



**Metro Finance Committee**  
(Finance Advisory Committee to Metro JPA)

**TO:** Finance Committee Members and Metro Commissioners  
**DATE:** Wednesday, February 24, 2010  
**TIME:** 8:30 a.m.  
**LOCATION:** Best Best & Krieger LLP, 655 West Broadway, 15<sup>th</sup> 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.***

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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 January 27, 2010 Finance Committee Meeting (**Attachment**)
4. Debt Service Coverage/Operations Reserve Issue (**Attachments**)
5. Review of March 2010 Metro Refunding Status
6. Review of Status of 2009 Exhibit E Audit
7. Establishment of a Formal Reserve Policy for the Metro JPA/Metro Commission
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
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.*

<b><u>Finance Committee 2010 Meeting Schedule</u></b>		
January 27	May 26	September 29
February 14	June 30	October 27
March 31	July 28	November 24
April 28	August 25	December 29

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***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 #3 Attachment



**Metro JPA Finance Committee  
January 27, 2010  
Draft Minutes**

Meeting called to order: 8:37 a.m. at Best Best & Krieger LLP, 655 West Broadway, 15<sup>th</sup> Floor, San Diego, California

**1. Roll Call**

**Attendees:**

Al Ovrom, Chairman, Metro JPA Finance Committee  
Augie Caires, Committee Member  
Bill Wells, Committee Member  
Ernie Ewin, Chairman, Metro JPA/Metro Commission

**Support Staff:**

Scott Huth, Chairman MetroTAC  
Karyn Keese, PBS&J  
Doug Wilson, Metro JPA Treasurer  
Paula de Sousa, General Counsel, BBK

**City of San Diego Staff:**

Lakshmi Kommi, Debt Management Group

**2. Public Comment**

There were no public attendees.

**3. Consideration for establishment of 2010 Meeting Schedule**

After discussion it was decided that the Finance Committee will hold its monthly meeting on the last Wednesday of every month at 8:30 am. If a meeting is not required it will be cancelled in advance per Brown Act requirements. This meeting slot will allow for items recommended to be forwarded to the Metro JPA/Metro Commission for the agenda of the next monthly meeting.

*Action required:* Present to Metro JPA/Metro Commission.

**4. Overview of February 2010 Potential Metro Wastewater Debt Refunding**

Lakshmi Kommi gave a formal presentation to the Finance Committee on the results of the May 2009 refunding (2) of outstanding Metro Debt as well as the potential additional refunding that is anticipated in March 2010. A copy of the presentation is attached to these minutes.

*Action required:* Provide an overview to the Metro JPA/Metro Commission of the potential March 2010 refunding. Receive additional information from San Diego as the refunding progresses. When the Preliminary Official Statement is available it will be sent out to all Finance Committee Members.

**5. 2008 Exhibit E Audit Results**

Karyn Keese and Doug Wilson reported out on the 2008 Exhibit E audit results. A copy of the results and a summary memo are attached to these minutes.

*Action Required:* The Committee requested a summary of the Exhibit E savings to the participating agencies in a summary table going back as far as records are available. Karyn Keese will provide this information. The Committee also requested a summary of other savings such as the debt coverage/operations reserve issue over the last five years. Karyn Keese will provide those as well. Once the final audited report is complete it will be presented first to the Finance Committee and then to the Metro JPA/Metro Commission.

**6. 2008 & 2009 Exhibit E Audit Calendar**

City staff has provided timelines for the Exhibit E 2008 and 2009 audits. The Exhibit E 2008 audit is essentially closed except for some San Diego housekeeping items. The Exhibit E 2009 audit is on tract and is anticipated to proceed according to the provided schedule.

*Action required:* The 2009 Exhibit E Audit schedule will be provided to the Metro JPA/Metro Commission as an informational item. This schedule is updated monthly by the City of San Diego staff and updates will be sent to the Finance Committee when available.

**7. Review and Approval of Six Month Financial Statements for December 31, 2009**

Doug Wilson presented the Metro JPA/Metro Commission six month financial statements. The financial statements include a Treasurers Report, a balance sheet, a profit versus loss budget to actual statement, a statement of cash flows, an accounts receivable statement, and a vendor balance summary. All of these figures are as of January 1, 2010. It was noted that PBS&J had expended monies in excess of the straight line 6 month financial statement. Karyn Keese addressed this issue and the additional costs incurred by PBS&J in the first six months had to do with requested special projects by MetroTAC and legal counsel regarding the multiple issues regarding the City of San Diego's recycled water costs and the revenues per Regional Wastewater Agreement for reclaimed water sales. Depending on special projects requested in support of the MetroTAC, Metro JPA/Metro Commission, and Metro JPA Finance Committee there may be a potential contract overrun between \$5,000 and \$10,000. Doug Wilson stated that there are adequate reserves to cover any potential overruns. MetroTAC has reviewed the financial statements and the PBS&J letter explaining the status of its contract and had no objections. The Finance Committee agreed.

*Action Required:* Present the Financial Statements to the Metro JPA/Metro Commission including the PBS&J explanation letter. PBS&J will provide the Finance Committee with updates on its contract status at each meeting. Doug Wilson will work with MetroTAC and PBS&J to craft a formal policy for reserves to be brought back to the Finance Committee and then to the Metro JPA/Metro Commission.

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

Paula de Sousa reviewed for the Committee members the previous request of the Metro JPA/Metro Commission to be provided with time schedules for each of these items so that the MetroTAC and

Metro JPA/Metro Commission could have input into the financial assumptions the City was proposing. Karyn Keese stated that what the Metro JPA/Metro Commission is looking from the City is similar to the Audit Schedule currently provided by the City to the Finance Committee. Since there were no City of San Diego staff members present to address this issue it will be carried over to the next Finance Committee meeting.

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

The following items were recommended to be included in the Metro JPA/Metro Commission agenda for February:

- Proposed Finance Committee Schedule
- Overview of the Potential March Metro Debt Refunding
- Overview of the 2008 Exhibit E Audit Results
- Exhibit E 2009 Audit Calendar
- Metro JPA Six Month Financial Statements

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

- Continued review of March 2010 Metro Refunding Status
- Continued review of status of 2009 Exhibit E Audit
- Establishment of a formal reserve policy for the Metro JPA/Metro Commission
- Rescheduling of No. 8 agenda item when provided by City staff

**11. Adjournment**

The Meeting was adjourned at: 10:16 am

## Item #4 Attachments



*An employee-owned company*

## Memorandum

**TO:** Metro Finance Committee      **DATE:** February 18, 2010  
**FROM:** Karyn Keese      **PROJECT NO:** 100009226  
**SUBJECT:** Debt Service Coverage/Operating Reserve Strategy

Yesterday at MetroTAC, Rod Greek from the City of San Diego presented the outcome from the most recent meeting with the MetroTAC Subcommittee. Attached is a summary of the funding strategy showing each participating agency's (PA's) 2007 and 2008 refunds and how they would be applied to the establishment of the operating reserve. In the majority of cases, PAs will see a refund even after they have fully funded their portion of the operating reserve.

The other component of the strategy is the funding levels needed to maintain a 1.2 debt service coverage. The 1.2 debt service coverage is a requirement for all of the outstanding Metro parity debt. A cash flow prepared by the City shows that, if the PAs are billed at the current level for the next three to five years, this requirement can be achieved without additional contributions by the PAs. This cash flow is being revised by City staff per MetroTAC input and, if it is received prior to the Finance Committee Meeting, it will be forwarded under separate cover. Otherwise it will be handed out at the meeting and reviewed in detail for the Committee Members.

In summary, MetroTAC approved the following recommendations to move to the Finance Committee and the Commission for discussion and action:

- Proceed with the 1.2 debt service ratio coverage
- Proceed with funding a 45-day operating reserve
- The JPA will fund no other reserves
- FY07 and FY08 refund monies will be used to fund the operating reserve
- Interest accrual on operating reserves and undesignated accounts will start with FY10 (beginning July 1, 2009)

Please let me know if you have any questions.

DRAFT		EXHIBIT E AUDIT ADJUSTMENTS			2008 FLOWS & LOADS		
Agency	FY 2007	FY 2008	TOTAL	2008 FLOWS & LOADS	OPERATING RESERVE	NET	
CHULA VISTA	(\$1,837,010)	(\$2,177,758)	(\$4,014,768)	28.80%	\$1,147,097	(\$2,867,671)	
CORONADO	(\$189,910)	(\$380,204)	(\$570,114)	2.96%	\$118,068	(\$452,046)	
DEL MAR	(\$87,785)	(\$106,268)	(\$194,053)	1.10%	\$43,705	(\$150,348)	
EL CAJON	(\$290,369)	\$12,862	(\$277,507)	14.17%	\$564,182	\$286,675	
IMPERIAL BEACH	(\$132,300)	(\$141,880)	(\$274,180)	3.52%	\$140,280	(\$133,900)	
LA MESA	(\$99,793)	(\$71,955)	(\$171,748)	8.14%	\$324,285	\$152,537	
LAKESIDE/ALPINE	(\$293,313)	(\$262,336)	(\$555,649)	4.92%	\$196,082	(\$359,567)	
LEMON GROVE	(\$147,034)	(\$207,736)	(\$354,770)	3.38%	\$134,503	(\$220,267)	
NATIONAL CITY	(\$637,379)	(\$970,656)	(\$1,608,035)	7.45%	\$296,868	(\$1,311,167)	
OTAY	\$123,792	(\$130,141)	(\$6,349)	1.52%	\$60,631	\$54,282	
PADRE DAM	(\$789,976)	(\$1,649,318)	(\$2,439,294)	8.05%	\$320,452	(\$2,118,842)	
POWAY	(\$683,251)	\$109,395	(\$573,856)	5.29%	\$210,666	(\$363,190)	
SPRING VALLEY	(\$611,093)	(\$705,475)	(\$1,316,568)	9.38%	\$373,746	(\$942,822)	
WINTERGARDENS	(\$71,984)	(\$61,988)	(\$133,972)	1.31%	\$52,158	(\$81,814)	
TOTAL	(\$5,747,405)	(\$6,743,458)	(\$12,490,863)		\$ 3,982,722.00	\$ (8,508,141.00)	