



Metro Finance Committee
(Finance Advisory Committee to Metro JPA)

TO: Finance Committee Members and Metro Commissioners
DATE: Wednesday, August 31, 2016
TIME: 8:30 a.m.
LOCATION: MWWD, 9192 Topaz Way, (Conf. Room 2C – Second Floor) – Breakfast will be provided

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, 2016 Finance Committee Meeting (**Attachment**)
4. **ACTION:** Consideration and Possible Action on Schedule of Allocation for Billing to Metropolitan Wastewater Utility and Independent Auditors Report (Exhibit E Audit) for Fiscal Year 2014. (Edgar Patino/MGO/Karen Jassoy). (**Attachments**)
5. Review of Items to be Brought Forward to the Metro Commission/Metro JPA
6. Other Business of the Finance Committee
7. 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 (619) 733-8876 during normal business hours.'

| <u>Finance Committee 2016 Meeting Schedule</u> | | |
|---|-----------|--------------|
| January 27 | May 25 | September 28 |
| February 24 | June 29 | October 26 |
| March 30 | July 27 | November 30 |
| April 27 | August 31 | December 28 |

| | | |
|-------------|-----------|--------------|
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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.

Attachment 3

Minutes of May 25, 2016

Metro Finance Committee

Meeting Minutes

DATE OF MEETING: May 25, 2016
TIME: 8:30 AM
LOCATION: MOC II, Conference Room 2C

MEETING ATTENDANCE:

Commissioners:

John Mullin, Chair, City of Poway
Jerry Jones, Lemon Grove
Jose Lopez, Otay
Steve Miesen, Chula Vista
Bill Sandke, Coronado

Staff:

Edgar Patino, City of San Diego
Mark Gonzalez, City of San Diego
Karyn Keese, TKG
Paula de Sousa, BBK
Kevin Starkey, MGO
Miyuki Freeman, MGO

1. Roll Call

Meeting attendance is noted above. There was a quorum for the meeting. As there were several new people at the meeting introductions were made.

2. Public Comments

There were no public attendees and no comments.

3. ACTION: Consideration and Possible Action to Approve the Minutes of the May 27, 2015 Regular Meeting

On a motion by Jose Lopez, seconded by Steve Miesen the minutes were approved. Jerry Jones and Bill Sandke abstained as they were not at the May 27, 2015 meeting,

4. PRESENTATION AND POSSIBLE ACTION: FYE 2013 Exhibit E Audit Report

Kevin Starkey from MGO reviewed the draft of the FYE 2013 audit. MGO has issued a clean opinion. The audit is performed to insure that utility costs are allocated correctly between the City of San Diego's municipal wastewater and water systems and the Metro system in which the PAs participate per the Regional Disposal Agreement. He discussed that this audit is much more intensive than a normal government audit. A normal government audit would have a sample size of 40 while the Exhibit E audit has a sample size of 500 to insure compliance with the Regional Agreement. Karyn Keese discussed the fact that with the City staff addition of a dedicated internal accountant that the number of accounting errors has decreased significantly since 2007. The FYE 2013 audit only had 12 findings. The FYE 2014 audit should be completed in late June/early July 2016 and the FYE 2015 audit by the end of the summer and at that point the audits will be caught up. Edgar Patino reviewed the FYE 2013 reconciliation. All of the PAs will be receiving refund checks hopefully by the end of June 2016. The operating reserve/debt service protocol was discussed and MGO suggested that a footnote should be added to future audit reports showing the 45-day reserve and debt service coverage cash flow. Jerry Jones requested a copy of the protocol or a link to it on the JPA website (A copy is included with these minutes as Attachment A), On a motion by Jerry Jones and seconded by Steve Miesen, the Finance Committee accepted the FYE 2013 Exhibit E audit and recommended that it should be moved on to the Metro Commission/JPA for their review and potential acceptance.

5. ACTION: Consideration and Possible Action to Recommend Approval of the FYE 2017 City of San Diego Metro Sewer Budget

Mark Gonzalez reviewed the draft budget for the Metro System. Preparation of the City's annual budget is an 8-month process beginning in October. In April the Mayor releases the draft budget and during May departments are able to make changes to the draft. PUD staff modified the draft Metro budget to include the bond refunding savings in annual debt service of \$2.4 million. It is anticipated that the budget will be adopted by the San Diego City Council June 13th. The Pure Water Program CIP was discussed and the Committee requested an updated cash flow showing when the \$38 million shown in the budget might be spent. Edgar Patino stated that the PAs portion of the Metro budget will remain at the protocol level of \$65 million for FYE 2017. On a motion by Bill Sandke, seconded by Jerry Jones the draft budget was approved and recommended it should be moved on to the Metro Commission/JPA for their review and potential approval.

6. ACTION: Consideration and Possible Action to Recommend Approval of Metro Wastewater/JPA Proposed Budget for FYE 2017

As JPA Treasurer Karen Jassoy was on vacation, Karyn Keese reviewed the proposed Metro Commission/JPA budget. The major changes to the budget from FYE 2016 are:

- Lori Peoples will be taking over the responsibility for the Metro TAC minutes. Her budget has been increased by \$4,000 to cover this work task.
- Atkins contract has been decreased by \$9,580 as use of the Atkins engineering staff is not anticipated in the upcoming year.
- The Keze Group contract has been decreased by \$33,300 to reflect the completion of all recycled water issues in FYE 2016 and thus those tasks have been removed. Also the routine services budget has been decreased as Lori Peoples will be preparing the Metro TAC minutes.

Ms. Keese reviewed the anticipated cash balance at year end. In discussion with Karen Jassoy and Greg Humora, Metro TAC Chair it has been determined that adequate cash reserves will exist at year end so that the JPA members will only be billed for one-half of the JPA's FYE 2017 draft budget amount of \$227,350.

On a motion by Bill Sandke, seconded by Jerry Jones, the Metro Commission/JPA 2016 budget was approved and recommended it should be moved on to the Metro Commission/JPA for their review and potential approval.

7. ACTION: Consideration and Possible Action to Recommend Approval of FY 2017 Atkins Contract

As stated above Karyn Keese discussed that the Atkins contract has been decreased by \$9,580 as use of the Atkins engineering staff is not anticipated in the upcoming year. However, a placeholder of \$10,000 remains in the contract should the JPA need their engineering support. The budget for Scott Tulloch's support for Pure Water cost allocation, secondary equivalency, etc. remains at \$40,000. The total proposed Atkins contract amount for FYE 2017 is \$50,000. On a motion by Steve Miesen, seconded by Jose Lopez the FYE 2017 Atkins contract was approved and recommended it should be moved on to the Metro Commission/JPA for their review and potential approval.

8. ACTION: Consideration and Possible Action to Recommend Approval of the FY 2017 Contract with The Keze Group, LLC

Karyn Keese reviewed the work tasks contained in her proposed FYE 2017 contract and summarized in Attachment A to her scope of work. All of the routine financial tasks have reduced hours to adjust them to the current level of effort and the recycled water tasks have been completed and therefore have been eliminated. The Pure Water Program cost allocation and Metro TAC staff

support tasks have been budgeted at FYE 2016 level of efforts. The total proposed Keze Group contract amount for FYE 2017 is \$65,120. On a motion by Jerry Jones, seconded by Bill Sandke the FYE 2017 Keze Group contract was approved and recommended it should be moved on to the Metro Commission/JPA for their review and potential approval.

9. ACTION: Consideration and Possible Action to Recommend Approval of the 3rd Amendment to Agreement for Treasurer Services with Padre Dam Municipal Water District for FY 2017

Karyn Keese reviewed the annual amendment to the Treasurers' Contract. There are no changes in scope or dollar amount from FYE 2016. . On a motion by Jerry Jones seconded by Steve Miesen the Amendment to the Treasurers Contract was approved and recommended it should be moved on to the Metro Commission/JPA for their review and potential approval.

10. ACTION: Consideration and Possible Action to Recommend Approval of the 1st Amendment to the Webmaster Contract with Vision Internet Providers for FY 2017

Karyn Keese reviewed the amendment to the existing contract with Vision Internet. There are no changes in scope or dollar amount from FYE 2016. The Committee requested detail on the \$2,400 contract amount as a contract summary was not contained in the Amendment. Paula de Sousa Mills stated that the contract is for \$200 per month for hosting of the JPA website. On a motion by Bill Sandke, seconded by Jerry Jones, the Amendment to the Vision Contract in the form presented was approved and recommended it should be moved on to the Metro Commission/JPA for their review and potential approval. Jerry Jones noted that the details of the dollar amount of the contract should be reviewed with the Commission prior to their taking action since it is not included in the Amendment.

11. ACTION: Consideration and Possible Action to Recommend Approval of the 1st Amendment to the Contract for Administrative Service for Lori Ann Peoples for FY 2017

Karyn Keese reviewed the amendment to the existing contract with Lori Ann Peoples. The Amendment is for two-years to coincide with the terms of reimbursement contract with the City of San Diego for Ms. Peoples' services in support of the Metro Commission. The only change contained in the amendment is an increase of 6 hours per month to attend Metro TAC and prepare the minutes. This is an increase of approximately \$4,000 annually. On a motion by Jerry Jones, seconded by Bill Sandke, the Amendment to the Contract for Administrative Services was approved and recommended it should be moved on to the Metro Commission/JPA for their review and potential approval.

12. INFORMATION: Outcome of Metro Wastewater Debt Refundings

Edgar Patino and Karyn Keese reported on the outcome of the two recent refundings of outstanding Metro debt. The refundings have saved Metro wastewater rate payers including the PAs \$38.1 million from FYE 2016 to FYE 2039. The annual savings for FYE 2017 is \$2.4 million. Karyn Keese handed out a spread sheet that showed the savings to each of the PAs for reduction in debt service and other Metro system revenues and avoided costs (See Attachment B to these minutes).

13. Other Business of the Finance Committee

Chairman Mullin stated that he felt comfortable making all of the audit/budget recommendations to the Commission due to the hard work put into them by PUD staff, MGO, and the JPA financial consultant. The Committee agreed.

14. Review of Items to be Brought Forward to the next Metro Commission/Metro JPA Meeting

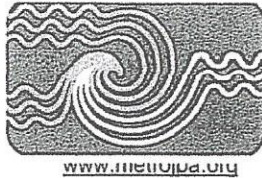
All action items will be brought forward to the Metro Commission at their June 2th meeting.

15. Adjournment (To the next Regular Meeting, June 29, 2016)

ATTACHMENT A

ADMINISTRATIVE PROTOCOL ON ALLOCATION OF OPERATING RESERVES & DEBT
SERVICE COVERAGE TO THE PARTICIPATING AGENCIES

METRO WASTEWATER JPA



276 Fourth Avenue Chula Vista, CA 91950 619-476-2557

Ernest Ewin, Chairman

April 19, 2010

Rod Greek
Public Utilities Deputy Director
City of San Diego, Metropolitan Wastewater
9192 Topaz Way
San Diego, CA 92123

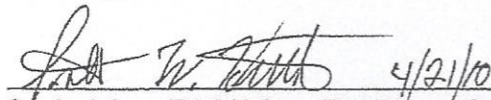
Re: Administrative Protocol on Allocation of Operating Reserves and Debt Service
Coverage to Participating Agencies

Dear Mr. Greek:

This letter is intended to memorialize the attached Administrative Protocol on Allocation of Operating Reserves and Debt Service Coverage to Participating Agencies ("Protocol") negotiated between the City of San Diego and Metro TAC/ Metro JPA/ Metro Commission, on behalf of the Participating Agencies under the Regional Wastewater Disposal Agreement. Your signature will indicate acceptance of the Protocol on behalf of the City.

By countersigning this letter, the City of San Diego and Metro TAC/ Metro JPA/ Metro Commission acknowledge and agree to the terms and conditions contained in the attached Protocol.


Sincerely,


for the Metro TAC/ Metro JPA/ Metro Commission

Enclosure

The Protocol is accepted by the City of San Diego pursuant to the terms and conditions set forth in the attachment hereto:

Date: 4/19/10


Rod Greek, Public Utilities Deputy Director

The Protocol is accepted by Metro TAC/ Metro JPA/ Metro Commission on behalf of the Participating Agencies pursuant to the terms and conditions set forth in the attachment hereto:

Date: 5/6/10



The Joint Powers Authority Proactively Addressing Regional Wastewater Issues

Chula Vista • Coronado • Del Mar • Imperial Beach • La Mesa • Lemon Grove Sanitation District
National City • Otay Water District • Poway • Padre Dam Municipal Water District
County of San Diego, representing East Otay, Lakeside/Alpine, Spring Valley & Winter Gardens Sanitation Districts

Administrative Protocol on Allocation of Operating Reserves and Debt Service Coverage to Participating Agencies

BACKGROUND:

In early 2008 the MetroTAC formed a working group in response to the City of San Diego's request for \$20 million in funding in FYE 2009 from the Participating Agencies ("PAs") for operating reserves and debt service coverage. The working group continued to meet with City of San Diego staff regarding the establishment of a mutually agreed upon protocol through early February 2010. A summary of the City of San Diego's 2008 proposal and the negotiated 2010 protocol is included as Attachment A.

At its regular meeting of February 17, 2010, the MetroTAC approved the following recommendations to move to the Finance Committee of the Metro Wastewater JPA and thereafter to the Metro Commission/ Metro Wastewater JPA for discussion and action:

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

The Finance Committee of the Metro Wastewater JPA, at its February 24, 2010 meeting, took action to recommend approval of the above, by the Metro Commission/ Metro Wastewater JPA. At its March 4, 2010 meeting, the Metro Commission/ Metro Wastewater JPA, comprised of representatives of the PAs, approved the components of the negotiated policy, with the understanding that any such policy would serve as an administrative protocol regarding the allocation of debt service coverage to the PAs and funding of operating reserves by the PAs.

PROTOCOL REGARDING PA FUNDING OF OPERATING RESERVES:

Background:

Operating reserves are established to provide funding for unforeseen events that might occur during the course of the fiscal year such as unforeseen major maintenance or capital projects. The PAs performed a survey of other regional wholesale agencies and determined that agencies such as the San Diego County Water Authority maintain a 45 day operating reserves. Although the City of San Diego's current policy is to increase operating reserves for its retail customers from 45 to 70 days, the City realizes that if a major maintenance incident should occur it can immediately request payment from the PAs per the Regional Wastewater Disposal Agreement. The City of San Diego's retail customer's rates cannot be immediately increased due to Proposition 218 requirements for noticing and public hearings.

Protocol:

Attachment B is a summary of the funding strategy showing each PAs 2007 and 2008 refunds based on recent City Metro Wastewater Exhibit E audits. The refunds will be used to fund the PAs 45 day operating reserves contribution. In the majority of cases most PAs will see a refund even after they have

fully funded their portion of the operating reserves. PAs that do not have adequate refunds will be billed for their portion of the reserve in the next quarterly 2010 billing. The operating reserves for each fiscal year will be established based on 45 days of operating revenues as determined by the following formula:

$$\frac{\text{Fiscal Year Estimated Operating Expenses (not including CIP and debt service)}}{365 \text{ days}} \times 45 \text{ days}$$

The number of days included in the calculation cannot be changed without prior consent of the PAs.

The operating reserves will be maintained by the City of San Diego and interest will accrue on a monthly basis based on actual interest rates on the City's investments. This interest revenue will be added to the PAs undesignated fund balance for that fiscal year. As part of each year's Exhibit E audit the actual required operating reserves and interest earned on it will be determined and audited by the City of San Diego's external auditors and PA representatives. A summary of the operating reserves balance and interest earned for each PA will be included as a footnote or attachment to the City Metro Wastewater Exhibit E Audit.

PROTOCOL REGARDING ALLOCATION OF DEBT SERVICE COVERAGE TO PAs

Background:

A 1.2 debt service coverage ratio is a requirement for all of the outstanding Metro parity debt. A cash flow prepared by the City of San Diego shows (Attachment C) that if the PAs are billed at the current level (\$65 million annually to cover the PAs portion of operations, pay-go capital, and debt service expense) for the next three to five years that this requirement can be achieved without additional contributions by the PAs. This provides the PAs a stable projected annual Metro contribution for the next three to five years.

Protocol:

The PAs will maintain through annual contributions and use of PA undesignated fund balance a positive cash flow not to exceed 1.2 times the PA share of the required annual debt service on Metro Debt. The debt service coverage ratio of 1.2 cannot be changed without prior consent of the PAs.

The undesignated fund balance will be maintained by the City of San Diego and interest will accrue on a monthly basis based on actual interest rates on the City's investments. This interest revenue will be added to the PAs undesignated fund balance for that fiscal year.

As part of each year's Exhibit E audit the actual required reserve coverage and interest earned on the undesignated fund balance will be determined and audited by the City of San Diego's external auditors and PA representatives. A summary of the debt service coverage requirement and portion of interest earned on the undesignated fund balance for each PA will be included as a footnote or attachment to the City Metro Wastewater Exhibit E Audit.

If the cash flow in any year does not provide the required 1.2 debt service coverage the PAs will be billed the additional required revenue including interest.

ATTACHMENT B

INCOME CREDITS/REVENUES ALLOCATION

ALLOCATION BASED UPON FYE 2015 YEAR-END FLOWS/LOADS
INCOME CREDITS/BOND SAVINGS/AVOIDED COSTS (SDG&E)

| | PERCENT | INCOME CREDITS \$ 10,000,000 | FYE 2016 BOND SAVINGS \$ 2,300,000 | POWER SAVINGS \$ 5,300,000 | Total All \$ 17,600,000 |
|---------------------|---------|------------------------------------|---|----------------------------------|----------------------------|
| CHULA VISTA | 10.55% | \$ 1,055,000 | \$ 242,650 | \$ 559,150 | \$ 1,856,800 |
| CORONADO | 1.04% | \$ 104,000 | \$ 23,920 | \$ 55,120 | \$ 183,040 |
| COUNTY OF SAN DIEGO | 5.05% | \$ 505,000 | \$ 116,150 | \$ 267,650 | \$ 888,800 |
| DEL MAR | 0.37% | \$ 37,000 | \$ 8,510 | \$ 19,610 | \$ 65,120 |
| EL CAJON | 4.85% | \$ 485,000 | \$ 111,550 | \$ 257,050 | \$ 853,600 |
| IMPERIAL BEACH | 1.45% | \$ 145,000 | \$ 33,350 | \$ 76,850 | \$ 255,200 |
| LA MESA | 2.93% | \$ 293,000 | \$ 67,390 | \$ 155,290 | \$ 515,680 |
| LEMON GROVE | 1.39% | \$ 139,000 | \$ 31,970 | \$ 73,670 | \$ 244,640 |
| NATIONAL CITY | 2.64% | \$ 264,000 | \$ 60,720 | \$ 139,920 | \$ 464,640 |
| OTAY | 0.14% | \$ 14,000 | \$ 3,220 | \$ 7,420 | \$ 24,640 |
| PADRE DAM | 1.39% | \$ 139,000 | \$ 31,970 | \$ 73,670 | \$ 244,640 |
| POWAY | 1.72% | \$ 172,000 | \$ 39,560 | \$ 91,160 | \$ 302,720 |
| SAN DIEGO | 66.48% | \$ 6,648,000 | \$ 1,529,040 | \$ 3,523,440 | \$ 11,700,480 |
| TOTAL | 100.00% | \$ 10,000,000 | \$ 2,300,000 | \$ 5,300,000 | \$ 17,600,000 |
| | | | | | |

Attachment 4

FY 2014 Exhibit E Audit

METRO JPA/TAC
Staff Report
Date: July 15, 2016

Project Title: Schedule of Allocation for Billing to Metropolitan Wastewater Utility and Independent Auditors Report (Exhibit E Audit)

Requested Action: Review and accept Auditor's Report and year-end reconciliation

Recommendations: Accept Auditor's Report and year-end reconciliation

| | |
|---|---------------|
| Metro TAC: | July 20, 2016 |
| IROC: | N/A |
| Prior Actions: (Committee/Commission, Date, Result) | |

Fiscal Impact:

| | |
|---|--|
| Is this projected budgeted? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |
| Cost breakdown between Metro & Muni: | See attached year-end reconciliation |
| Fiscal impact to the Metro JPA: | (\$2,555,142) total. See Table B for individual agency fiscal impact. |

Capital Improvement Program:

| | |
|-------------------|--|
| New Project? | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |
| Existing Project? | Yes <input type="checkbox"/> No <input type="checkbox"/> Upgrade/addition <input type="checkbox"/> Change <input type="checkbox"/> |

Previous TAC/JPA Action: None

Additional/Future Action: Metro Finance Committee and Metro JPA/Commission

City Council Action: N/A

Background:

FYE 2014's "Schedule of Allocation for Billing to Metropolitan Wastewater Utility and Independent Auditors Report" (Exhibit E Audit) was completed on June 27, 2016. A copy of the Auditor's Report and the Reconciliation of FYE 2014 based on the audited numbers are attached to this staff report.

CHANGES IN BILLING/RECONCILIATION

There were two major changes to the billing and reconciliation that occurred this year:

- For FYE 2014 the SS and COD percentages were determined from a new sample data set taken during the fiscal year and annual monitored flow and not cumulative sampling as previously done in prior audits. PUD staff will add data set points until the most recent 5-year rolling samples are obtained and used to determine the SS and COD. This is per the agreed upon Brown

& Caldwell (B&C) recommendation from their 2013 Study. Comparing FY13 and FY14 with regards to loadings is not a good comparison based on the explanation above in implementing the B&C recommendation.

- In addition, in FYE 2014 the participating agencies (PAs) Operating Reserve was short of the 45 day requirement per the Admin Protocol. As done in the past the necessary individual PA contribution was withheld in order to be in compliance. This can be found on Table B of the reconciliation.

EXPENDITURES AND INCOME CREDITS

The final operating and capital expenses can be found on Page 3 of the Auditor's Report. The year-end total \$185,843,139 is only \$1.8 million (.97%) higher than FYE 2013. Highlights of the increase areas of expenditures for the year are:

- Treatment costs increased at Pt. Loma due to such things as a new contract for cleaning Pt Loma's digesters (\$2,543,974), purchase of a 25-year easement Navy owned land (\$741,000), and an Increase in Ferrous Chloride use (\$382,203) which was necessary to meet regulatory limits while two digesters were out of service.
- Engineering cost increased due to work on many new contracts, including the South and North Metro Interceptors, the Condition Assessment of Large Pipelines and Pump Stations, Operation Optimization, and Pure Water Project (PWP). The total amount spent in the new contracts was \$2,461,227.
- General and Administrative costs increased due to IT Data Center costs (\$400K), purchase of IT software (\$500K), a one-time audit finding of \$416K as discussed under the Findings section of this staff report, and additional required security services of \$677K.

There was a major offset to the CIP and overall annual expenses by an increase to Metro Revenue of \$6.5 million over FYE 2013 which was due to more SRF reimbursements being received for the Pt Loma Grit Processing Project, SRF Loan # C-06-4395-110. Many FY13 expenditures were not reimbursed until FY14 by the State.

FINDINGS

As in prior years MGO issued a clean unqualified opinion. There were four findings out of all the samples tested which totaled \$1,048,890.71. The total of these finding increased the annual Metro operating expense this year. There were two minor findings totaling (\$16,448.82). The two major findings were:

- It was discovered that the enterprise funds (water, wastewater, etc.) had not been charged for the annual MGO audit since 2008. All audit expenses have been paid by the San Diego General Fund in error. The statute of limitations of four years capped the Metro expense at \$416,068.77 with San Diego Muni customers assuming the costs of the other years
- Chemicals that have been injected into the East Mission Bay Trunk Sewer for odor control and pre-treatment where charged in error to Muni when this is a Metro facility. The total adjustment for three years was \$649,270.76.

YEAR END RECONCILIATION

Table B of the year-end reconciliation shows the total PA share of the FYE 2014 operations and CIP costs and income credits of \$62,365,396. The PAs had collectively been billed \$65,361,075 and thus the total refund of \$2,995,679 is due to the PAs. As discussed earlier the operations reserve is \$440,536 short and this has been deducted leaving the total refund to the PAs of \$2,555,142. Table B shows the individual amounts paid by each PA and the individual year-end prorate share of the expenses

Discussion: *N/A*

Bid Results: *N/A*

**CITY OF SAN DIEGO PUBLIC
UTILITIES DEPARTMENT**

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

For the Fiscal Year Ended June 30, 2014



Certified
Public
Accountants

CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT
Schedule of Allocation for Billing to Metropolitan Wastewater Utility
and Independent Auditor's Reports
For the Fiscal Year Ended June 30, 2014

Table of Contents

| | <i>Page</i> |
|--|-------------|
| Independent Auditor's Report on the Schedule of Allocation for Billing to Metropolitan Wastewater Utility | 1 |
| Schedule of Allocation for Billing to Metropolitan Wastewater Utility | 3 |
| Notes to the Schedule of Allocation for Billing to Metropolitan Wastewater Utility..... | 4 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Allocation for Billing to Metropolitan Wastewater Utility Performed in Accordance with <i>Government Auditing Standards</i> | 7 |



Certified
Public
Accountants

Sacramento
Walnut Creek
San Francisco
Oakland
Los Angeles
Century City
Encino
Newport Beach
San Diego

Independent Auditor's Report on the Schedule of Allocation for Billing to Metropolitan Wastewater Utility

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

Report on the Schedule

We have audited the accompanying Schedule of Allocation for Billing to Metropolitan Wastewater Utility (the Schedule) of the City of San Diego Public Utilities Department (PUD), an enterprise fund of the City of San Diego, California (the City) for the fiscal year ended June 30, 2014, and the related notes to the Schedule.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with the modified cash basis of accounting described in Note 3, this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the Schedule in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule referred to above presents fairly, in all material respects, the modified cash basis allocation of billing to the Metropolitan Wastewater Utility of the PUD pursuant to the Regional Wastewater Disposal Agreement (Agreement) between the City and the Participating Agencies in the Metropolitan Wastewater System dated May 18, 1998 and amended on May 15, 2000 and June 3, 2010, for the fiscal year ended June 30, 2014, in accordance with the modified cash basis of accounting described in Note 3.

Basis of Accounting

We draw attention to Note 3 of the Schedule, which describes the basis of accounting. The Schedule is prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016 on our consideration of the PUD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the Schedule and compliance and the results of that testing, and not to provide an opinion on internal control over the Schedule or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PUD's internal control over the Schedule and compliance.

Macias Gini & O'Connell LLP

San Diego, California
June 27, 2016

CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT
Schedule of Allocation for Billing to Metropolitan Wastewater Utility
For the Fiscal Year Ended June 30, 2014

| | Operating Expenses | | |
|--|-----------------------|-----------------------|-----------------------|
| | Municipal System | Metropolitan System | Total |
| Transmission | | | |
| Main Cleaning | \$ 12,632,918 | \$ - | \$ 12,632,918 |
| Sewer Pump Stations..... | 5,163,749 | 649,271 | 5,813,020 |
| Other Pump Stations..... | 6,571,755 | 847,429 | 7,419,184 |
| Pump Station 1..... | - | 2,690,863 | 2,690,863 |
| Pump Station 2..... | - | 6,970,950 | 6,970,950 |
| Other Muni Agencies..... | 2,251,963 | - | 2,251,963 |
| Pipeline Maintenance & Repair..... | 11,993,632 | 2,241 | 11,995,873 |
| Wastewater Collection (WWC) Engineering and Planning..... | 2,602,691 | - | 2,602,691 |
| Total Transmission..... | 41,216,708 | 11,160,754 | 52,377,462 |
| Treatment and Disposal | | | |
| Point Loma Wastewater Treatment Plant (PTLWWTP)..... | - | 28,076,266 | 28,076,266 |
| North City Water Reclamation Plant (NCWRP)..... | - | 8,719,116 | 8,719,116 |
| South Bay Water Reclamation Plant (SBWRP)..... | - | 7,740,000 | 7,740,000 |
| Metropolitan Biosolids Center (MBC)..... | - | 15,701,359 | 15,701,359 |
| Gas Utilization Facility (GUF)..... | - | 2,518,440 | 2,518,440 |
| Wastewater Treatment and Disposal (WWTD) Plant Engineering..... | - | 596,425 | 596,425 |
| Total Treatment and Disposal..... | - | 63,351,606 | 63,351,606 |
| Quality Control | | | |
| Sewage Testing and Control..... | 2,663,889 | 465,138 | 3,129,027 |
| Marine Biology and Ocean Operations..... | - | 5,373,330 | 5,373,330 |
| Wastewater Chemistry Services..... | 190 | 5,751,872 | 5,752,062 |
| Industrial Permitting and Compliance..... | 3,316,064 | - | 3,316,064 |
| Total Quality Control..... | 5,980,143 | 11,590,340 | 17,570,483 |
| Engineering | | | |
| Program Management and Review..... | 3,456,006 | 5,514,918 | 8,970,924 |
| Environmental Support..... | 1,315,207 | 236,092 | 1,551,299 |
| Total Engineering..... | 4,771,213 | 5,751,010 | 10,522,223 |
| Operational Support | | | |
| Central Support: Clean Water Operations Management Network (Comnet)..... | 176,517 | 3,218,559 | 3,395,076 |
| Operational Support..... | 1,486,015 | 6,495,295 | 7,981,310 |
| Total Operational Support..... | 1,662,532 | 9,713,854 | 11,376,386 |
| General and Administration | | | |
| Business Support Administration..... | 24,471,554 | 19,373,163 | 43,844,717 |
| Operating Division Administration..... | 6,987,216 | 5,530,846 | 12,518,062 |
| Total General and Administration..... | 31,458,770 | 24,904,009 | 56,362,779 |
| TOTAL OPERATING EXPENSES..... | 85,089,366 | 126,471,573 | 211,560,939 |
| CAPITAL IMPROVEMENT EXPENSE..... | 54,100,755 | 21,365,868 | 75,466,623 |
| DEBT SERVICE ALLOCATION..... | 47,696,663 | 53,192,903 | 100,889,566 |
| METROPOLITAN SYSTEM INCOME CREDITS..... | | | |
| Operating Revenue..... | - | (5,547,245) | (5,547,245) |
| CIP - Revenue Bond Issue..... | - | - | - |
| Operating - Grant Revenue..... | - | - | - |
| CIP - Grant/State Revolving Fund (SRF) Revenue..... | - | (9,639,960) | (9,639,960) |
| TOTAL METROPOLITAN SYSTEM INCOME CREDITS..... | - | (15,187,205) | (15,187,205) |
| TOTAL ALLOCATION FOR BILLING PURPOSES..... | \$ 186,886,784 | \$ 185,843,139 | \$ 372,729,923 |

See Accompanying Notes to the Schedule of Allocation for Billing to Metropolitan Wastewater Utility

CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT
Notes to the Schedule of Allocation for Billing to Metropolitan Wastewater Utility
For the Fiscal Year Ended June 30, 2014

Note 1 – General

The City of San Diego Public Utilities Department (the PUD) operates and maintains the Metropolitan Wastewater System (the Metropolitan System) and the Municipal Wastewater Collection System (the Municipal System). The Participating Agencies and the City of San Diego (the City) have entered into the Regional Wastewater Disposal Agreement dated May 18, 1998 and amended on May 15, 2000 and June 3, 2010, for their respective share of usage and upkeep of the Metropolitan Wastewater Utility. The accompanying Schedule of Allocation for Billing to Metropolitan Wastewater Utility (the Schedule), represents the allocation of expenses for billing related to the Metropolitan Wastewater Utility of the Participating Agencies.

The Metropolitan System and Municipal System are accounted for as enterprise funds and reported in the Sewer Utility Fund in the City's Comprehensive Annual Financial Report.

Note 2 – Participating Agencies

The Participating Agencies consist of the following municipalities and districts:

| | |
|------------------------|--------------------------------------|
| City of Chula Vista | City of National City |
| City of Coronado | City of Poway |
| City of Del Mar | Lemon Grove Sanitation District |
| City of El Cajon | Otay Water District |
| City of Imperial Beach | Padre Dam Municipal Water District |
| City of La Mesa | San Diego County Sanitation District |

Note 3 – Summary of Significant Accounting Policies

Basis of Presentation

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

1. Purchases of capital assets are presented as capital improvement expenses.
2. Depreciation expense on capital assets is not reported in the Schedule.
3. Payments of principal and interest related to long-term debt are reported as debt service allocation.
4. Exclusion in the Schedule for unbudgeted expenses related to compensated absences, liability claims, capitalized interest, pollution remediation, other postemployment benefits, net pension obligation, and landfill closure and postclosure care costs.

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

Note 4 – Capital Improvement Expense

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

CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT
Notes to the Schedule of Allocation for Billing to Metropolitan Wastewater Utility (Continued)
For the Fiscal Year Ended June 30, 2014

Metropolitan Wastewater Utility capital improvement income credits include, if any, contributions-in-aid-of-construction received from Federal and State granting agencies and reimbursements from bond proceeds.

Note 5 – Debt Service Allocation

Debt service allocation represents a portion of the principal and interest payments relating to the Senior Sewer Revenue Bonds Series 2009A, the Senior Sewer Revenue Refunding Bonds Series 2009B and 2010A, and the outstanding State Revolving Fund (SRF) loans from the State of California.

Note 6 – Metropolitan System Income Credits

Metropolitan System income credits are revenues earned by the Metropolitan System for costs incurred during the current or previous fiscal years. The PUD has agreed to share the income credits from the South Bay Water Reclamation Facility in accordance with the 1998 Regional Wastewater Disposal Agreement. An agreement was reached in fiscal year 2015 regarding revenue generated from the South Bay Water Reclamation Facility and revenue sharing payments were issued for the fiscal years from 2006 through 2014 to Participating Agencies. Hence, the revenue sharing payments for fiscal year 2014 are not included in the fiscal year 2014 Schedule.

Note 7 – Total Allocation for Billing Purposes

Costs to be billed to Participating Agencies include all individual construction projects costs and operation and maintenance expenses attributable to the Metropolitan System. Costs are apportioned back to the Participating Agencies based on their percentage of each of the totals of flow, suspended solids and chemical oxygen demand (COD). Each Participating Agency and the City are sampled quarterly, with plants sampled daily. Beginning in fiscal year 2014, the percentages were determined from a new sample data set taken during the fiscal year and annual monitored flow.

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

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

Note 8 – Administrative Protocol

In May 2010, the City of San Diego and all Participating Agencies signatory to the Regional Wastewater Disposal Agreement established an Administrative Protocol (Protocol) which was effective beginning in fiscal year 2010. The Protocol established a requirement that the Participating Agencies maintain a 1.2 debt service coverage ratio on parity debt, fund a 45 day operating reserve, and earn interest on the operating and unrestricted reserve accounts. All interest earned during fiscal year 2014 was credited to the operating reserve, which ended the fiscal year with a 45-day reserve. In fiscal year 2014, the Participating Agencies contributed \$440,536 to meet the 45-days reserve.

CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT
Notes to the Schedule of Allocation for Billing to Metropolitan Wastewater Utility (Continued)
For the Fiscal Year Ended June 30, 2014

Note 9 – Subsequent Events

Padre Dam Overbilling Sludge Issue

The City of San Diego investigated an issue submitted by Padre Dam regarding possible overcharges and in April 2011, confirmed that Padre Dam was indeed overcharged. Thereafter, beginning in May 2011, the overcharge issue was generally discussed by the City of San Diego, Padre Dam and all other Participating Agencies, at many, if not all, Metro TAC meetings until April 2013, with the hope and goal of resolving the issue to the satisfaction of all parties. On December 5, 2013, Padre Dam and the City of San Diego issued a proposal with two options for consideration to Participating Agencies. In fiscal year 2015 an agreement was reached regarding the Padre Dam overcharge and corrections were issued for the fiscal years 2009 through 2012 as part of the audit and closeout procedures.

North City Wastewater Treatment Plant Billing Issue

In February 2013, the City of San Diego discovered an additional billing issue associated with the North City Water Reclamation Plant wherein the City of San Diego may have omitted flow and under billed itself. In fiscal year 2015, final agreement consensus was reached regarding how to account for the City's flow through the North City Water Reclamation Plant and correction was made for fiscal years 2009 through 2012 as part of the audit and closeout procedures.



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Encino

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San Diego

**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of the Schedule
of Allocation for Billing to Metropolitan Wastewater Utility Performed
in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Allocation for Billing to Metropolitan Wastewater Utility (the Schedule) of the City of San Diego Public Utilities Department (PUD), an enterprise fund of the City of San Diego, California (the City), for the fiscal year ended June 30, 2014, and the related notes to the Schedule, and have issued our report thereon dated June 27, 2016. Our report contained an explanatory paragraph indicating that the Schedule was prepared for the purpose of complying with, and in conformity with, the accounting practices prescribed by the Regional Wastewater Disposal Agreement between the City of San Diego and the Participating Agencies in the Metropolitan Wastewater System dated May 18, 1998 and amended on May 15, 2000 and June 3, 2010.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedule, we considered the PUD's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the PUD's internal control. Accordingly, we do not express an opinion on the effectiveness of the PUD's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

San Diego, California
June 27, 2016

TABLE A

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT
FISCAL YEAR 2014 UNIT COSTS
FUNCTIONAL-DESIGN COST ALLOCATION METHOD

| TREATMENT PARAMETER | FY 2014 ACTUALS | | UNITS | | COST PER UNIT |
|------------------------|--------------------|-------|---------|-----|---------------------------------|
| WASTEWATER FLOW | AMOUNT | % | | | |
| | \$88,906,555 | 47.8% | 59,537 | (a) | \$1,493.30 /per Million Gallons |
| SUSPENDED SOLIDS | \$51,894,997 | 27.9% | 164,246 | (b) | \$315.96 /per Thousand Pounds |
| CHEMICAL OXYGEN DEMAND | \$45,041,587 | 24.2% | 323,616 | (c) | \$139.18 /per Thousand Pounds |
| TOTAL | \$185,843,140 | 100% | | | |

(a) Units of Flow - Million Gallons Per Year

(b) Units of SS - Thousands of Pounds per Year

(c) Units of COD - Thousands of Pounds per Year

TABLE B

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT
DISTRIBUTION OF SYSTEM WASTEWATER ACTUALS - FISCAL YEAR 2014
FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

| AGENCY | ALLOCATION OF COSTS BY FLOW, SUSPENDED SOLIDS AND CHEMICAL OXYGEN DEMAND | | | | TOTAL PAID FOR FY 2014 | DIFFERENCE | Operating Reserve | NET |
|---------------------------------|--|--------------|--------------|----------------------|------------------------|---------------|-------------------|---------------|
| | FLOW (a) | SS (a) | COD (a) | TOTAL FLOW, SS & COD | | | | |
| CHULA VISTA | \$9,033,393 | \$5,065,774 | \$4,590,982 | \$18,690,149 | \$19,481,364 | (\$791,215) | \$132,589 | (\$658,626) |
| CORONADO | 904,945 | 566,049 | 421,652 | 1,892,646 | \$2,109,324 | (\$216,678) | \$13,282 | (\$203,396) |
| DEL MAR | 313,830 | 232,394 | 116,562 | 662,786 | \$668,267 | (\$5,481) | \$4,606 | (\$875) |
| EAST OTAY MESA | 29,230 | 15,567 | 13,367 | 58,164 | \$138,634 | (\$80,470) | \$429 | (\$80,041) |
| EL CAJON | 4,258,294 | 2,804,414 | 2,289,503 | 9,352,211 | \$8,167,074 | \$1,185,137 | \$62,502 | \$1,247,639 |
| IMPERIAL BEACH | 1,262,728 | 565,051 | 471,395 | 2,299,174 | \$2,381,975 | (\$82,801) | \$18,534 | (\$64,267) |
| LA MESA | 2,660,752 | 1,085,973 | 976,191 | 4,722,916 | \$4,865,426 | (\$142,510) | \$39,054 | (\$103,456) |
| LAKESIDE/ALPINE | 1,574,841 | 983,679 | 775,252 | 3,333,772 | \$3,690,304 | (\$356,532) | \$23,115 | (\$333,417) |
| LEMON GROVE | 1,191,394 | 561,351 | 507,339 | 2,260,084 | \$2,295,056 | (\$34,972) | \$17,487 | (\$17,485) |
| NATIONAL CITY | 2,279,339 | 1,176,694 | 1,186,535 | 4,642,568 | \$5,000,290 | (\$357,722) | \$33,455 | (\$324,267) |
| OTAY | 121,620 | 395,481 | 160,279 | 677,380 | \$1,021,725 | (\$344,345) | \$1,785 | (\$342,560) |
| PADRE DAM | 1,488,558 | 1,426,451 | 1,120,003 | 4,035,012 | \$3,634,940 | \$400,073 | \$21,849 | \$421,921 |
| POWAY | 1,595,344 | 913,413 | 685,078 | 3,193,835 | \$3,712,868 | (\$519,033) | \$23,416 | (\$495,617) |
| SPRING VALLEY | 2,763,095 | 1,386,934 | 1,228,985 | 5,379,014 | \$7,305,882 | (\$1,926,868) | \$40,556 | (\$1,886,312) |
| WINTERGARDENS | 536,662 | 349,031 | 279,992 | 1,165,685 | \$887,946 | \$277,739 | \$7,877 | \$285,616 |
| SUBTOTAL PARTICIPATING AGENCIES | \$30,014,025 | \$17,528,256 | \$14,823,115 | \$62,365,396 | \$65,361,075 | (\$2,995,679) | \$440,536 | (\$2,555,142) |
| SAN DIEGO | \$58,892,528 | \$34,366,742 | \$30,218,471 | \$123,477,741 | | | | |
| TOTAL | \$88,906,553 | \$51,894,998 | \$45,041,586 | \$185,843,137 | | | | |

(a) Allocations based on estimated annual flows and strength loadings - See Table C

TABLE C

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT
SYSTEM WASTEWATER CHARACTERISTICS - FISCAL YEAR 2014
SYSTEM STRENGTH LOADINGS INCLUDED

| AGENCY | WASTEWATER CHARACTERISTICS | | | UNADJUSTED ANNUAL USE | | | ADJUSTED ANNUAL USE | | |
|---------------------------------|----------------------------|----------------|-----------------|----------------------------------|--------------------------|---------------------------|----------------------------------|--------------------------|---------------------------|
| | AVERAGE FLOW - mgd (a) | SS mg/l (b) | COD mg/l (b) | 2014 FLOWS million gallons | SS thousand pounds | COD thousand pounds | 2014 FLOWS million gallons | SS thousand pounds | COD thousand pounds |
| CHULA VISTA | 15.466 | 268 | 746 | 5,645.097 | 12,644 | 35,132 | 5,686.558 | 16,033 | 32,985 |
| CORONADO | 1.549 | 299 | 684 | 565.513 | 1,413 | 3,227 | 569.667 | 1,792 | 3,029 |
| DEL MAR | 0.537 | 354 | 545 | 196.117 | 580 | 892 | 197.557 | 736 | 837 |
| EAST OTAY MESA | 0.050 | 255 | 671 | 18.266 | 39 | 102 | 18.400 | 49 | 96 |
| EL CAJON | 7.291 | 315 | 789 | 2,661.069 | 7,000 | 17,520 | 2,680.614 | 8,876 | 16,450 |
| IMPERIAL BEACH | 2.162 | 214 | 548 | 789.097 | 1,410 | 3,607 | 794.893 | 1,788 | 3,387 |
| LA MESA | 4.555 | 195 | 538 | 1,662.742 | 2,711 | 7,470 | 1,674.954 | 3,437 | 7,014 |
| LAKESIDE/ALPINE | 2.696 | 299 | 722 | 984.141 | 2,455 | 5,933 | 991.369 | 3,113 | 5,570 |
| LEMON GROVE | 2.040 | 226 | 625 | 744.519 | 1,401 | 3,882 | 749.988 | 1,777 | 3,645 |
| NATIONAL CITY | 3.902 | 247 | 764 | 1,424.392 | 2,937 | 9,080 | 1,434.853 | 3,724 | 8,525 |
| OTAY | 0.208 | 1,556 | 1,934 | 76.002 | 987 | 1,227 | 76.560 | 1,252 | 1,152 |
| PADRE DAM | 2.549 | 459 | 1,104 | 930.222 | 3,560 | 8,571 | 937.054 | 4,515 | 8,047 |
| POWAY | 2.731 | 274 | 630 | 996.954 | 2,280 | 5,242 | 1,004.276 | 2,891 | 4,922 |
| SPRING VALLEY | 4.731 | 240 | 653 | 1,726.698 | 3,462 | 9,405 | 1,739.380 | 4,390 | 8,830 |
| WINTERGARDENS | 0.919 | 311 | 766 | 335.368 | 871 | 2,143 | 337.831 | 1,105 | 2,012 |
| SUBTOTAL PARTICIPATING AGENCIES | 51.387 | 280 | 725 | 18,756.198 | 43,750 | 113,432 | 18,893.954 | 55,476 | 106,501 |
| SAN DIEGO | 100.830 | 279 | 753 | 36,802.789 | 85,779 | 231,244 | 37,073.089 | 108,770 | 217,114 |
| REGIONAL SLUDGE RETURNS | 9.781 | 332 | 208 | 3,570.065 | 9,880 | 6,187 | | | |
| FLOW DIFFERENCE | 1.118 | 7,294 | (8,002) | 408.057 | 24,837 | (27,247) | | | |
| TOTAL | 163.115 | 331 | 651 | 59,537.108 | 164,246 | 323,616 | 55,967.043 | 164,246 | 323,616 |

(a) Flows based on metered, housecounts and inter-agency flow, net adjustment to City of San Diego (Centrate (MBC Return) & North City Recycled Water)

(b) SS and COD characteristics based on standard deviation cumulative samples taken by MWWD's Environmental Monitoring and Technical Services Division up to 06-30-14. East Otay Mesa SS & COD is an average of Lakesid/Alpine, Spring Valley and Wintergardens.

TABLE D

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT
ALLOCATION OF FISCAL YEAR 2014 ACTUALS
FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

| DESCRIPTION | FY 2014 ACTUALS | ALLOCATION OF COSTS | | | | | | |
|---|--------------------|---------------------|---------------|---------|--------------|----------|--------------|----------------|
| | | FLOW % | FLOW COSTS | SS % | SS COSTS | COD % | COD COSTS | TOTAL COSTS |
| <u>OPERATION AND MAINTENANCE :</u> | | | | | | | | |
| TRANSMISSION AND SYSTEM MAINTENANCE | \$11,160,754 | 100.0% | \$11,160,754 | 0.0% | \$0 | 0.0% | \$0 | \$11,160,754 |
| OPERATIONS & MAINTENANCE | 60,236,741 | 36.8% | 22,171,030 | 34.4% | 20,727,097 | 28.8% | 17,338,613 | 60,236,741 |
| TECHNICAL SERVICES | 11,125,202 | 30.0% | 3,337,561 | 40.0% | 4,450,081 | 30.0% | 3,337,561 | 11,125,202 |
| COGENERATION | 1,144,608 | 0.0% | 0 | 60.0% | 686,765 | 40.0% | 457,843 | 1,144,608 |
| METRO ADMIN & GENERAL EXPENSES - 41508 | 22,057,274 | 43.8% | 9,667,167 | 30.9% | 6,818,530 | 25.3% | 5,571,577 | 22,057,274 |
| METRO ADMIN & GENERAL EXPENSES - 41509 | 17,815,049 | 43.8% | 7,807,903 | 30.9% | 5,507,138 | 25.3% | 4,500,008 | 17,815,049 |
| TOTAL OPERATIONS AND MAINTENANCE | \$123,539,626 | 43.83% | \$54,144,414 | 30.91% | \$38,189,611 | 25.26% | \$31,205,601 | \$123,539,626 |
| <u>CAPITAL IMPROVEMENT PROGRAM :</u> | | | | | | | | |
| PAY-AS-YOU-GO METRO 41508 | 8,101,340 | 55.8% | 4,520,129 | 22.0% | 1,782,114 | 22.2% | 1,799,096 | 8,101,339 |
| PAY-AS-YOU-GO METRO 41509 | 1,009,270 | 55.8% | 563,121 | 22.0% | 222,017 | 22.2% | 224,133 | 1,009,271 |
| DEBT SERVICE | 53,192,903 | 55.8% | 29,678,891 | 22.0% | 11,701,255 | 22.2% | 11,812,757 | 53,192,903 |
| TOTAL CAPITAL IMPROVEMENT PROGRAM | \$62,303,513 | 55.8% | \$34,762,141 | 22.0% | \$13,705,386 | 22.2% | \$13,835,986 | \$62,303,513 |
| TOTAL O&M & CAPITAL IMPROVEMENT PROGRAM | \$185,843,139 | 47.8% | \$88,906,555 | 27.9% | \$51,894,997 | 24.2% | \$45,041,587 | \$185,843,139 |