



February 14, 2007

Natural Resources & Culture Committee
City of San Diego
City Administration Building
202 C Street
San Diego, California 92101

Subject: Proposal to Conduct Joint Study of Regional Wastewater Governance
Strategies for the Metro Wastewater System

Dear Chairperson Frye and Council Committee Members:

On behalf of the Metro Commission/Metro Wastewater Joint Powers Authority (JPA), we would like to propose that the City of San Diego and the Participating Agencies which make up the Metro Commission and JPA conduct a joint study of regional wastewater governance strategies for the Metro Wastewater System. The member agencies consist of the County of San Diego, City of Chula Vista, City of Coronado, City of Del Mar, City of El Cajon, City of Imperial Beach, City of La Mesa, Lemon Grove Sanitation District, City of National City, City of Poway, Otay Water District, and the Padre Dam Municipal Water District.

The regional governance structure, the San Diego Area Wastewater Management District (SAN District), was first proposed by the City of San Diego in the early 1990s. Eventually enacted by the State Legislature, it was formulated to address the need of the Participating Agencies to have a greater voice in the Metro System while tackling the regional need for expanding the Metro System. These needs included financing of the North City and South Bay facilities, as well as the Point Loma waiver/secondary treatment issue. At that time, the projected cost to rate payers to implement these needs was several billions of dollars.

An idea ahead of its time, the District foundered after its first meeting due to conflicts arising out of the weighted vote process. Today we are faced with San Diego's financial audit setbacks, which have affected the financing of the Metro's CIP Program. We are still struggling with the issue of advanced primary versus secondary treatment (more expensive for rate payers) at the City's Point Loma treatment plant. These concerns are

very similar, if not the same as, those motivating San Diego and the Participating Agencies in the early 1990s to form the SAN District.

The difference today is that our Agencies' relationship is stronger and, in many cases, the Participating Agencies feel - beyond our 33% funding of the system - that we are your partners in the Metropolitan Wastewater System. We share your concerns and your commitment to assuring our taxpayers and rate payers that their government will operate efficiently and will be accountable to the citizens we serve.

To that end, we propose to conduct a study, managed and funded jointly by the City of San Diego and the Participating Agencies, to explore the benefits of an alternative governance structure. Such a study would be preceded by a Request for Qualification (RFQ) process to select a qualified consultant to prepare a scope of work, with essential input from the City and Participating Agencies, and to complete the study according to the scope. The study will, in essence, address the feasibility and value to the users of the Metro System of forming a Regional Wastewater Governance Agency.

Since a scope of work has not been developed by our Agencies, it is difficult to determine what such a study would cost; however, we know that a similar study was performed prior to the formation of the SAN District in the early 1990s. Some of that research, along with the Capacity Study currently underway, may help to reduce costs of the proposed study. For planning purposes we are using an estimate of \$200,000 for the study.

The Participating Agencies, at San Diego staff's urging, have already unanimously approved a weighted vote proposal (see the attached PBS&J Technical Memorandum dated October 5, 2006) which we believe provides the City of San Diego with the ability to maintain control over the wastewater facilities while meeting our need to become meaningful partners in the Metro System. We see this as a milestone in that it was this issue which caused the demise of the SAN District in the 1990s.

The following are some of the benefits of a Regional Wastewater Governance Agency which we have identified:

1. Creates a regional agency focused exclusively on the wastewater issues of San Diego and the Participating Agencies (without the normal distractions faced by a municipal City Council), including:
 - a. Regional decision-making (a unified voice)
 - b. Regional policy making
 - c. Regional governance
 - d. Regional cost sharing

- e. Regional water recycling program (as a beneficial water resource to the San Diego region)
2. Transfers City Metro debt obligations to the Regional Agency, thereby potentially freeing up bonding capacity for the City of San Diego for other needs.
3. Transfers regional wastewater responsibilities to the new agency.
4. Changes the decision making process such that the City of San Diego is not solely responsible for decisions affecting rate payers outside of San Diego's jurisdiction.
5. Enhances, through collaboration, our ability to secure funding opportunities to help finance future improvements.
6. Promotes and communicates regional wastewater issues to the broader community.
7. Provides cost efficiencies.
8. Provides for the potential recovery by the City of San Diego of their excess capacity costs.
9. Places all Participating Agencies in an ownership position.

We have met and exchanged the same information with Mayor Sanders and City staff, and we stand ready to meet with you and/or City staff to further discuss this proposal.

Thank you for your time and consideration.

Sincerely,



Henry Abarbanel
Councilmember, City of Del Mar
Chair, Metro Wastewater JPA



Mayda Winter
Mayor Pro Tem, City of Imperial Beach
Vice Chair, Metro Wastewater JPA

Encl.



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Technical Memorandum

SUBJECT: METROPOLITAN WASTEWATER JOINT POWERS AUTHORITY
WEIGHTED VOTE PROPOSAL

DATE: October 5, 2006

PREPARED FOR: Metropolitan Wastewater Joint Powers Authority

The Metro JPA and the City of San Diego are considering possible structures for a joint governance agency. Before committing to a study that identifies and recommends solutions for sensitive issues, both agreed to determine whether consensus on a voting structure could be reached, to avoid repeating what occurred during the first, and essentially the only, meeting of the *San Diego Area Wastewater Management District*. At that meeting in the early 1990's, the request for the weighted vote caused members to withdraw from establishing the District.

During a meeting on October 4, 2006, the City of San Diego stated that, as owners of the system, it wants to maintain control over the wastewater facilities. Thus, the proposed voting structure below attempts to avoid the contention of invoking a weighted vote, allow the City of San Diego to retain control over the system and allow the other members to have a stronger voice in decisions regarding the system. Members may also consider adding a limited vote for only those members affected by or paying for a specific topic, such as capacity expansion or water reclamation.

- Each participating member is entitled to one (1) representative, preferably an elected official.
- For non-financial or non-contested items, each representative is entitled to one (1) vote. These items may include, but are not limited to:
 - Approval of Minutes/Agenda Items
 - Approval of Consent Items
 - Election of Officers of the Board
 - Operational Structure (by-laws, governance organization, etc.)
 - Personnel Issues (e.g. staff classifications, salaries, human resource policies, etc.)
 - Appointment of Executive Management (e.g. General Manager, in-house counsel)
 - Permit Issues (Waivers, Consent Decrees, NPDES Permit Issues, etc.), and
 - Capital Improvement/Strategic Planning
- For financial and financially related items each representative is entitled to one (1) vote for every one million gallons of annual average daily flow contributed to the system by the respective agency, determined annually. Each representative shall receive a minimum of one (1) vote, and the calculated vote shall be rounded to the nearest one thousandth of a whole vote. The option of the weighted vote may be waived by all representatives present for the vote. The items subject to a weighted vote may include, but are not limited to:
 - Finance/Bonding/Debt Issuance/Treasury Policy
 - Annual and Operations & Maintenance expenditures
 - Capital Improvement Program Projects
 - Legal Issues (lawsuits, lobbying, etc.), and
 - Major Asset Acquisitions

The table below shows the possible allocation of votes, based on the average daily flow as determined for billing purposes in fiscal year 2007, for a weighted vote:

Agency	Average Flow (mgd) for FY2007	Allocated Vote
Chula Vista	18.060	18.060
Coronado	2.400	2.400
Del Mar	0.700	1.000
East Otay Mesa	0.000	1.000
El Cajon	8.362	8.362
Imperial Beach	2.199	2.199
La Mesa	4.962	4.962
Lakeside/Alpine	3.250	3.250
Lemon Grove	2.296	2.296
National City	5.211	5.211
Otay	0.330	1.000
Padre Dam	3.670	3.670
Poway	3.893	3.893
San Diego	126.000	126.000
Spring Valley	6.600	6.600
Wintergardens	0.930	1.000
TOTAL	188.863	190.903