



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

AGENDA

**Thursday, September 1, 2016
12:00 p.m.**

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

"The Metro JPA's mission is to create an equitable partnership with the San Diego City Council and Mayor on regional wastewater issues. Through stakeholder collaboration, open dialogue, and data analysis, the partnership seeks to ensure fair rates for participating agencies, concern for the environment, and regionally balanced decisions."

Note: Any member of the Public may address the Metro Commission/Metro Wastewater JPA on any Agenda Item. Please complete a Speaker Slip and submit it to the Administrative Assistant or Chairperson prior to the start of the meeting if possible, or in advance of the specific item being called. Comments are limited to three (3) minutes per individual.

Documentation
Included

1. ROLL CALL

2. PLEDGE OF ALLEGIANCE TO THE FLAG

3. PUBLIC COMMENT

Persons speaking during Public Comment may address the Metro Commission/ Metro Wastewater JPA on any subject matter within the jurisdiction of the Metro Commission and/or Metro Wastewater JPA that is not listed as an agenda item. Comments are limited to three (3) minutes. Please complete a Speaker Slip and submit it prior to the start of the meeting.

X 4. **ACTION** – CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE MINUTES OF THE REGULAR MEETING OF [June 2, 2016](#) (**Attachment**)

X 5. **ACTION:** CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE SCCWRP – 9TH AMENDMENT (Peter Vroom) (**Attachments**)

X 6. **ACTION:** CONSIDERATION AND POSSIBLE ACTION TO APPROVE A RESOLUTION OF THE BOARD OF DIRECTORS OF THE METRO WASTEWATER JPA ADOPTING AN AMENDED CONFLICT OF INTEREST CODE PURSUANT TO THE POLITICAL REFORM ACT OF 1974 (Steve Martin) (**Attachments**)

September 1, 2016

Metro Commission/Metro
Wastewater JPA Regular
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- X 7. **INFORMATION:** PURE WATER ACTION SCHEDULE (John Helminski/Lee Ann Jones-Santos) (**Attachment Forthcoming**)
- X 8. METRO TAC UPDATE/REPORT (Greg Humora) (**Attachment**)
- X 9. POINT LOMA PERMIT RENEWAL UPDATE (Greg Humora) (**Attachment**)
- 10. IROC UPDATE (Vice Chair Jones)
- 11. FINANCE COMMITTEE (John Mullin)
 - a. Report by Chairman John Mullin on the August 31, 2016 Finance Committee Meeting
 - i. **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) (**Attachment**)
- 12. REPORT OF GENERAL COUNSEL (Steve Martin)
- 13. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION/METRO WASTEWATER JPA MEETING **October 6, 2016**
- 14. METRO COMMISSIONERS' AND JPA BOARD MEMBERS' COMMENTS
- 15. ADJOURNMENT OF METRO COMMISSION AND METRO WASTEWATER JPA
NOTE: The Board of Directors of the San Diego Area Wastewater Management District will meet immediately following this meeting.

The Metro Commission and/or Metro Wastewater JPA may take action on any item listed in this Agenda whether or not it is listed "For Action."

Materials provided to the Metro Commission and/or Metro Wastewater JPA related to any open-session item on this agenda are available for public review by contacting L. Peoples at (619) 548-2934 during normal business hours.

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

The Metro Commission/Metro Wastewater JPA requests individuals who require alternative agenda format or special accommodations to access, attend, and/or participate in the Metro Commission/Metro Wastewater JPA meetings, contact E. Patino at (858) 292.6321, at least forty-eight hours in advance of the meetings.

Metro JPA 2016 Meeting Schedule

January 7, 2016	February 4, 2016	March 3, 2016
April 7, 2016	May 5, 2016	June 2, 2016
July 7, 2016	August 4, 2016	September 1, 2016
October 6, 2016	November 3, 2016	December 1, 2016

September 1, 2016

Metro Commission/Metro
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Attachment 4
Minutes of June 2, 2016



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

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

**June 2, 2016
DRAFT Minutes**

Chairman Peasley called the meeting to order at 12:05 p.m. A quorum of the Metro Wastewater JPA and Metro Commission was declared, and the following representatives were present:

1. ROLL CALL

<u>Agencies</u>	<u>Representatives</u>		<u>Alternate</u>
City of Chula Vista	Steven Miesen	X	
City of Coronado	Bill Sandke		Michael Woiwode
City of Del Mar	Sherryl Parks	X	
City of El Cajon	Tony Ambrose		Dennis Davies
City of Imperial Beach	Brian Patrick Bilbray	X	
City of La Mesa	Bill Baber		
Lemon Grove Sanitation District	Jerry Jones	X	
City of National City	Jerry Cano		
City of Poway	John Mullin	X	
County of San Diego	Dianne Jacob		
Otay Water District	Jose Lopez	X	
Padre Dam MWD	Jim Peasley	X	
Metro TAC Chair	Greg Humora	X	

Others present: Metro JPA General Counsel Paula de Sousa Mills; Metro JPA Secretary Lori Anne Peoples; Karyn Keese of Keze Group; Roberto Yano – City of Chula Vista; Ed Walton – City of Coronado; Dennis Davies – City of El Cajon; Bob Kennedy of Otay Water District; Al Law and Augie Scalzetti - Padre Dam MWD; Mike Obermiller – City of Poway; Halla Razak, John Helminski, Edgar Patino, Mark Gonzalez and Seth Gates - City of San Diego Public Utilities; Tom Zeleny – Deputy City Attorney - City of San Diego; Kevin Starkey of MGO Auditors for City of San Diego.

2. PLEDGE OF ALLEGIANCE TO THE FLAG

Karyn Keese led the pledge.

3. PUBLIC COMMENT

None.

**4. ACTION: CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE MINUTES
OF THE REGULAR MEETING OF MAY 5, 2016**

ACTION: Upon motion by Commissioner Mullin, seconded by Commissioner Miesen, the minutes were approved by unanimous vote.

5. PRESENTATION: METRO FINANCE 101

Greg Humora introduced the third part of the three part series of the information items for the Commission. He noted they started with the facility construction process, which

facilities were built where and why. Next was the Regional Disposal Agreement, the law and background that goes behind doing everything. Next will be the final presentation which is the dollars. Greg then introduced Karyn Keese as our financial expert and she provided a verbal and very colorful Power Point presentation that covered the: Metro JPA Financials including the FY 2017 draft budget and budget versus actual; the San Diego Public Utilities Budget including the Metro Annual Budget Process, FY 2017 Metro Budget Estimate and Budget versus Actual; the Exhibit E Audit – FY 2015 Example, including the Exhibit E Audit History, Exhibit E Audit Process FY 2015, FY 2015 Draft Exhibit E Audit Samples, FY 2015 Estimated Metro Expense, Metro System Revenues (income credits) and lastly, the Metro Outstanding Debt. Ms. Keese noted that this presentation had been heard previously and approved for presentation to them by both the MetroTAC and Metro JPA Finance Committee.

6. ACTION: CONSIDERATION AND POSSIBLE ACTION TO APPROVE METRO CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT FY 2017 METRO BUDGET

Seth Gates, Deputy Director Finance for the City of San Diego Public Utilities Department introduced Mark Gonzalez, Budget Manager for the Public Utilities Department who provided a brief overview of 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 PA's portion of the Metro budget will remain at the protocol level of \$65 million for FYE 2017. Vice Chair Jones stated that although the budget shows \$38 million encumbered in a single year, this may not be spent. Metro JPA Finance Chair Mullin stated that the Finance Committee had reviewed this item and recommended approval.

ACTION: Motion by Vice Chair Jones, seconded by Commissioner Lopez, the City of San Diego Public Utilities Department FY 2017 Metro Budget be approved. Motion carried by unanimous vote.

7. FINANCIAL COMMITTEE:

a. Minutes of the May 27, 2015 Metro JPA Finance Committee Regular Meeting

Metro JPA Finance Committee Chair Mullin stated the minutes were approved by the Committee and were presented for information only on this agenda.

b. Report by Chairman John Mullin on the May 25, 2016 Finance Committee Meeting

i. ACTION: CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE FY 2017 METRO WASTEWATER JPA BUDGET

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 FY 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 and stated that in discussion with the Finance Committee, JPA Treasurer Karen Jassoy and Metro TAC Chair Greg Humora, 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 FY 2017 draft budget amount of \$227,350.

Finance Committee Chair Mullin stated that the reserves had been on their radar for some time and they had asked what the appropriate level of reserves should be maintained, realizing that of course there was an excess, it was also a cautious decision not to address this as they saw the Pure Water program emerge and they saw possibly an opportunity to apply some of those reserves. Having had that now ripple its way through the budget, comes now the proposal that they apply some of the reserves and reduce the billing for this year. Each of the lines as Karyn described are pretty well explained on the right and the Finance Committee is proposing adoption of the budget by the Metro JPA.

ACTION: On a motion by Commissioner Lopez, seconded by Vice Chair Jones, the Metro Commission/JPA 2016 budget was approved unanimously.

ii. **ACTION:** CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE FY 2017 ATKINS AGREEMENT FOR ENGINEERING SERVICES

Karyn Keese advised 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 FY 2017 is \$50,000.

Finance Committee Chair Mullin stated that this was a pretty straight forward issue and that the Finance Committee recommended approval.

ACTION: On a motion by Commissioner Mullin, seconded by Commissioner Miesen, the FY 2017 Atkins contract was approved unanimously.

iii. **ACTION:** CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE FY 2017 AGREEMENT WITH THE KEZE GROUP, LLC FOR FINANCIAL SERVICES

MetroTAC Chair Humora reviewed the work tasks contained in her proposed FY 2017 contract and summarized in Attachment A to Ms. Keese's 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 Finance Committee support tasks have been budgeted at FY 2016

level of efforts. The total proposed Keze Group contract amount for FY 2017 is \$65,120.

Finance Committee Chair Mullin stated that the Finance Committee recommended approval.

ACTION: On a motion by Commissioner Miesen, seconded Commissioner Bilbray, the FY 2017 Keze Group contract was approved unanimously.

- iv. **ACTION:** CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE THIRD AMENDMENT FOR TREASURER SERVICES WITH PADRE DAM MUNICIPAL WATER DISTRICT FOR FY 2017

Karyn Keese reviewed the annual amendment to the Treasurers' Contract. It is really just a time extension; there are no changes in scope or dollar amount from FY 2016.

Finance Committee Chair Mullin stated that the Finance Committee recommended approval.

ACTION: On a motion by Commissioner Parks, seconded by Commissioner Miesen, the Amendment to the Treasurers Contract was approved unanimously.

- v. **ACTION:** CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE FIRST AMENDMENT TO THE AGREEMENT WITH VISION INTERNET PROVIDERS FOR WEBMASTER SERVICES FOR FY 2017

MetroTAC Chair Humora stated that Vision Internet is our current website constructor and hosting service and that there are no changes in scope or dollar amount from FY 2016 which is at \$200 per month and \$2,400 for the entire year.

Finance Committee Chair Mullin stated that the Finance Committee recommended approval.

General Counsel de Sousa Mills stated that this amendment will allow this agreement to continue on a month to month basis there after so this might not be seen by the Commission next year as it will be included in the budget and vetted by MetroTAC.

ACTION: On a motion by Commissioner Lopez, seconded by Commissioner Mullin, the Amendment to the Vision Contract was approved unanimously.

- vi. **ACTION:** CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE FIRST AMENDMENT TO THE AGREEMENT WITH LORI ANNE PEOPLES FOR ADMINISTRATIVE SERVICES FOR FY 2017 AND FY 2018 (Karyn Keese) (**Attachment**)

Karyn Keese reviewed the amendment to the existing contract with Lori Anne 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 majority of her costs are reimbursed by the City of San Diego as the Metro Commission is a formal commission of the City of San Diego, however there are some costs for service to the MetroTAC, JPA and Finance Committee that are not included and the JPA is responsible for. 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.

Finance Committee Chair Mullin stated that this was another item that was consistent with the budget and that the Finance Committee was recommending approval.

ACTION: On a motion by Commissioner Lopez, seconded by Vice Chair Jones, the Amendment to the Contract for Administrative Services was approved unanimously.

8. **ACTION:** CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE FY 2013 EXHIBIT E AUDIT (Kevin Starkey – MGO Auditors) (**Attachment**)

Karyn Keese introduced Kevin Starkey from MGO who had been our partner in charge of the Exhibit E Audit process and he and Miyuki Freeman who is the Field Auditor for MGO working with us, have done a superb job in helping improve the financial process in accounting for the City of San Diego supporting the recommendation for an in-house accountant. Additionally, they actually understand strength based billing. Mr. Starkey reviewed the draft of the FY 2013 audit noting that 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 Pa's 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 FY 2013 audit only had 12 findings. The FY 2014 audit should be completed in late June/early July 2016 and the FY 2015 audit by the end of the summer and at that point the audits will be caught up. Edgar Patino reviewed the FY 2013 reconciliation. All of the PA's 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.

Finance Committee Chair Mullin stated that the Finance Committee recommended approval.

ACTION: Motion by Vice Chair Jones, seconded by Commissioner Lopez, the FY 2013 Exhibit E Audit be approved. Motion carried by unanimous vote.

9. **REPORT:** PURE WATER PROGRAM UPDATE

John Helminski, Assistant Public Utilities Director, Pure Water Program Lead, provided a brief Power Point presentation on Pure Water San Diego walking the JPA through an update on the program. The presentation included a schedule with Phase 1 being North City; Phase 1 Design Timeline: Miramar Pump Station and Pipeline, Notice to Proceed issued April 2016, Design Completion February 2018; North City WRP Expansion,

Notice to Proceed to be issued November 2016 and Design Completion by July 2018: Morena Pump Station WW Force Main and Brine Conveyance, Notice to Proceed to be issued November 2016 and Design Completion August 2018 and North City Advance Water Purification Facility, Notice to Proceed to be issued July 2017 and Design Completion by September 2018.

Mr. Helminski then covered the exploring of co-generation and bio-solids expansion to provide power for Pure Water Phase I (up to an additional 14.5 mw's; make beneficial use of exhaust heat for MBC digesters and develop beneficial use for bio-solids including marketing of end product (Class A and Class A EQ).

Next was discussion of the draft program environmental impact report (EIR) which was released for public comment February 10, 2016 with a 50 day comment period ending April 11, 2016 and a broad overview of potential environmental impacts associated with full implementation of the program.

The Notice of Preparation of a project specific environmental impact report (EIR) will be released July/August 2016. There are currently various studies underway such as the wet and dry weather surveys and MCAS utility easement submission of CLAMP.

Mr. Helminski then covered the Regulations Timeline. Surface Water Augmentation Regulations with the draft expert panel report on surface water augmentation due September 2016; the Direct Potable Reuse Regulations, draft expert panel report on DPR feasibility due July 2016; Final Surface Water Augmentation Regulations due December 2016 and Final Expert Panel Opinion on DPR Feasibility due December 2016.

He then concluded with the Drinking Water Permit for Miramar. Monthly meetings are being held with the DDW, Title 22 Report – Engineering Report and Quarterly meetings with RWQCB on the NPDES Permit requirements.

Chair Peasley stated that it had been some time since an update had been received and he remembered hearing information about the Miramar option vs. the San Vicente option for the eventual location of the water and requested Mr. Helminski provide details on the progress with the regulatory agencies that had obviously been made.

Mr. Helminski stated that ultimately through a series of meetings that have been held and with the regulatory agencies tracking the series of modeling that the City of San Diego had been doing, they feel that the project that they have, wanting to do 30 mgd per day, what they are hearing is that the big deal is the amount of time the water had to be retained. The DRAFT regulations initially had a retention of 6 months and what they have now heard from DDW is that they are looking at a plan that will allow San Diego to be able to start out their treatment process at 15 mgd and overtime be able to advance that. Thus they are putting in a staging framework in their regulations that will revise the retention time from 6 months to 4 months to 2 months. San Diego is anticipating that the DRAFT regulations will have this information in it based on the meetings currently being held. San Diego has asked for a pass forward and expressed the importance of being able to permit a project with 30 mgd up front and DDW has clearly indicated that San Diego will have the ability to do that. Therefore they will not have to go to San Vicente in Phase 1, but there is still a lot of time between now and Phase II but they think that between now and then, the flows if necessary to go to San V would be a lot smaller.

Vice Chair Jones stated that this information looked very different than what he had seen at IROC. Public Utilities Director Razak responded and stated that San Diego is trying to stay away from indirect and direct and are really just concentrating on calling this surface augmentation. They are pretty confident that due to conversations with the State they will have a pass forward. The trick is to continue to share the dialogue and testing etc. Very good progress is being made.

Vice Chair Jones then stated that the split between water and wastewater had not been heard by the JPA as of yet nor have they heard about the bio-solids aspects.

Chair Peasley requested and received information that some land acquisition was already being worked on and significant dollars in terms of capital expenditures will begin in late 2018 calendar year (construction costs) and 2019 and 2020 will be large years. Mr. Helminski stated that originally they were looking at 15 mgd by 2023 and the second 15 mgd in South Bay by 2027, but now they are looking at twice as much with an end date of 2021 so the beginning of the construction dollars has also moved forward in time.

Commissioner Mullin inquired as to recent media coverage stating that the national environmental groups opposing any changes to the Clean Water Act and whether this would pose a threat to their project. Ms. Razak responded that the conversation was mostly about the amendment to the Clean Water Act which they have fully reviewed the possible legislative approach and then referred to the regulatory agencies. In speaking to their lobbyists, they were advised to wait until after the election and then start moving in that direction but nothing is really new, all remains at status quo. Both Greg Humora and Scott Tulloch are fully engaged in this process and strategizing timing.

Chair Peasley requested future quarterly reports be brought forward and inquired as to when the financials will be brought forward. Ms. Razak stated they would be sometime in the near future.

10. METROTAC UPDATE/REPORT

MetroTAC Chairman Humora stated that as previously stated the FY 2013 Exhibit E Audit was complete and if the Commission referred to page 104 in their agenda they would see how much their agencies will be receiving and checks are due to be cut prior to the end of this fiscal year, June 30th. Additional per the Commission direction, MetroTAC has set up two working groups. One is for Social Media Working Group that will come up with a draft social media policy on things such as Twitter and will bring the policy back for JPA approval at some time in the near future. The second is a Flow Commitment Working Group who is specifically looking at things such as what Del Mar is pondering in terms of off loading some flows and what the financial implications are to the other PA's.

11. POINT LOMA PERMIT RENEWAL UPDATE

MetroTAC Chairman Humora stated that he had nothing to add after Mr. Helminski's presentation. The next Stakeholder's meeting is on June 21, 2016.

12. IROC UPDATE

Metro JPA IROC Representative Jones stated that there had was not much to report. They had heard the Pure Water Presentation but more information was provided today. Presentations were heard on water quality testing, urban water management plan and water and sewer pipes leaks and breaks. He noted that the City of San Diego is doing a much better job than in the past. They elected a new Chair and Vice Chair. He was assigned to the Infrastructure and Operations Committee and reassigned to the Outreach Committee of which he is now the Chair thanks to San Diego Deputy City Attorney Tom Zeleny.

12. FINANCE COMMITTEE

Finance Committee Chair Mullin stated that in addition to all of the prior discussion, they have FY 2014 and 2015 which will be back for approval before too long.

14. REPORT OF GENERAL COUNSEL

General Counsel de Sousa Mills stated that she had no report.

15. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION/METRO WASTEWATER JPA MEETING OF July 7, 2016.

Chair Peasley stated that it may not be necessary to hold a meeting and he would leave it to MetroTAC Chair Humora who will advise Ms. Peoples whether or not to cancel the meeting.

16. METRO COMMISSIONERS' AND JPA BOARD MEMBERS' COMMENTS

There were none.

17. ADJOURNMENT

At 1:35 p.m., there being no further business, Commissioner Peasley declared the meeting adjourned.

Recording Secretary

Attachment 5
SCCWRP – 9th Amendment

METRO JPA/TAC**Staff Report****Date:**

Project Title: Southern California Coastal Water Research Project Authority- Ninth Amendment of the Joint Powers Agreement

Requested Action: Approval to provide funding for this 4-year JPA agreement is requested from the Metro JPA.

Recommendations: Approve the requested action.

Metro TAC:

IROC:

NA

Prior Actions:
(Committee/Commission,
Date, Result)

The previous amendment, the Eighth Amendment of the JPA, was approved by City Council on April 4, 2013 (R308046).

Fiscal Impact:

Is this projected budgeted? Yes ☒ No ☐

Cost breakdown between
Metro & Muni:

100% Metro = \$1,850,000 / 0% Muni
\$425,000 for FY 2018, \$450,000 for FY 2019, \$475,000 for FY
2020, \$500,000 for FY 2021 (Total \$1,850,000)

Fiscal impact to the Metro
JPA:

\$619,750 (33.5% of Metro costs)

Capital Improvement Program:

New Project? Yes ☐ No ☐ N/A ☒

Existing Project? Yes ☐ No ☐ Upgrade/addition ☐ Change ☐

Previous TAC/JPA Action: The previous amendment, the Eighth Amendment, was reviewed by Metro TAC on April 18, 2012 and recommended for approval. It was presented to San Diego Metro JPA / Commission and approved also on April 18, 2012.

Additional/Future Action: If the Ninth Amendment is recommended for approval by Metro TAC, it will be presented to the Metro JPA / Metro Commission on July 7, 2016. The Ninth Amendment is planned to be presented to the Environmental Committee on July 21, 2016 and if supported, presented to City Council on September 13, 2016.

City Council Action:**Background:** *Provide background information on the need for the project*

The Southern California Coastal Water Research Project (SCCWRP) Authority, a joint powers authority (JPA), was created in 1969 to enhance the scientific foundation for management of Southern California's ocean and associated coastal watershed resources. The study area extends from the coastline of the US/Mexico border to the Santa Barbara County line. By virtue of the Joint Powers Agreement entered into by the four Signatories to the Agreement: the (1) City of San Diego; (2) City of Los Angeles; (3) Orange County Sanitation District; and the (4) County Sanitation

Districts of Los Angeles County agree to provide annual funding for research conducted and coordinated by this agency.

SCCWRP is governed by a ten (10) member Commission composed of representatives from the US Environmental Protection Agency Region IX; State Water Resources Control Board; three (3) Regional Water Quality Control Boards representing the San Diego, Los Angeles and Santa Ana County Regions; County Sanitation Districts of Los Angeles; Orange County Sanitation District; Bureau of Sanitation, City of Los Angeles; City of San Diego's Public Utilities Department; and the California Resources Agency, Ocean Protection Council.

This Ninth Amendment to the Joint Powers Agreement will provide for the continuation of SCCWRP for another four years, beginning with fiscal year 2018.

The total amount is not to exceed \$1,850,000 and is to be expended as follows:

FY2018 = \$425,000

FY2019 = \$450,000

FY2020 = \$475,000

FY2021 = \$500,000

Execution of this agreement obligates the City for the first year of the four year term. *Withdrawal provisions are included within the agreement for years two, three and four.*

An alternative to participation in SCCWRP would be for the City of San Diego to hire technical consultants, on a case by case basis, to accomplish this work. This alternative is not recommended, however, as it would result in inefficiencies, additional costs and loss of City input that results from the cooperative working relationship with the regulators and other dischargers that are part of SCCWRP.

Discussion: *Provide information on decisions made to advance the project*

Bid Results: *Not applicable*

Attachment 6
Amended Conflict of Interest Code

NOTICE OF INTENTION TO AMEND THE APPENDIX OF THE CONFLICT OF INTEREST CODE OF THE METRO WASTEWATER JPA

NOTICE IS HEREBY GIVEN that the Metro Wastewater JPA (the "JPA") intends to amend the JPA's Conflict of Interest Code (the "Code") pursuant to Government Code Section 87306.

The Code designates those employees, members, officers, and consultants who make or participate in the making of decisions and are subject to the disclosure requirements of the JPA's Code. The JPA's proposed amendment is a non-substantive amendment to update legal references and add clarifying language as provided by the Fair Political Practices Commission.

The proposed amended Code will be considered by the JPA on September 1, 2016, at 12:00 p.m. at 9192 Topaz Way, San Diego, California. Any interested person may be present and comment at the public meeting or may submit written comments concerning the proposed amendment. Any comments or inquiries should be directed to the attention of the Lori Anne Peoples, Metro Wastewater JPA's Administrative Assistant, c/o 276 Fourth Avenue, Chula Vista, CA 91910; (619) 548.2934. Written comments must be submitted no later than September 1, 2016, at 12:00 p.m.

The proposed amended Appendix may be reviewed at, and copies obtained from, the office of the Administrative Assistant during regular business hours.

CONFLICT OF INTEREST CODE OF THE METRO WASTEWATER JPA

Amended ~~December 2, 2004~~September 1, 2016

The following Conflict of Interest Code of the Metro Wastewater JPA was amended by Resolution No. _____ of the Metro Wastewater JPA Board of Directors on ~~December 2, 2004~~September 1, 2016. This amendment is non-substantive and does not affect or modify any existing disclosure responsibilities.

Approved by the Board of Supervisors
County of San Diego

Date: _____

CONFLICT OF INTEREST CODE **OF THE** **METRO WASTEWATER JPA**

(Adopted February 22, 2002)

The Political Reform Act (Government Code Section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. 18730) which contains the terms of a standard conflict of interest code. After public notice and hearing it may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This regulation (attached) and the attached Appendix designating officials and employees and establishing disclosure categories, shall constitute the conflict of interest code of the **Metro Wastewater JPA (the "JPA")**.

All Officials and ~~Designated Employees~~designated positions required to submit a statement of economic interests shall file their statements with the **Administrative Assistant** as the JPA's Filing Officer. The ~~Filing Officer~~Administrative Assistant shall make and retain a copy of all statements filed by the Board of Directors, their Alternates, ~~and the Treasurer, and any other Officials who manage public investments,~~ and forward the originals of such statements to the Clerk of the Board of Supervisors of the County of San Diego. The ~~Filing Officer~~Administrative Assistant shall retain the originals of the statements of all other Designated ~~Employees~~Positions. The ~~Filing Officer~~Administrative Assistant will make all retained statements available for public inspection and reproduction during regular business hours (Gov. Code Section 81008).

APPENDIX

CONFLICT OF INTEREST CODE OF THE METRO WASTEWATER JPA

(Amended December 2, 2004)¹

EXHIBIT PART “A”

OFFICIALS WHO MANAGE PUBLIC INVESTMENTS

Metro Wastewater JPA Officials who manage public investments, as defined by 2 Cal. Code of Regs. § ~~18701~~18700.3(b), are NOT subject to the JPA's Code, but ~~are subject to themust file disclosure statements requirements of the Act (under~~ Government Code Section 87200 et seq.)~~—.~~ [Regs. § 18730(b)(3)] ~~These positions are listed here for informational purposes only.~~

It has been determined that the positions listed below are officials who manage public investments. These positions are listed here for informational purposes only²:

Members of the Board of Directors and their Alternates

Treasurer

Investment Consultant

¹ This non-substantive amendment to update legal references and add clarifying language as provided by the Fair Political Practice Commission was adopted on September 1, 2016.

² Individuals holding one of the above-listed positions may contact the ~~FPPC~~Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The ~~FPPC~~Fair Political Practices Commission makes the final determination whether a position is covered by § 87200.

DESIGNATED POSITIONS

GOVERNED BY THE CONFLICT OF INTEREST CODE

<u>DESIGNATED EMPLOYEES' POSITIONS'</u> <u>TITLE OR FUNCTION</u>	<u>DISCLOSURE CATEGORIES</u> <u>ASSIGNED</u>
Engineering Project Manager	2, 3, 6
Financial Services Manager	1, 2
General Counsel	1, 2
Consultants <u>and New Positions</u> ³	

³ ~~Consultants shall be included in the list of Designated Employees and shall disclose pursuant to Individuals serving as a consultant as defined in FPPC Reg. 18700.3(a) or in a new position created since this Code was last approved that makes or participates in making decisions must file under~~ the broadest disclosure category in this Code subject to the following limitation:

The Board of Directors may determine in writing ~~that a particular consultant, although a "designated position," is hired to perform a range of duties that are limited in scope and thus is not required to fully comply with the disclosure requirements described in this Section that due to the range of duties or contractual obligations, it is more appropriate to assign a limited disclosure requirement.~~ Such written determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements ~~(Gov. Code Sec. 82019; FPPC Regulations 18219 and 18734).~~ The Board of Directors' determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code ~~(Gov. Code Sec. 81008).~~

EXHIBIT PART “B”

DISCLOSURE CATEGORIES

The disclosure categories listed below identify the types of investments, business entities, sources of income, or real property~~economic interests~~ which the ~~Designated Employee~~designated position must disclose for each disclosure category to which he or she is assigned.⁴ “Investment” means financial interest in any business entity (including a consulting business or other independent contracting business) and are reportable if they are either located in, doing business in, planning to do business in, or have done business during the previous two years in the jurisdiction of the JPA.

Category 1: All investments and business positions in business entities, and sources of income, that are located in, do business in or own real property within the jurisdiction of the JPA~~including gifts, loans and travel payments~~.

Category 2: All interests in real property which is located in whole or in part within, or not more than two (2) miles outside, the jurisdiction of the JPA.

Category 3: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments from, business entities that are engaged in land development, construction or the acquisition or sale of real property within the jurisdiction of the JPA.

Category 4: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments from, business entities that are banking, savings and loan, or other financial institutions.

Category 5: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments from, business entities that provide services, supplies~~products~~, materials, machinery, vehicles or equipment of a type purchased or leased by the JPA.

Category 6: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments from, business entities that provide services, supplies~~products~~, materials, machinery, vehicles or equipment of a type purchased or leased by the ~~Designated Employee’s Department~~designated position’s department, unit or division.

⁴ This Conflict of Interest Code does not require the reporting of gifts from outside this agency’s jurisdiction if the source does not have some connection with or bearing upon the functions or duties of the position. (Reg. 18730.1)

RESOLUTION NO. 2016 - _____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
METRO WASTEWATER JPA ADOPTING AN AMENDED
CONFLICT OF INTEREST CODE PURSUANT TO THE
POLITICAL REFORM ACT OF 1974

WHEREAS, the Legislature of the State of California enacted the Political Reform Act of 1974, Government Code Section 81000 et seq. (the "Act"), which contains provisions relating to conflicts of interest which potentially affect all officers, employees and consultants of the Metro Wastewater JPA (the "JPA") and requires all public agencies to adopt and promulgate a conflict of interest code; and

WHEREAS, the Board of Directors adopted a Conflict of Interest Code (the "Code") which was amended on December 2, 2004, in compliance with the Act; and

WHEREAS, subsequent changed circumstances within the JPA have made it advisable and necessary pursuant to Sections 87306 and 87307 of the Act to amend and update the JPA's Code; and

WHEREAS, the potential penalties for violation of the provisions of the Act are substantial and may include criminal and civil liability, as well as equitable relief which could result in the JPA being restrained or prevented from acting in cases where the provisions of the Act may have been violated; and

WHEREAS, notice of the time and place of a public meeting on, and of consideration by the Board of Directors of, the proposed amended Code was provided each affected designated employee and publicly posted for review; and

WHEREAS, a public meeting was held upon the proposed amended Code at a regular meeting of the Board of Directors on September 1, 2016, at which all present were given an opportunity to be heard on the proposed amended Code.

NOW, THEREFORE, BE IT RESOLVED BY THE METRO WASTEWATER JPA AS FOLLOWS:

Section 1. The Metro Wastewater JPA does hereby adopt the proposed amended Conflict of Interest Code, a copy of which is attached hereto and shall be on file with the Administrative Assistant and available to the public for inspection and copying during regular business hours;

Section 2. That the said amended Code shall be submitted to the Board of Supervisors of the County of San Diego for approval and said Code shall become effective immediately upon approval by the Board of Supervisors, as submitted.

PASSED, APPROVED AND ADOPTED this 1st day of September, 2016,
by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

Chair, Board of Directors
Metro Wastewater JPA

ATTEST:

Secretary, Board of Directors
Metro Wastewater JPA

CONFLICT OF INTEREST CODE OF THE METRO WASTEWATER JPA

Amended September 1, 2016

The following Conflict of Interest Code of the Metro Wastewater JPA was amended by Resolution No. _____ of the Metro Wastewater JPA Board of Directors on September 1, 2016. This amendment is non-substantive and does not affect or modify any existing disclosure responsibilities.

Approved by the Board of Supervisors
County of San Diego

Date: _____

CONFLICT OF INTEREST CODE
OF THE
METRO WASTEWATER JPA

(Adopted February 22, 2002)

The Political Reform Act (Government Code Section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. 18730) which contains the terms of a standard conflict of interest code. After public notice and hearing it may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This regulation (attached) and the attached Appendix designating officials and employees and establishing disclosure categories, shall constitute the conflict of interest code of the **Metro Wastewater JPA (the “JPA”)**.

All Officials and designated positions required to submit a statement of economic interests shall file their statements with the **Administrative Assistant** as the JPA's Filing Officer. The **Administrative Assistant** shall make and retain a copy of all statements filed by the Board of Directors, their Alternates, the Treasurer, and any other Officials who manage public investments, and forward the originals of such statements to the Clerk of the Board of Supervisors of the County of San Diego. The **Administrative Assistant** shall retain the originals of the statements of all other Designated Positions. The **Administrative Assistant** will make all retained statements available for public inspection and reproduction during regular business hours (Gov. Code Section 81008).

APPENDIX

CONFLICT OF INTEREST CODE OF THE METRO WASTEWATER JPA

(Amended December 2, 2004)¹

PART “A”

OFFICIALS WHO MANAGE PUBLIC INVESTMENTS

Metro Wastewater JPA Officials who manage public investments, as defined by 2 Cal. Code of Regs. § 18700.3(b), are NOT subject to the JPA’s Code, but must file disclosure statements under Government Code Section 87200 et seq.. [Regs. § 18730(b)(3)]

It has been determined that the positions listed below are officials who manage public investments. These positions are listed here for informational purposes only²:

Members of the Board of Directors and their Alternates

Treasurer

Investment Consultant

¹ This non-substantive amendment to update legal references and add clarifying language as provided by the Fair Political Practice Commission was adopted on September 1, 2016.

² Individuals holding one of the above-listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination whether a position is covered by § 87200.

DESIGNATED POSITIONS

GOVERNED BY THE CONFLICT OF INTEREST CODE

<u>DESIGNATED POSITIONS'</u> <u>TITLE OR FUNCTION</u>	<u>DISCLOSURE CATEGORIES</u> <u>ASSIGNED</u>
Engineering Project Manager	2, 3, 6
Financial Services Manager	1, 2
General Counsel	1, 2
Consultants and New Positions ³	

³ Individuals serving as a consultant as defined in FPPC Reg. 18700.3(a) or in a new position created since this Code was last approved that makes or participates in making decisions must file under the broadest disclosure category in this Code subject to the following limitation:

The Board of Directors may determine in writing that due to the range of duties or contractual obligations, it is more appropriate to assign a limited disclosure requirement. Such written determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements (Gov. Code Sec. 82019; FPPC Regulations 18219 and 18734). The Board of Directors' determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code (Gov. Code Sec. 81008).

PART “B”

DISCLOSURE CATEGORIES

The disclosure categories listed below identify the types of economic interests which the designated position must disclose for each disclosure category to which he or she is assigned.⁴ “Investment” means financial interest in any business entity (including a consulting business or other independent contracting business) and are reportable if they are either located in, doing business in, planning to do business in, or have done business during the previous two years in the jurisdiction of the JPA.

Category 1: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments.

Category 2: All interests in real property which is located in whole or in part within, or not more than two (2) miles outside, the jurisdiction of the JPA.

Category 3: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments from, business entities that are engaged in land development, construction or the acquisition or sale of real property within the jurisdiction of the JPA.

Category 4: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments from, business entities that are banking, savings and loan, or other financial institutions.

Category 5: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments from, business entities that provide services, products, materials, machinery, vehicles or equipment of a type purchased or leased by the JPA.

Category 6: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments from, business entities that provide services, products, materials, machinery, vehicles or equipment of a type purchased or leased by the designated position’s department, unit or division.

⁴ This Conflict of Interest Code does not require the reporting of gifts from outside this agency’s jurisdiction if the source does not have some connection with or bearing upon the functions or duties of the position. (Reg. 18730.1)

Attachment 7
Pure Water Action Schedule

Attachment 8

MetroTAC Update

Metro TAC Work Plan Active & Pending Items 2016

Active Items	Description	Member(s)
Sample Rejection Protocol Working Group	7/16: The sample rejection protocol from the B&C 2013 report has been under discussion between PUD staff and Metro TAC. A working group was formed to deal with this highly technical issue and prepare draft recommendations on any changes to current sampling procedures. Any protocol recommendations will not be implemented until FY 2017.	Dennis Davies Dan Brogadir Al Lau Dexter Wilson SD staff
PLWTP Permit Ad Hoc Work Group	8/15: Greg Humora and Scott Tulloch continue to meet with stakeholders. Cost allocation subcommittee continues to meet with City staff. Milestones are included in each month Metro TAC and Commission agenda packet.	Greg Humora Scott Tulloch SD staff & consultants Enviro members
Flow Commitment Working Group	6/16: Upon the request of Metro Com Chair Jim Peasley Chairman Humora created a working group to review the Flow Commitment section of the Regional Agreement and make recommendations on the fiscal responsibilities of members who might withdraw their flow from the Metro System. The Work Group held their first meeting June 24, 2016. Yazmin Arellano will chair the work group. 7/16: The work group continues to meet prior to Metro TAC meetings.	Greg Humora Yazmin Arellano Roberto Yano Eric Minicilli Al Lau SD staff Karyn Keese
Social Media Working Group	6/16: Upon the request of Metro Com Chair Jim Peasley Chairman Humora created a working group to research and provide input on the creation of policies and procedures for Metro JPA social media. Mike Obermiller will chair this work group. He sent out an email to all Metro TAC members requesting copies of their agency's policies. 6/16: Mike will present a draft of the policy to Metro TAC at their July 2016 meeting. <i>7/16: Alexander Heide, City of Poway, distributed a draft of the proposed Social Media Policy. He requested input from Metro TAC members.</i>	Greg Humora Mike Obermiller
Secondary Equivalency	5/14: Definition of secondary equivalency for Point Loma agreed to be enviros 12/14: Cooperative agreement signed between San Diego and enviros to work together to pass legislation for secondary equivalency (until 8/1/19) San Diego indicated that passage of Federal legislation is not possible under the current political environment. San Diego is exploring options for State legislation 9/15: Letter received from EPA endorsing modified permit for Point Loma 6/16: Pursuit of Federal Legislation will be held off until after the November 2016 election.	Greg Humora Scott Tulloch
Pure Water Program Cost Allocation Ad Hoc Work Group	A small working group was formed to discuss options to allocate PLWTP offset project costs among the water and wastewater rate payers. The goal is to have numbers in December 2015.	Greg Humora Scott Tulloch Roberto Yano Karyn Keese SD staff & consultants
Pure Water Program Cost Allocation Metro TAC Work Group	5/14: Draft facility plan and cost allocation table provided to Metro TAC working group 3/15: Draft cost allocation presentation provided to Metro TAC	Greg Humora Scott Tulloch Rick Hopkins Roberto Yano Al Lau Bob Kennedy Karyn Keese

**Metro TAC Work Plan
Active & Pending Items
2016**

Active Items	Description	Member(s)
Exhibit E Audit	10/15: FY13 and FY14 expected to be complete by end of 2015. 6/16: FYE 2013 audit accepted by Metro Commission; FYE 2014 and FYE 2015 will be completed by end of the summer 2016. 7/16: FYE 2014 audit completed June 27, 2016.	Karyn Keese Karen Jassoy
Amend Regional Wastewater Disposal Agreement	The addition of Pure Water facilities and costs will likely require the amendment of the 1998 Regional Wastewater Disposal Agreement. The Padre Dam billing errors have led to a need to either amend the Agreement and/or develop administrative protocols to help resolve potential future billing errors. The goal is to begin this effort in December 2015.	Greg Humora Roberto Yano Dan Brogadir Paula de Sousa Mills Karyn Keese
Management of Non-Disposables in Wastewater	9/13: Eric Minicilli handed out a position paper prepared by the NEWEA. 6/15 Chairman Humora provided attached from SCAP. 2/16: Chairman Humora distributed Robbins Geller Rudman & Dowd memorandum.	Eric Minicilli
2015/16 Transportation Rate Update	5/14: Metro TAC approved 2014 transportation rate w/caveat that PUD staff hires a consultant to review/revise methodology for 2015.	Al Lau Dan Brogadir Karyn Keese
IRWMP	8/15 RAC minutes included in August Metro TAC agenda. Padre Dam received a \$6 million grant for their project. <i>7/16: Need an update.</i>	Bob Kennedy Steve Beppler Greg Humora
"No Drugs Down the Drain"	The state has initiated a program to reduce pharmaceuticals entering the wastewater flows. There have been a number of pharmaceutical collection events within the region sponsored by law enforcement.	Greg Humora
Strength Based Billing Evaluation	San Diego will hire a consultant every three years to audit the Metro metered system to insure against billing errors.	Al Lau Dan Brogadir Karyn Keese
Grease Recycling	To reduce fats, oils, and grease (FOG) in the sewer systems, more and more restaurants are being required to collect and dispose of cooking grease. Companies exist that will collect the grease and turn it into energy.	Eric Minicilli
Point Loma Modified NPDES Permit	1/15: Permit was submitted. EPA has commented that they do not expect to review until 2016 and expect to issue permit in August 2016. <i>7/16: Need to update.</i>	Greg Humora Scott Tulloch Karyn Keese
Changes in water legislation	Metro TAC and the Board should monitor and report on proposed and new legislation or changes in existing legislation that impact wastewater conveyance, treatment, and disposal, including recycled water issues	Paula de Sousa Mills
Border Region	Impacts of sewer treatment and disposal along the international border should be monitored and reported to the Board. These issues would directly affect the South Bay plants on both sides of the border.	Bill Sandke Ed Spriggs

Metro TAC

Participating Agencies

Selection Panel Rotation

Agency	Representative	Selection Panel	Date Assigned
Padre Dam	Neal Brown	IRWMP – Props 50 & 84 Funds	2006
El Cajon	Dennis Davies	Old Rose Canyon Trunk Sewer Relocation	9/12/2007
La Mesa	Greg Humora	As-Needed Piping and Mechanical	11/2007
National City	Joe Smith	MBC Additional Storage Silos	02/2008
Otay Water District	Rod Posada	As-Needed Biological Services 2009-2011	02/2008
Poway	Tom Howard	Feasibility Study for Bond Offerings	02/2008
County of San Diego	Dan Brogadir	Strategic Business Plan Updates	02/2008
Coronado	Scott Huth	Strategic Business Plan Updates	09/2008
Coronado	Scott Huth	As-needed Financial, HR, Training	09/2008
PBS&J	Karyn Keese	As-needed Financial, Alternate HR, Training	09/2008
Otay Water District	Rod Posada	Interviews for Bulkhead Project at the PLWTP	01/2009
Del Mar	David Scherer	Biosolids Project	2009
Padre Dam	Neal Brown	Regional Advisory Committee	09/2009
County of San Diego	Dan Brogadir	Large Dia. Pipeline Inspection/Assessment	10/2009
Chula Vista	Roberto Yano	Sewer Flow Monitoring Renewal Contract	12/2009
La Mesa	Greg Humora	Sewer Flow Monitoring Renewal Contract	12/2009
Poway	Tom Howard	Fire Alarm Panels Contract	12/2009
El Cajon	Dennis Davies	MBC Water System Improvements D/B	01/2010
Lemon Grove	Patrick Lund	RFP for Inventory Training	07/2010
National City	Joe Smith	Design/Build water replacement project	11/2010
Coronado	Scott Huth	Wastewater Plan update	01/2010
Otay Water District	Bob Kennedy	RFP Design of MBC Odor Control Upgrade/Wastewater Plan Update	02/2011
Del Mar	Eric Minicilli	Declined PS 2 Project	05/2011
Padre Dam	Al Lau	PS 2 Project	05/2011
County of San Diego	Dan Brogadir	RFP for As-Needed Biological Services Co.	05/2011
Chula Vista	Roberto Yano	North City Cogeneration Facility Expansion	07/2011
La Mesa	Greg Humora	confined space RFP selection panel	10/2011
Poway	Tom Howard	COSS's for both Water and WW	10/2011
El Cajon	Dennis Davies	Independent Accountant Financial Review & Analysis – All Funds	01/2012

Lemon Grove	Mike James	MBC Dewatering Centrifuges Replacement (Passed)	01/2012
National City	Joe Smith	MBC Dewatering Centrifuges Replacement (Passed)	01/2012
Coronado	Godby, Kim	MBC Dewatering Centrifuges Replacement (Passed)	01/2012
Otay Water District	Bob Kennedy	MBC Dewatering Centrifuges Replacement (Accepted)/Strategic Planning Rep	01/2012
Del Mar	Eric Minicilli	New As Need Engineering Contract	02/2012
Padre Dam	Al Lau	PA Rep. for RFQ for As Needed Design Build Services (Passed)	05/2012
County of San Diego	Dan Brogadir	PA Rep. for RFQ for As Needed Design Build Services (Cancelled project)	05/2012
Chula Vista	Roberto Yano	As-Needed Condition Assessment Contract (Accepted)	06/2012
La Mesa	Greg Humora	New programmatic wastewater facilities condition (Awaiting Response)	11/2012
Poway	Tom Howard	Optimization Review Study	01/2013
El Cajon	Dennis Davies	PUD 2015 Annual Strategic Plan	1/15/14
Lemon Grove	Mike James	As-Needed Engineering Services (Passed)	7/25/14
National City	Kuna Muthusamy	As-Needed Engineering Services	7/25/14
Coronado	Ed Walton	Strategic Planning	01/2014
Otay Water District	Bob Kennedy	Strategic Planning (Volunteered, participated last year)	01/2014
Del Mar	Eric Minicilli	Pure Water Program Manager Services	9/1/14
Padre Dam	Al Lau	Pure Water Program Manager Services	9/1/14
County of San Diego	Dan Brogadir	As-Needed Condition Assessment Contract	3/24/2015
Chula Vista	Roberto Yano	Out on Leave	6/10/15
La Mesa	Greg Humora	North City to San Vicente Advanced Water Purification Conveyance System	6/10/15
Poway	Mike Obermiller	Real Property Appraisal, Acquisition, and Relocation Assistance for the Public Utilities Department	11/30/15
El Cajon	Dennis Davies	PURE WATER RFP for Engineering Design Services	12/22/15
Lemon Grove	Mike James	PURE WATER RFP Engineering services to design the North City Water reclamation Plant and Influence conveyance project	03/16/15
National City	Kuna Muthusamy	Passes	04/04/2016
Coronado	Ed Walton	As-Needed Environmental Services - 2 Contracts	04/04/2016
Otay Water District	Bob Kennedy	As Needed Engineering Services Contract 1 & 2	04/11/2016
Del Mar	Eric Minicilli		
Padre Dam	Al Lau		
County of San Diego	Dan Brogadir		
Chula Vista	Roberto Yano		
La Mesa	Greg Humora		
Poway	Tom Howard		
El Cajon	Dennis Davies		
Lemon Grove	Mike James		

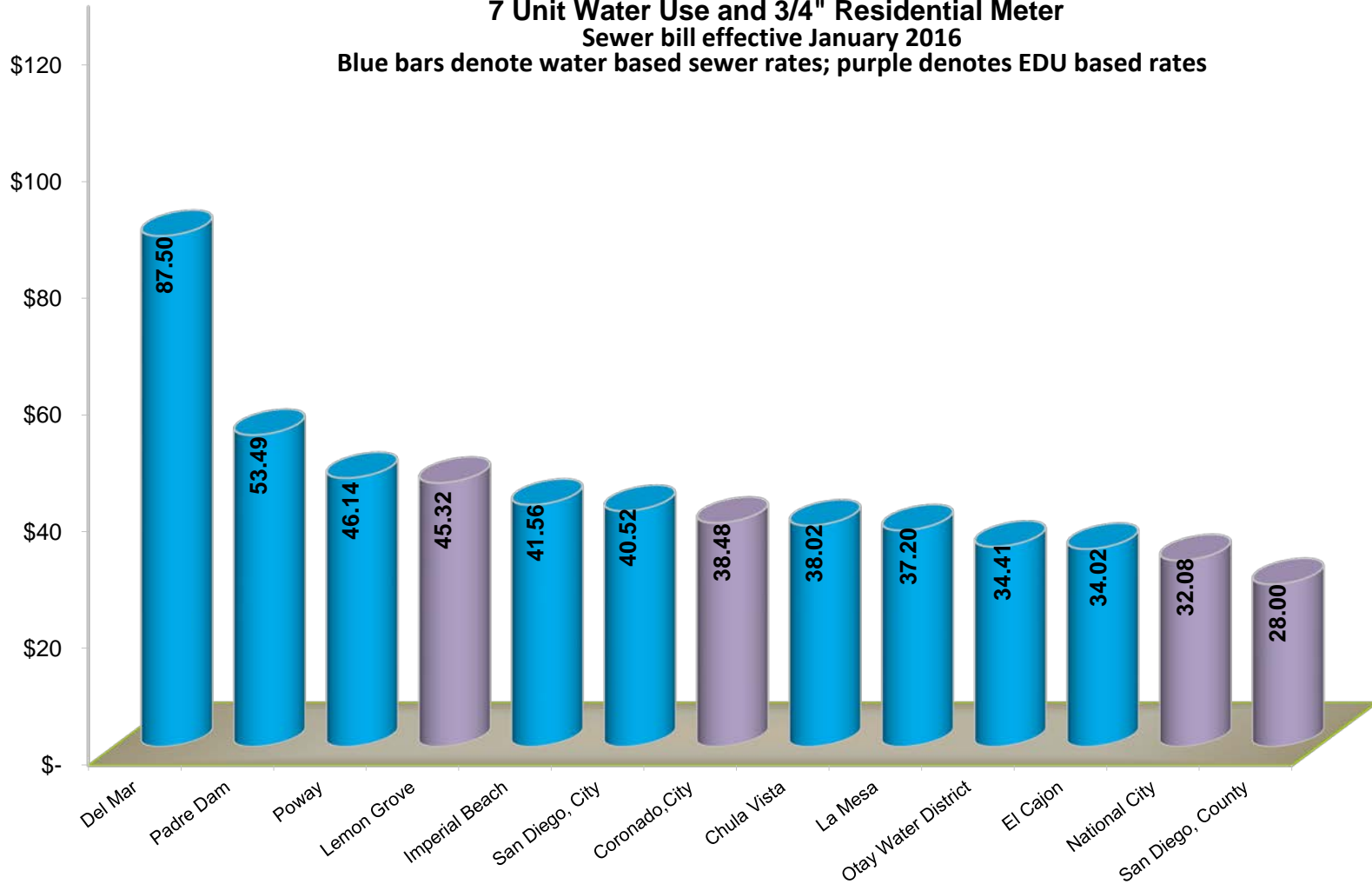
National City	Kuna Muthusamy		
Coronado	Ed Walton		
Otay Water District	Bob Kennedy		
Del Mar	Eric Minicilli		
Padre Dam	Al Lau		
County of San Diego	Dan Brogadir		
Chula Vista	Roberto Yano		
La Mesa	Greg Humora		
Poway	Mike Obermiller		
El Cajon	Dennis Davies		
Lemon Grove	Mike James		
National City	Kuna Muthusamy		
Coronado	Ed Walton		

Metro Member Agencies Sewer Rate Comparison

7 Unit Water Use and 3/4" Residential Meter

Sewer bill effective January 2016

Blue bars denote water based sewer rates; purple denotes EDU based rates



Attachment 9

Pt. Loma Permit Renewal Update

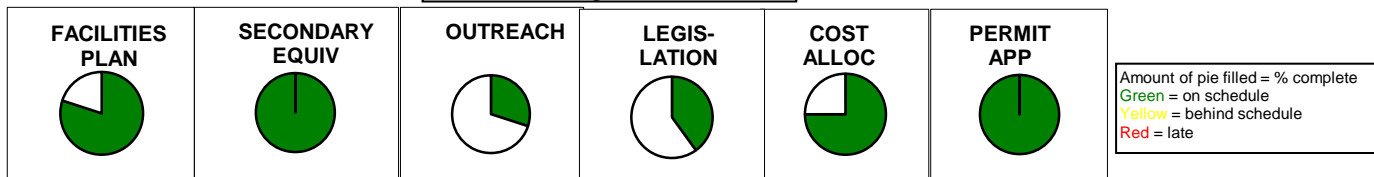
Point Loma Permit/Potable Reuse KEY MILESTONE DATES



04/28/2016

DATE	TASK	FOLLOW UP ACTION/STATUS
January	Begin outreach to regulators, legislators, key stakeholders and public	San Diego signed contract with Katz Assoc. 5/14
01/23/2014	San Diego meet with JPA on cost allocation. 1) Agree on methodology 2) Insert construction costs from facilities plan	San Diego to look at comparing PR facilities construction through secondary to secondary at Point Loma.
February	First draft of legislative language	Draft prepared
03/05/2014	San Diego (Ann, Brent, Bob, Allan) meet with EPA staff	Pure Water program was well received by EPA
10/08/2014	City of San Diego Environmental Committee	Consideration of Pt Loma Permit
10/16/2014	Metro Commission - VOTE on Supporting Permit	
11/18/2014	City of San Diego City Council Meeting	Consideration of Pt Loma Permit and Side Agreement. Passed 9-0
2015		
January	Submit NPDES Permit to the Environmental Protection Agency	Submitted! Regional Board expected to act on permit 9/16 or 11/16
	Prepare proposed lang for administrative fix to Clean Water Act	
	Be ready to provide lang for legislative fix to Clean Water Act	
05/20/2015	Present Phase 1 of cost allocation to Metro TAC	
06/04/2015	Metro JPA Strategic Planning Meeting at Pt Loma	
07/01/2015	Water Reliability Coalition Potable Reuse Media Training	
07/15/2015	Cost allocation meeting	
09/15/2015	City of San Diego City Council Request to set Prop 218 Public Hearing for water rate increase	218 Notice for water rates approved to be mailed out
09/17/2015	Letter received from EPA endorsing Pt Loma modified permit	
10/20/2015	Stakeholders meeting	
11/17/2015	City of San Diego Public Hearing for water rate increases	Water rate increases approved
11/23/2015	Cost allocation meeting	
2016		
04/19/2016	Stakeholders meeting	
06/21/2016	Stakeholders meeting	
	Finalize Phase 2 of cost allocation	
	Begin drafting updated wastewater disposal agreement	

Milestone Progress Dashboard



Attachment 11

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

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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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**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