830 | \$ 303,110,236 | \$ 328,603,301 | 8.41% |

Wastewater 3-Year Budget vs Actuals (cont.)

| WASTEWATER | FY 2010 Budget | FY 2010 Projected | FY 2011 Budget | FY 2011 Projected | FY 2012 Mayoral Budget | FY 2012 Budget % change vs FY 2011 Projected |
|-----------------------|---------------------------|------------------------------|---------------------------|------------------------------|-----------------------------------|---|
| Personnel Cost | \$ 56,108,122 | \$ 54,585,365 | \$ 54,291,853 | \$ 49,633,512 | \$ 51,986,098 | 4.74% |
| Fringe Benefits | 23,906,027 | 27,466,458 | 34,485,020 | 32,627,603 | 31,225,497 | -4.30% |
| Supplies | 39,040,527 | 26,973,334 | 28,939,968 | 22,957,019 | 26,117,165 | 13.77% |
| Contracts | 115,023,553 | 80,643,216 | 78,482,082 | 68,082,859 | 81,038,778 | 19.03% |
| Information Tech | 14,733,702 | 9,644,907 | 10,588,693 | 7,709,973 | 8,350,506 | 8.31% |
| Energy & Utilities | 24,148,022 | 18,107,856 | 24,541,709 | 17,923,333 | 20,197,632 | 12.69% |
| Other | 864,731 | 675,804 | 1,024,836 | 623,856 | 1,435,285 | 130.07% |
| Operating Contingency | 1,346,093 | | 4,048,363 | 101,414 | 447,670 | 341.43% |
| Capital Expenditure | 2,517,811 | 757,127 | 2,805,262 | 1,920,234 | 1,797,151 | -6.41% |
| Debt | 104,475,191 | 105,251,652 | 107,036,044 | 101,530,433 | 102,507,519 | 0.96% |
| Appropriated Reserve | - | - | - | - | 3,500,000 | - |
| TOTAL | \$ 382,163,779 | \$ 324,105,719 | \$ 346,243,830 | \$ 303,110,236 | \$ 328,603,301 | 8.41% |

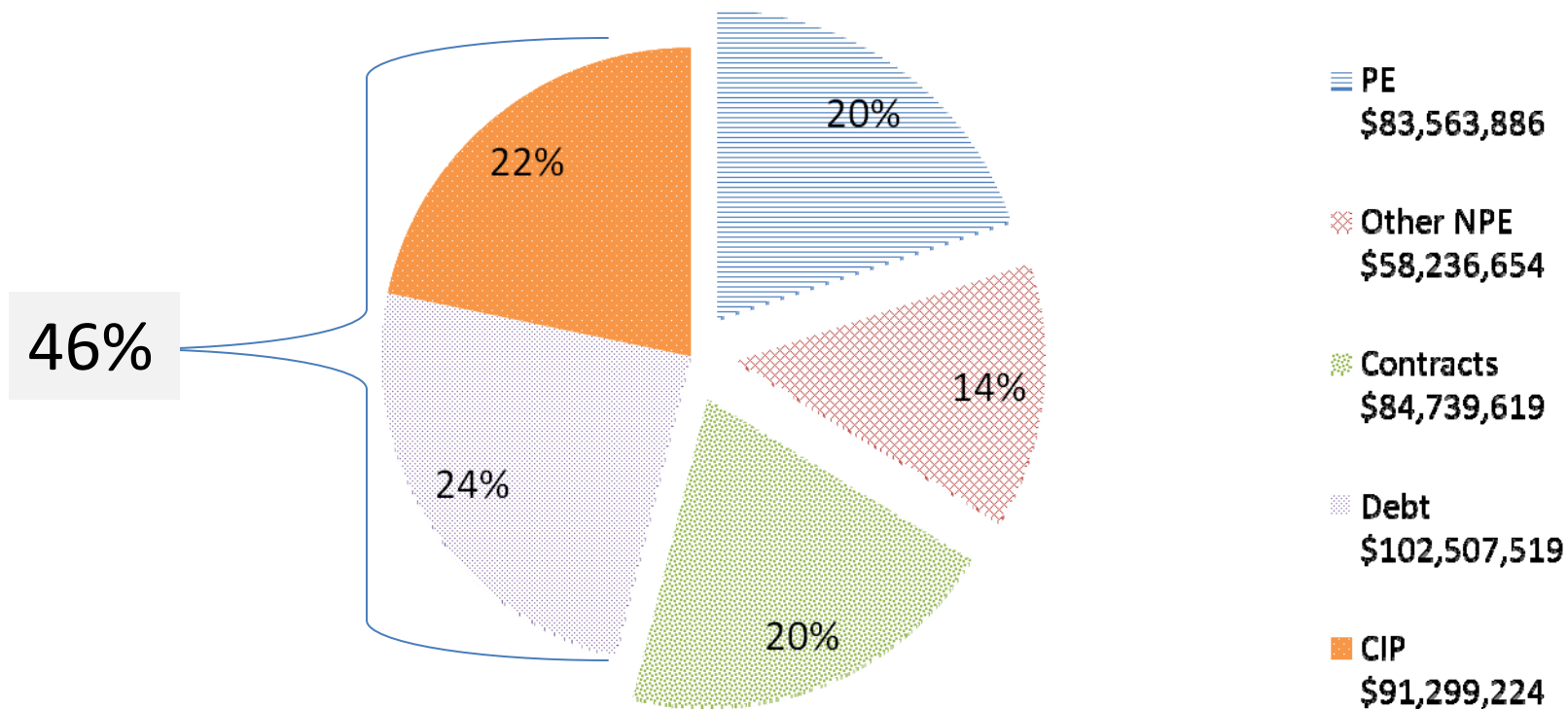
Wastewater Fund

FY 2011 Projected \$383,110,236



Wastewater Fund

FY 2012 Proposed Budget \$420,346,902



Wastewater Fund FY 2011

Variance Analysis

| WASTEWATER | FY 2011 Budget | FY 2011 Projected | FY 2011 Variance | FY 2011 Projected vs Budget |
|-----------------------|---------------------------|------------------------------|-----------------------------|--|
| Personnel Cost | \$ 54,291,853 | \$ 49,633,512 | \$ 4,658,341 | 91% |
| Fringe Benefits | 34,485,020 | 32,627,603 | 1,857,417 | 95% |
| Supplies | 28,939,968 | 22,957,019 | 5,982,949 | 79% |
| Contracts | 78,482,082 | 68,082,859 | 10,399,224 | 87% |
| Information Tech | 10,588,693 | 7,709,973 | 2,878,720 | 73% |
| Energy & Utilities | 24,541,709 | 17,923,333 | 6,618,376 | 73% |
| Other | 1,024,836 | 623,856 | 400,980 | 61% |
| Operating Contingency | 4,048,363 | 101,414 | 3,946,949 | 3% |
| Capital Expenditure | 2,805,262 | 1,920,234 | 885,028 | 68% |
| Debt | 107,036,044 | 101,530,433 | 5,505,611 | 95% |
| Appropriated Reserve | - | - | - | - |
| TOTAL | \$ 346,243,830 | \$ 303,110,236 | \$ 43,133,594 | 88% |

Metro Fund FY 2011

Variance Analysis

| WASTEWATER | FY 2011 Budget | FY 2011 Projected | FY 2011 Variance | FY 2011 Projected vs Budget |
|-----------------------|---------------------------|------------------------------|-----------------------------|--|
| Personnel Cost | \$ 29,310,148 | \$ 26,559,415 | \$ 2,750,733 | 91% |
| Fringe Benefits | 18,485,723 | 17,684,923 | 800,800 | 96% |
| Supplies | 24,061,274 | 18,443,656 | 5,617,618 | 77% |
| Contracts | 42,534,257 | 38,850,701 | 3,683,556 | 91% |
| Information Tech | 6,146,854 | 4,530,407 | 1,616,447 | 74% |
| Energy & Utilities | 18,610,952 | 13,879,728 | 4,731,224 | 75% |
| Other | 632,371 | 356,021 | 276,350 | 56% |
| Operating Contingency | 1,542,180 | 65,621 | 1,476,559 | 4% |
| Capital Expenditure | 1,979,662 | 1,411,961 | 567,701 | 71% |
| Debt | 73,240,519 | 68,120,643 | 5,119,876 | 93% |
| Appropriated Reserve | - | - | - | - |
| TOTAL | \$ 216,543,940 | \$ 189,903,076 | \$ 26,640,864 | 88% |

Metro Fund

Capital Improvement Program 3- Year

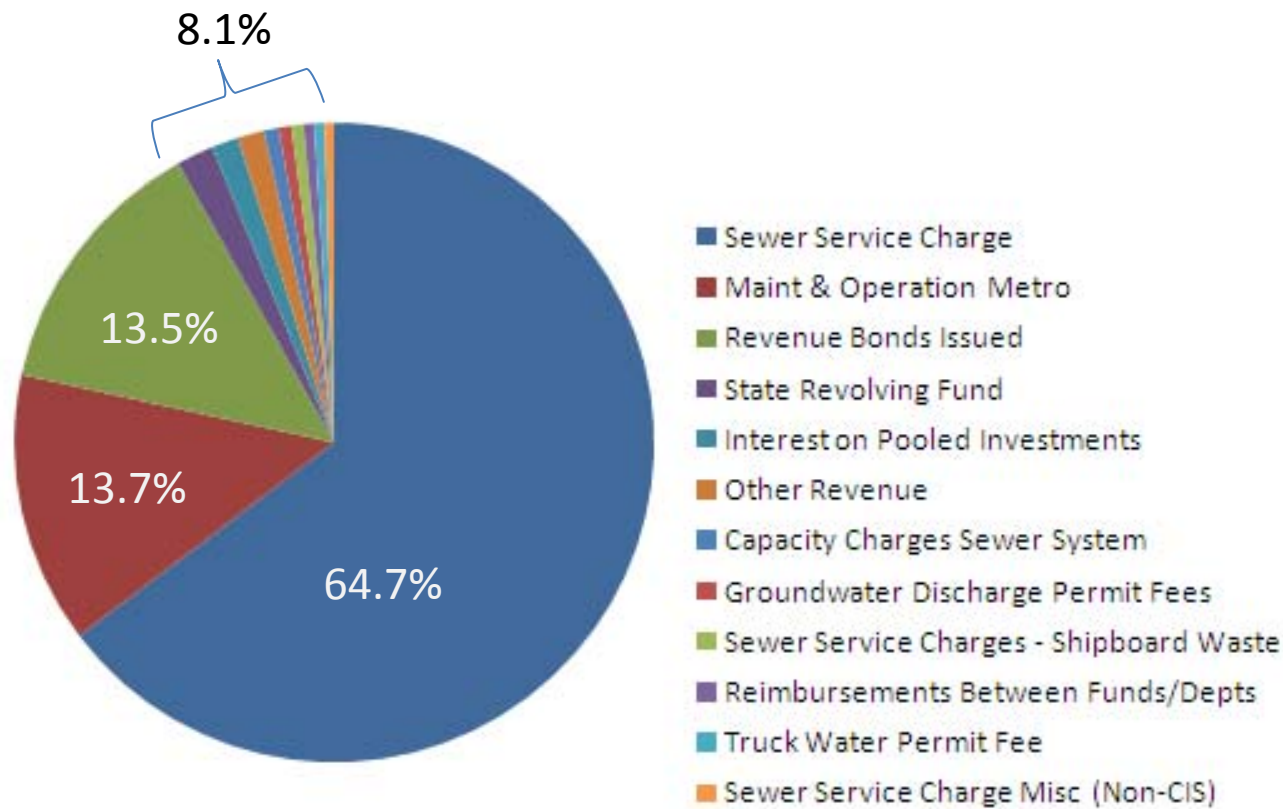
| Metro | | | | | FY 2012 Budget % change vs FY 2011 | |
|--------------|---------------------|----------------------|----------------------|----------------------|---------------------------------------|--|
| | FY 2010 Budget | FY 2010 Projected | FY 2011 Budget | FY 2011 Projected | FY 2012 Mayoral Budget | FY 2012 Budget % change vs FY 2011 Projected |
| Metro | 6,684,905 | 10,305,177 | 22,392,435 | 9,000,000 | 10,294,557 | 14.38% |
| Total | \$ 6,684,905 | \$ 10,305,177 | \$ 22,392,435 | \$ 9,000,000 | \$ 10,294,557 | 14.38% |

Wastewater Revenue 3-Year Budget vs Actuals

| SEWER REVENUE SYSTEMS | FY 2010 Budget | FY 2010 Projected | FY 2011 Budget | FY 2011 Projected | FY 2012 Mayoral Budget | FY 2012 Budget % change vs FY 2011 Projected |
|--|-----------------------|-----------------------|-----------------------|-----------------------|---------------------------|--|
| Bond Proceeds ("Financing Proceeds"-Water) | \$ 65,425,000 | \$ 66,470,211 | \$ 108,796,000 | \$ 48,550,000 | \$ 63,831,000 | 31.47% |
| Land and Building Rentals | - | - | - | - | 150,000 | - |
| Capacity Charges | 5,200,000 | 5,068,494 | 2,400,000 | 7,500,000 | 3,600,000 | -52.00% |
| Interest Earnings | 4,200,000 | 7,333,355 | 6,000,000 | 6,000,000 | 6,500,000 | 8.33% |
| Other Revenue | 172,000 | 3,250,128 | 241,874 | 6,551,410 | 180,000 | -97.25% |
| Services Rendered to Others | 5,743,874 | 10,960,403 | 6,203,000 | 2,875,000 | 9,235,000 | 221.22% |
| Grant Receipts (Sewer) | 250,000 | 45,515 | 359,000 | 447,000 | - | - |
| New Sewer Connections | 10,000 | 7,610 | - | 6,000 | - | -100.00% |
| Sale of Power From Co-Generation | 1,610,954 | 951,441 | 1,610,954 | 1,525,000 | 1,250,000 | -18.03% |
| Service Charge Revenues | 294,720,728 | 303,355,510 | 314,804,652 | 297,750,000 | 314,620,000 | 5.67% |
| Sewage Treatment Plant Services | 72,000,000 | 74,749,297 | 65,000,000 | 67,104,000 | 65,000,000 | -3.14% |
| State Revolving Fund Loan Proceeds | - | - | - | - | 8,800,000 | - |
| Total Operating Revenues | \$ 449,332,556 | \$ 472,191,964 | \$ 505,415,480 | \$ 438,308,410 | \$ 473,166,000 | 7.95% |

Wastewater Fund Revenue

FY 2012 Proposed Budget



Questions

**FOURTH AMENDMENT TO THE AGREEMENT
FOR TREASURER SERVICES BETWEEN METRO
WASTEWATER JOINT POWERS AUTHORITY
AND PADRE DAM MUNICIPAL WATER
DISTRICT**

THIS FOURTH AMENDMENT is made and entered into this ____ day of July, 2011, by and between the Metro Wastewater Joint Powers Authority (herein referred to as "Metro JPA"), a joint powers authority organized and operating pursuant to California Government Code section 6500 *et seq.*, and the Padre Dam Municipal Water District (herein referred to as the "District"), collectively referred to herein as the "Parties."

RECITALS

A. WHEREAS, the Parties did enter into an agreement for treasurer services (hereinafter referred to as the "Agreement") on May 29, 2008 for the District to provide treasurer services to Metro JPA until June 30, 2009; and

B. WHEREAS, the Parties entered into a First Amendment to the Agreement on July 1, 2009 to extend the treasurer's service until June 30, 2010; and

C. WHEREAS, the Parties entered into a Second Amendment to the Agreement on June 3, 2010 to extend the treasurer's service until June 30, 2011; and

D. WHEREAS, the Parties entered into a Third Amendment to the Agreement on December __, 2010 to assign Karen Jassoy, Padre Dam Chief Financial Officer/Director of Finance, to provide the treasurer services referenced in the Agreement; and

E. WHEREAS, the Parties seek to continue the treasurer contract.

NOW THEREFORE, in consideration of the mutual obligations of the Parties herein expressed, the Parties agree as follows:

1. Section 4 of the original Agreement is amended as necessary to extend the end date of treasurer services until June 30, 2012.

2. All other terms and conditions of the original Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, this Fourth Amendment to the Agreement is executed by Metro JPA and by the District on the day and year first written above.

METRO WASTEWATER JOINT
POWERS AUTHORITY

PADRE DAM MUNICIPAL WATER
DISTRICT

By: _____
Ernest Ewin
Chair

By: _____
Allen Carlisle
General Manager

APPROVED AS TO FORM:

BEST BEST & KRIEGER LLP

By: _____
Paula C. P. de Sousa
General Counsel
Metro Wastewater Joint Powers Authority