



Metro Finance Committee
(Finance Advisory Committee to Metro JPA)

TO: Finance Committee Members and Metro Commissioners
DATE: Wednesday, January 27, 2010
TIME: 8:30 a.m. to 10:30 a.m.*
LOCATION: Best Best & Krieger LLP, 655 West Broadway, 15th Floor, San Diego, California*

* 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. Consideration for establishment of 2010 Meeting Schedule
4. Overview of February 2010 Potential Metro Wastewater Debt Refunding (time certain at 9 a.m.)
5. 2008 Exhibit E Audit Results (**Attachment to be provided at meeting**)
6. 2008 & 2009 Exhibit E Audit Calendar (**Attachment**)
7. Review and Approval of Six Month Financial Statements for December 31, 2009 (**Attachment**)
8. City of San Diego Schedules for Rate Case, Budget Approval Process and Other Material/Routine Matters
9. Review of Items to be Brought Forward to the Metro Commission/Metro JPA
10. Other Business of the Finance Committee – Future Agenda Items
11. 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.

***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.

Item # 6 Attachment

Exhibit E Audit Calendar

Purpose: To map out the completion of the FY07 and FY08 Exhibit E Audits
As of 01/08/10

<u>Ending Date</u>	<u>Task</u>	<u>Responsible</u>
Done	PA review of FY07 Samples	Karyn Keese
Done	Respond to any FY07 outstanding questions	Debra Campbell
Done	Prepare FY07 Findings Schedule	Debra Campbell
Done	Request Comptroller to print listing that FY08 Sample will be chosen from	Debra Campbell
Done	FY08 CAFR deadline	Sally Rubi
Done	Provide listing to MWWD that FY08 Sample will be chosen from	Sally Rubi
Done	Provide listing to MGO and Karyn so the FY08 Sample can be chosen	Debra Campbell
Done	Provide listing of FY08 Sample items chosen to MWWD	Karyn Keese / MGO
Done	Submit FY07 Exhibit E Schedule (draft) to MGO	Sally Rubi
Done	Request FY08 Sample items to be pulled by Comptroller's	Debra Campbell
Done	Provide hard copy of FY08 Sample items to MWWD	Comptroller's Support Staff
Done	Finalized FY07 Exhibit E Schedules	Debra Campbell / Sally Rubi
Done	Prepare FY08 Sample for review	Debra Campbell
Done	FY09 CAFR deadline for 1st Draft	Sally Rubi
Done	Review FY08 Sample	MGO
Done	Request Comptroller to print listing that FY09 Sample will be chosen from	Debra Campbell
Done	Present FY07 Exhibit E Report to TAC/Metro Commission (PAs)	MWWD / MGO
Done	Respond to any FY08 questions from MGO	Debra Campbell
Done	FY09 CAFR deadline for Final Draft	Sally Rubi
Done	Provide Excel file of FY08 Sample, questions, and responses	MGO
Done	PA Review of FY08 Sample	Karyn Keese
Done	Submit FY08 Exhibit E Schedule (draft) to MGO	Sally Rubi
Done	Respond to any FY08 outstanding questions from PA's	Debra Campbell
Done	Meet with PA's for any unresolved questions regarding audit	Karyn Keese/Debra Campbell/Darlene Morrow-Truver
Done	Prepare FY08 Findings Schedule	Debra Campbell
Done	Submit revised FY08 Exhibit E Schedule (draft) to MGO	Sally Rubi
Done	Provide Variance Analysis spreadsheet	MGO
1/13/2010	Submit responses to Variance Analysis	Sally Rubi / Debra Campbell
1/20/2010	Finalized FY08 Exhibit E Schedules	Sally Rubi / Debra Campbell

Item #7 Attachment

Metro Wastewater JPA

Treasurer's Report
Six months ending December 31, 2009

Metro Wastewater JPA

Treasurer's Report
Six Months Ending December 31, 2009
Unaudited

Beginning Cash Balance at July 1, 2009 **\$ 79,890**

Operating Results

Membership dues & Interest income	\$ 105,452
Expenses	\$ (106,292)
Net Income (Loss)	<u>\$ (840)</u>
Net change in receivables & payables (see cash flow statement)	<u>\$ 82,300</u>

Cash provided (used) from operating activities **\$ 81,460**

Ending Cash Balance at December 31, 2009 **\$ 161,350**

Submitted by:

Doug Wilson, Treasurer

13-Jan-10

Metro Wastewater JPA - C/O Padre Dam MWD
Balance Sheet
As of December 31, 2009

	<u>Dec 31, 09</u>	<u>Jun 30, 09</u>	<u>\$ Change</u>
ASSETS			
Current Assets			
Checking/Savings			
California Bank & Trust	158,646	75,858	82,787
California Bank - checking	2,705	4,032	-1,327
Total Checking/Savings	161,350	79,890	81,460
Accounts Receivable			
Accounts Receivable	31,225	3,232	27,993
Total Accounts Receivable	31,225	3,232	27,993
Total Current Assets	192,575	83,122	109,453
TOTAL ASSETS	192,575	83,122	109,453
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable			
Accounts Payable	27,274	21,981	5,293
Total Accounts Payable	27,274	21,981	5,293
Other Current Liabilities			
Unearned Membership Billings	105,000	0	105,000
Total Other Current Liabilities	105,000	0	105,000
Total Current Liabilities	132,274	21,981	110,293
Total Liabilities	132,274	21,981	110,293
Equity			
Retained Equity	61,141	12,194	48,948
Net Income	-840	48,948	-49,788
Total Equity	60,301	61,141	-840
TOTAL LIABILITIES & EQUITY	192,575	83,122	109,453

Metro Wastewater JPA - C/O Padre Dam MWD
Profit & Loss Budget vs. Actual
July through December 2009

	<u>Jul - Dec 09</u>	<u>Budget</u>	<u>\$ Over Budget</u>
Ordinary Income/Expense			
Income			
Membership Dues	105,000	105,000	0
Interest_ Income	452	750	(298)
Total Income	105,452	105,750	(298)
Expense			
PBS&J	72,598	53,000	19,598
Legal	15,707	17,500	(1,793)
Administrative Support - Padre	7,145	7,000	145
Per Diem - Agency	6,450	12,375	(5,925)
Metro/JPA/TAC meeting expens...	1,831	2,750	(919)
Administrative Assistant	750	1,200	(450)
Automobile Expense	669	1,500	(831)
Office Supplies	646	250	396
Public Information	374	1,000	(626)
Bank charges	108	0	108
Business meals	14	0	14
Contingencies	0	5,000	(5,000)
Financial Consulting	0	1,500	(1,500)
Miscellaneous	0	375	(375)
Dues and Subscriptions	0	300	(300)
Total Expense	106,292	103,750	2,542
Net Ordinary Income	(840)	2,000	(2,840)
Net Income	<u>(840)</u>	<u>2,000</u>	<u>(2,840)</u>

Statement of Cash Flows

July through December 2009

	<u>Jul - Dec 09</u>
OPERATING ACTIVITIES	
Net Income	-840
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Receivable	-27,993
Accounts Payable	5,293
Unearned Membership Billings	105,000
Net cash provided by Operating Activities	<u>81,460</u>
Net cash increase for period	81,460
Cash at beginning of period	<u>79,890</u>
Cash at end of period	<u><u>161,350</u></u>

Metro Wastewater JPA - C/O Padre Dam MWD
A/R Aging Summary
As of December 31, 2009

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
City of El Cajon	0.00	0.00	0.00	0.00	29,478.00	29,478.00
City of San Diego - Metro Wastewater Dept	1,747.00	0.00	0.00	0.00	0.00	1,747.00
TOTAL	1,747.00	0.00	0.00	0.00	29,478.00	31,225.00

10:13 AM

01/14/10

Metro Wastewater JPA - C/O Padre Dam MWD
Vendor Balance Summary
All Transactions

	<u>Jan 1, 10</u>
Augie Caires	555.60
Best Best & Krieger	1,354.81
Lori Anne Peoples	2,462.62
Padre Dam	125.40
PBS&J	22,538.50
Philadelphia Sandwich Company	237.02
TOTAL	<u>27,273.95</u>



January 18, 2010

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

SUBJECT: Metro Wastewater Commission Mid-Year Budget Overruns

Dear Mr. Wilson:

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

The Issue

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

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

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

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

The overruns fall into three tasks:

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

Task 4003 – Resolution of Reclaimed Water Issue

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

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

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

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

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

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

Task 4002 – Update of Metro Capacity Valuation Model

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

Task 9000 – Direct Expenses

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

Conclusion

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

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

Sincerely,



Karyn Keese
Manager, Client Financial Services

Exhibit E Audit Calendar

Purpose: To map out the completion of the FY09 Exhibit E Audit

As of 01/08/10

Beginning Date	Ending Date	Task	Responsible
Done	Done	Request Comptroller to print listing that FY09 Sample will be chosen from	Debra Campbell
Done	Done	Provide listing to MWWD that FY09 Sample will be chosen from	Wei Dai / Sally Rubi
Done	Done	Provide listing to MGO and Karyn so the FY09 Sample can be chosen	Debra Campbell
Done	Done	Provide listing of FY09 Sample items chosen to MWWD	Karyn Keese / MGO
Done	Done	Request FY09 Sample items to be pulled by Comptroller's	Debra Campbell
Done	Done	Provide hard copy of FY09 Sample items to MWWD	Comptroller's Support Staff
1/11/2010	2/12/2010	Prepare FY09 Sample for review	Debra Campbell
TBD	TBD	Present FY08 Exhibit E Report to TAC/Metro Commission (PAs)	MWWD / MGO
2/16/2010	3/12/2010	Review FY09 Sample	MGO
2/16/2010	3/12/2010	Respond to any FY09 questions from MGO	Debra Campbell
3/15/2010	3/19/2010	Provide Excel file of FY09 Sample, questions, and responses	MGO
3/15/2010	3/19/2010	Submit FY09 Exhibit E Schedule (draft) to MGO	Wei Dai / Sally Rubi
3/29/2010	4/2/2010	PA Review of FY09 Sample	Karyn Keese
3/29/2010	4/9/2010	Respond to any FY09 outstanding questions from PA's	Debra Campbell
4/12/2010	4/16/2010	Meet with PA's for any unresolved questions regarding audit	Karyn Keese/Debra Campbell/Darlene Morrow-Truver
4/19/2010	4/21/2010	Prepare FY09 Findings Schedule	Debra Campbell
4/21/2010	4/26/2010	Submit revised FY09 Exhibit E Schedule (draft) to MGO	Wei Dai / Sally Rubi
4/27/2010	4/30/2010	Provide Variance Analysis spreadsheet	MGO
5/3/2010	5/19/2010	Submit responses to Variance Analysis	Wei Dai / Sally Rubi / Debra Campbell
5/20/2010	5/26/2010	Finalized FY09 Exhibit E Schedules	Wei Dai / Sally Rubi / Debra Campbell