

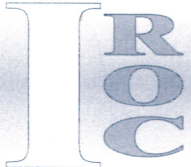
**City of San Diego  
Independent Rates Oversight Committee**



**Annual Report**

**Fiscal Year 2012**

Issued: December 21, 2012



## Independent Rates Oversight Committee

Oversight Committee

December 21, 2012

Honorable Mayor Filner and  
Members of the City Council

In accordance with Section 26.2003(i) of the San Diego Municipal Code, I am pleased to transmit the fifth annual report of the Independent Rates Oversight Committee (IROC).

The report summarizes IROC's work for the fiscal year ended June 30, 2012, and includes observations and recommendations with respect to the operations, investments and planning activities of the Public Utilities Department. It also includes issues that we plan to address, or continue to address in FY2013. We welcome input from the Mayor, City Council, staff, stakeholders and the public.

On behalf of my IROC colleagues, I want to express our appreciation for the opportunity to serve the ratepayers. We hope that this report will contribute to a respectful dialogue on the continuing challenges we face as a region in ensuring a safe and reliable water supply, sound environmental management, reasonable rates, wise investments, efficient operations, a knowledgeable public; all leading to cost effective and sustainable water and wastewater systems.

Implementing IROC's role adds a layer of inquiry and accountability to an already challenged staff, and to that end, IROC appreciates the cooperation, patience, and professionalism of the Public Utilities Department in its relationship with IROC.

Respectfully submitted,

Gail M. Welch, Chair  
Independent Rates Oversight Committee

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## ATTACHMENTS

- Attachment A: IROC Municipal Code (Original)
- Attachment B: IROC Municipal Code (Proposed Revision)
- Attachment C: IROC Members Listing
- Attachment D: IROC Agenda Topics for FY2012
- Attachment E: Finance Subcommittee Appendices 1-7

### **IMPORTANT NOTES TO READERS OF THIS REPORT:**

The information, recommendations and conclusions stated in this Report are the opinion of IROC as an independent advisory committee and should not be construed as an audit, formal financial review, or as the official position of the City of San Diego.

It should be noted that even though this report covers the period of July 1, 2011 through June 30, 2012, some of IROC’s statements in this report include information that came to light after the end of that reporting period.

## **IROC OVERVIEW**

### **Purpose and Intent**

The purpose and intent of IROC is defined by section 26.2001 of the San Diego Municipal Code. In March 2012, IROC addressed various concerns from the San Diego County Taxpayers Association with regard to the existing wording and jointly worked to develop a revised version of the ordinance to clarify the role and responsibilities of IROC. The final changes are the result of a joint recommendation of IROC and the San Diego County Taxpayer's Association. The proposed changes were approved by a 3-0 vote at the October 10<sup>th</sup>, 2012 Natural Resources & Culture Committee (NR&C) meeting, and subsequently approved unanimously in a November 26<sup>th</sup>, 2012 City Council meeting. The changes to the Municipal Code will require one more reading at an upcoming City Council meeting.

Major changes included:

- IROC shall present a work plan to the NR&C by May 1 of each year. The work plan will describe activities and tasks IROC anticipates performing in the coming year.
- Elimination of the financial audit requirement.
- Clarification of IROC's role in advising on the priority and scope of audits.
- IROC to recommend at least one performance audit of Water & Wastewater systems annually.
- Review of Water & Wastewater Capital Improvement Project (CIP) schedules and budgets.
- Added emphasis on the importance of regular reviews of capital improvement project schedules and budgets.
- IROC will prepare annual reports for the Mayor and City Council, and present the reports to NR&C.

**Attachment A** contains the “original” version of the IROC Municipal Code Section, which became effective on May 18, 2007.

**Attachment B** contains the revised IROC Municipal Code Section that was unanimously approved by the City Council in its meeting of November 26<sup>th</sup>, 2012.

The current IROC membership is as follows:

**IROC Members and Officers**

Gail Welch, Chair <sup>(1)</sup>	Commercial and Industrial Ratepayer
Don Billings, Vice Chair <sup>(2)</sup>	Finance/Municipal Finance Professional
Christopher Dull	Construction Management Professional
Noam Glick <sup>(3)</sup>	Law Professional
Andrew Hollingworth <sup>(2)</sup>	Audit/Accounting Professional
Jeff Justus <sup>(4)</sup>	Landscape Architect/Irrigation Professional
Jack Kubota	Engineering Professional
Jim Peugh <sup>(1)</sup>	Environmental Professional
Michael Ross	Multi-Family Residential Ratepayer
Irene Stallard-Rodriguez	Single-Family Residential Ratepayer
Todd Webster	Science Professional

**Ex-Officio Members:**

Louis Natividad	Metro Wastewater JPA Representative
Jim Peasley	Metro Wastewater JPA, Alternate
Ken Williams	SDCWA City 10 Representative
Yen Tu	SDCWA City 10, Alternate

**Attachment C** contains more detailed information on IROC Member Appointment Dates, Term Expiration Dates and Council District/Community Representation.

Notes:

- (1) Ms. Gail Welch became IROC Chairwoman on May 21, 2012. Mr. Jim Peugh was IROC Chairman for two years ending on May 21, 2012.
- (2) Mr. Don Billings became IROC Vice-Chairman on May 21, 2012. Mr. Andrew Hollingworth was IROC Vice-Chairman for two years ending May 21, 2012.
- (3) Mr. Noam Glick was appointed to IROC in November, 2012.
- (4) Mr. Jeff Justus was appointed to IROC in January, 2012.

## **IROC SUBCOMMITTEES**

IROC has formed three subcommittees to implement the direction of the Municipal Code: (1) Finance; (2) Infrastructure and Operations, and (3) Outreach and Communications. The subcommittees typically address issues in greater detail than the full IROC and advance issues to the full IROC for action. All actions and recommendations coming from IROC must be approved by a majority of the full IROC and not from one of the subcommittees.

### **1. Finance Subcommittee**

The major issues and areas addressed by this subcommittee in FY2012 included Water and Wastewater Fund Financial Reviews of the following: 1) Long Term Revenue and Expense Trends; 2) Cash and Investment Levels; 3) Operating Surpluses; 4) Department and CIP Reporting; 5) Dedicated Reserve for Efficiencies and Savings (DRES) Fund; and 6) the CIP Program.

#### **Members**

Subcommittee members are: Andrew Hollingworth (FY2012 and FY2013 Chair), Don Billings, Irene Stallard-Rodriguez, Gail Welch and Ken Williams.

### **2. Infrastructure and Operations Subcommittee**

The major issues addressed by this subcommittee in FY2012 were issues that are both environmental and/or technical in nature, potentially having a direct effect on the rates charged to the citizens of San Diego by the City of San Diego Water and Wastewater Department, on the service provided, and on the region's environment and natural resources. Beginning in FY2013, this subcommittee is also responsible for oversight of the Public Utilities Department's (Department) Capital Improvement Program to ensure it is accomplished on schedule and on budget.

#### **Members**

Subcommittee members are Jim Peugh (FY2013 Chair), Jeff Justus, Jack Kubota, Todd Webster (FY2012 Chair) and Gail Welch.

### **3. Outreach and Communications Subcommittee:**

The major topics addressed by this subcommittee in FY2012 are those that have the highest impact on ratepayers, both from a service perspective and/or a potentially significant rate impact perspective. These include: 1) water conservation efforts; 2) advanced water purification demonstration project metrics; 3) Customer Care Solutions (CSS) system; 4) construction water use and impacts; and 5) Public Utilities Department External Affairs Program.

#### **Members**

Subcommittee members are: Irene Stallard-Rodriguez (FY2013 Chair), Christopher Dull, Jack Kubota, Luis Natividad and Gail Welch (FY2012 Chair).

## **FY2012 TOPICS OF DISCUSSION:**

During Fiscal Year 2012, IROC discussed numerous topics that span the spectrums of water and wastewater utilities. Most of those topics are on-going in nature and have been addressed in IROC's first four Annual Reports, FY2008, FY2009, FY2010 and FY2011. Those Reports can be found on the City of San Diego's website (See web link below):

<http://www.sandiego.gov/mwwd/general/commissions/index.shtml>

**Attachment D** of this Report lists a summary of items discussed at IROC and its subcommittees during FY2012.

## **IROC'S KEY RECOMMENDATIONS:**

1. Recommend that no further water rate increases or sewer rate increases be adopted - either retail or pass-through - until the current rate structure can be recalibrated through the cost of service study currently underway; including IROC's review of the revenue, expenditures, and sales volume assumptions underlying the study.
2. Recommend that the Department contract with SAP to develop a software patch for the SAP system to fix a critical missing element for management control and reporting concerning project-to-date "budgets versus expenditures/encumbrances".
3. Recommend that IROC be given access to the Excel model underlying the upcoming cost of service study and that it also receives quarterly internal cash flow forecast model reports being generated internally within the Department. Further recommend that the model and related cash flow forecasts be submitted to IROC and the Council prior to any proposed rate increase as justification for the increase.
4. Recommend that the 2013 Cost of Service Study (COSS) cash flow forecast model be structured to provide for a direct comparison of forecasted cash and investment levels to future actuals as reported in the Comprehensive Annual Financial Report.
5. Recommend that an annual variance analysis and reconciliation be done between Comprehensive Annual Financial Report (CAFR) results to the COSS forecast to determine the extent to which actual results are on target with forecast and the cause of any variances.
6. Recommend that the NR&C Committee request the Independent Budget Analyst to verify that the \$15M transfer from DRES to the Rate Stabilization Fund was made as represented, and report its findings to IROC. IROC also recommends that the Department prepare updated Water Fund Debt coverage ratio projections for review by IROC which both includes and excludes the \$15M transfer to the Rate Stabilization Fund to verify that the debt coverage ratio was in danger of falling to 1.10.
7. Recommend that the Department work with IROC's I&O Subcommittee to develop appropriate CIP reporting to facilitate IROC's timely completion of quarterly CIP schedule and expenditures reviews.
8. Recommend the Department provide results of their condition assessment review for the Asbestos Cement (AC) replacement program as well as possibilities for alternative cost-savings measures.

9. Recommend the Department provide an update on the Automated Metering Infrastructure (AMI) Project deployment process and suggests that the project move at a more rapid pace and include more classes of consumers.
10. Recommend that the Department provide an Advanced Water Purification Demonstration project presentation to IROC, specifically detailing their outreach to the various community leaders, and their engagement with them to help promote the project outreach and awareness efforts.
11. Recommend the Department fix the call center operational problems with respect to call center times and billing inconsistencies, as identified by IROC members, as soon as possible and report back to IROC.
12. Recommend the Department develop a policy for future temporary large water use projects that requires as a condition of obtaining a permit, a plan to mitigate these issues prior to project commencement.
13. Recommend the Department present Managed Competition project options to IROC at a future meeting.
14. Recommend the Department report back to IROC with an evaluation of the cost effectiveness of expanding the purple pipe to specific Commercial and Industrial users.
15. Recommend the Department report back to IROC on the Bid to Goal program status and the Bid to Goal replacement program.

**Important Note:** The context for the above recommendations is in the Issues and Observations section. This section identifies each of the three subcommittee meeting detailed discussions for FY2012.

### **IROC'S KEY OBSERVATIONS:**

1. IROC believes the 2006 COSS Prop 218 language was ambiguous since rate increases to fund capital costs imply they were to be temporary and sunset after the project set for which they were enacted are complete. IROC therefore believes that ratepayers should be explicitly informed in the Prop 218 notice whether a rate increase enacted to fund one-time infrastructure construction costs will be temporary - and therefore sunset after the project set is funded; or are permanent and therefore continue indefinitely to fund a permanent on-going level of elevated CIP expenditures.
2. IROC is satisfied at this time with both the progress and finances for the water CIP program versus the re-baselined schedule and re-baselined budget for FY2012. It cannot tell how project-to-date expenditures are doing versus the project-to-date budgets due to the absence of multi-year actual versus budget reporting which IROC recommends be corrected. IROC will continue to monitor closely each quarter those projects behind schedule or whose projected cost at completion exceeds budget to determine the cause of these variances and appropriate remedial actions.
3. IROC is satisfied at this time with the progress of the sewer CIP program versus the re-baseline schedule and its re-budgeted cost for FY2012. It cannot tell how project-to-date expenditures are doing versus budget due to the absence of multi-year actual versus budget reporting which IROC recommends be corrected.



4. IROC is satisfied that there is no evidence that any risky financing vehicles are being used to finance the water or sewer CIP program or to hedge interest rate risk - including no evidence of the use of variable auction rate or capital appreciation securities, or the use of derivatives to hedge risk. It is also satisfied that controls are in place to protect against any bond underwriting irregularities.

## **IROC's ISSUES AND OBSERVATIONS**

This section of the annual report provides issues, observations, recommendations and future topics of discussion for each of the three subcommittees.

### **The following FY2012 issues were reviewed by the Finance Subcommittee during FY2011:**

#### **Long Term Revenue and Expense Trends**

Each year IROC reviews water and sewer fund finances to determine:

1. Whether water and sewer rates are too high, too low, or at the correct level to fund operational costs and capital and debt service expenditures.
2. Whether the Department is operating in a cost effective manner with costs that are necessary and justified.

Water and sewer rates may be too high if unrestricted cash/investments increase steadily or the net income/loss before contributions/ transfers shows a consistent surplus. They may be too low if the reverse occurs.

However, because the Department also administers large water and sewer capital programs, cash levels and surpluses also need to be considered over a five year forecast period as part of a long term cash flow forecast - done either internally or as part of a cost of service study - to see if cash trends and surpluses will reverse themselves within a reasonable time due to upcoming capital expenditures and debt service payments. This is necessary because organizations frequently have to accumulate cash to pay large capital project costs or meet future debt service payments.

Reviewing financials can also help determine whether the Department is operating efficiently so that escalating costs due to inefficiency are not being passed through to ratepayers via higher rates. Unlike private sector companies, the Department is a public sector monopoly and is therefore not subject to market competition to ensure it operates efficiently. Such organizations depend upon the oversight of bodies such as IROC or the California Public Utilities Commission rather than market competition to ensure they operate efficiently and that costs are reasonable and necessary.

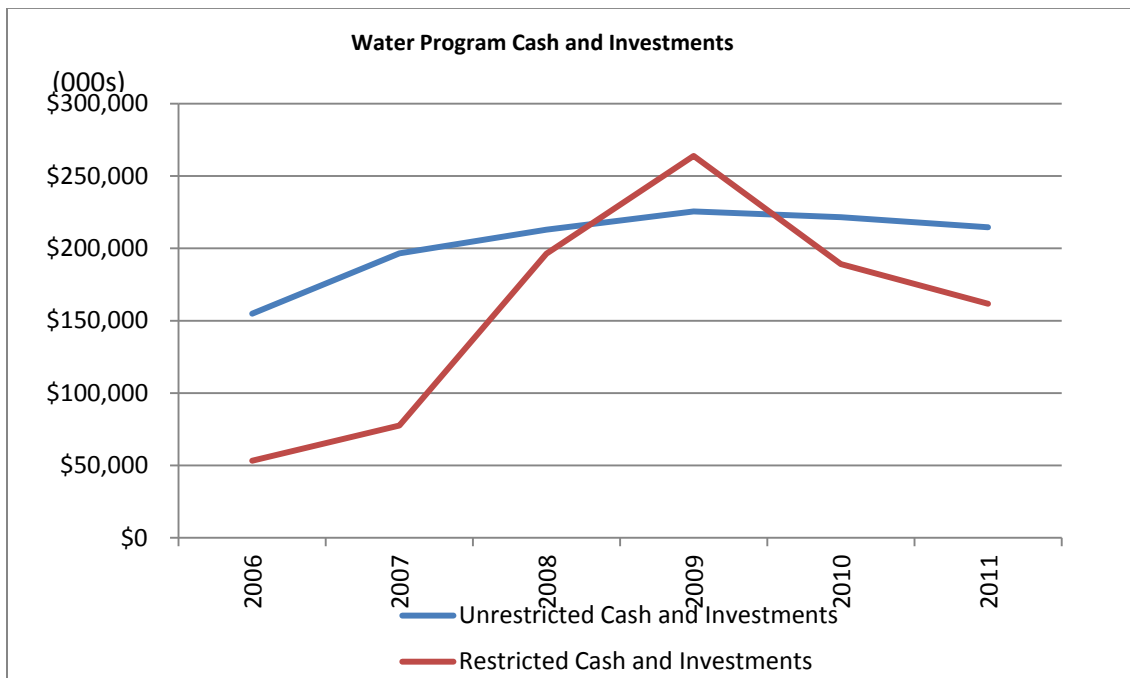
To determine this, IROC analyzes water and sewer fund financials each year and benchmarks those to peer utilities. Indications of inefficiency could occur if costs and certain ratios such as the ratio of total costs to total assets or the ratio of total costs to revenues shows a consistent upward trend over time without adequate explanation. Such trends are unsustainable, and will ultimately necessitate an upward rate adjustment. Another indication of inefficiency is if the Department's costs are out-of-line to those of peer water utilities without adequate explanation. Finally, Inefficiency could occur if water sales are decreasing without some reduction in operating costs so that the

organization and its cost structure is “right sized” to the level of service its providing the public.

### Water Utility Financial Review

An overall analysis of the FY2011 finances for the water utility is contained in Appendices #1 and #2. The FY2012 Comprehensive Annual Financial Report (CAFR) will not be issued until March 2013, which limits the analysis to the five year period ending FY 2011.

**Cash and Investment Levels.** Consistent with the findings in our 2010 report, the 2011 Comprehensive Annual Financial Report shows that the water utility continues to maintain elevated levels of unrestricted cash and investments which it has begun to slightly draw down over the past two years.

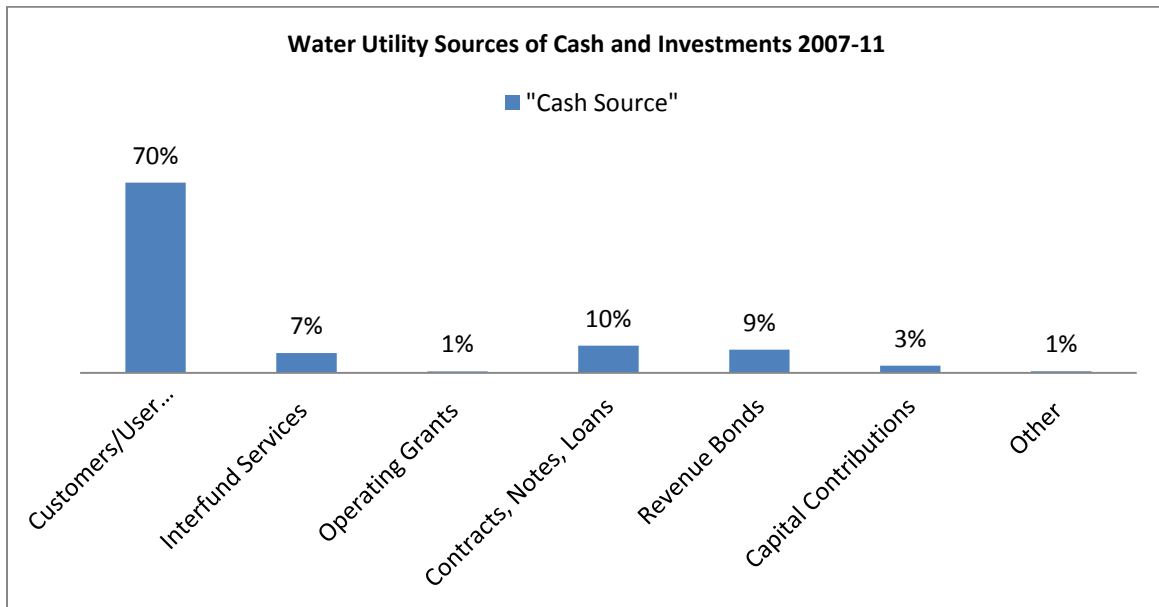


Source: 2006-2011 Water Utility Fund Statement of Net Revenues, Comprehensive Annual Financial Report.

There was \$215M of unrestricted cash and investments on the books at June 30, 2011 and \$161M of restricted cash and investments for a total of \$376M. IROC is not concerned with the restricted cash as this is used to fund future debt service payments. Unrestricted cash is used to fund maintenance and operations, wholesale water purchases, and the capital program. It currently comprises 8.6% of total assets, down from the 9.7% it was at in 2007. The 2006 COSS forecasted a \$34M cash balance for the Water utility by the end of FY 2011 which the \$215M unrestricted cash balance exceeded by \$180M. The range of ratios and cash levels among eight California water utilities surveyed vary considerably – from 3.4% for the Los Angeles Department of Water to 20.9% for the

Orange County Water District. San Diego was slightly above the median cash ratio (8.6% versus 8.3%).

The following chart shows the revenue sources from which both unrestricted and restricted cash and investments were derived from 2007 to 2011. Seventy percent came from water rates assessed on customers and other users while 10% came from contracts, notes, and loans. Nine percent came from revenue bond sale proceeds and another 9% from inter-fund services provided. The remaining 2% came from a variety of miscellaneous sources. In FY2012, the percentage of total revenues derived from low cost state revolving fund loans and grants will increase to 14%.



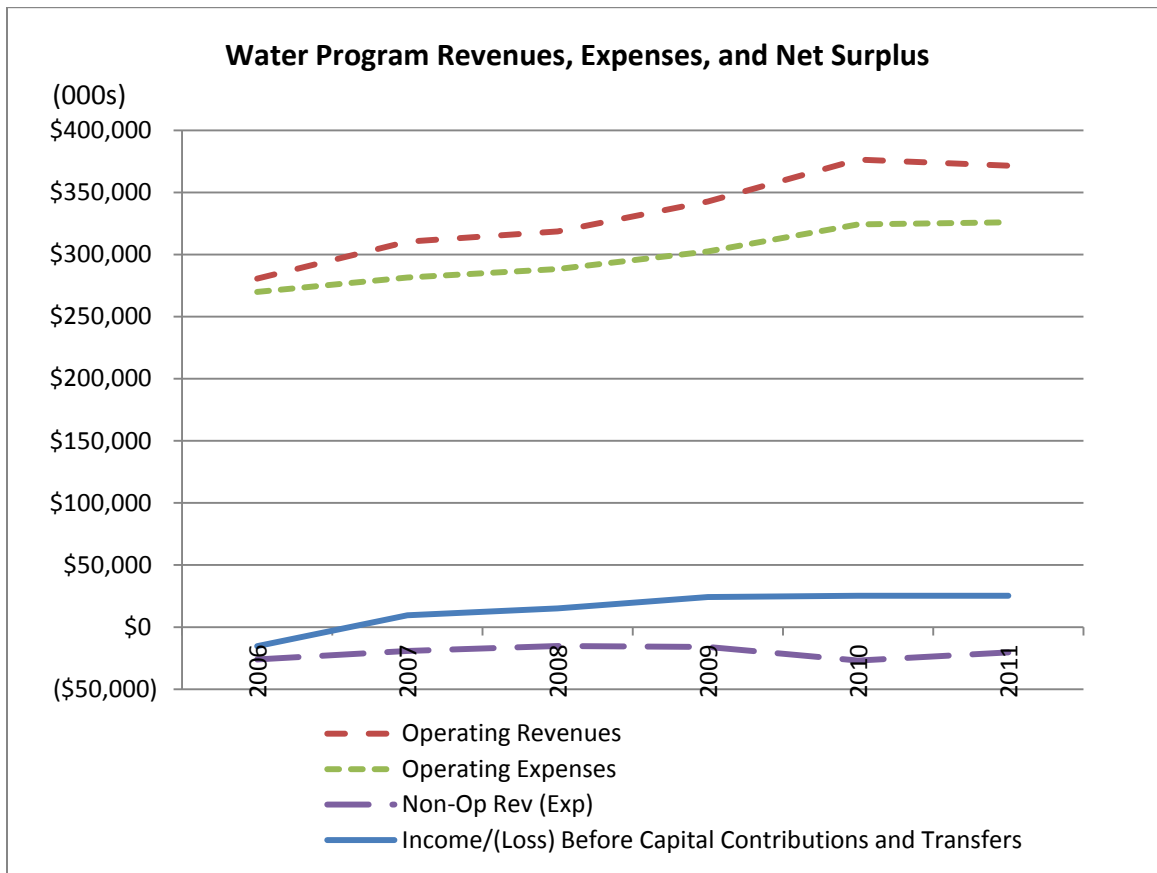
Source: Statement of Cashflows, San Diego City Comprehensive Annual Financial Report 2007-2011

Since 70% of unrestricted cash comes from ratepayer payments, holding higher cash levels implies that rates may have been too high from 2006 to 2011 if the Department is not able to justify a need for the funds within the next three years through a long term cash flow forecast.

**Operating Surpluses.** Consistent with the findings of our 2010 analysis, the 2011 CAFR shows that water utility continues to generate a net surplus before capital contributions and transfers to other funds which averaged over \$25M annual in both 2010 and 2011.

The 2011 net surplus was \$25.2M which represents 6.8% of total operating revenues. Capital contributions and inter-fund transfers added an additional \$18M to the surplus which resulted in Net Assets increasing \$43.2M during the year. Capital contributions represent mainly the fair market value of water connections which developers incur to connect houses to the main water lines.

The \$25.2M surplus in FY2011 is consistent with trends over the past five years when the program started showing a consistent surplus each year after the 2006 rate case was adopted - with the surplus stabilizing over the past two years at slightly above \$25M.



The main cause of the surplus continues to be water sale revenues that have increased about \$19.9M (7.7%) per year over the past five years. This rate of increase exceeded the annual growth in operating expenses which averaged \$11.2M per year for the past five years. These expenses comprised mostly purchased water, administration, and depreciation costs which have increased \$6.6M, \$6.1M, and \$2.8M million per year respectively. Debt service interest costs also increased \$2.1M. The cost increases were partially offset by \$7.0M of grant funding received in 2011; and by maintenance and operations costs which have decreased by \$4.4M per year due to various reorganization efforts to increase efficiency which significantly reduced these costs. Consequently the annual net surplus stabilized at slightly above \$25M a year in 2010 and 2011.

The Department runs both the revenues and costs of its capital improvement program through the water fund, and IROC continues to believe the key underlying cause of the surpluses and higher cash levels was the delays in executing its CIP program. The 2006 rate case set water rates at a level sufficient to fund \$585M of CIP expenditures by June 30, 2011 when combined with other bond and capacity charge revenues. Approximately 45% of revenues in 2008-11 came from rates and capacity charges; while 55% came from

revenue bonds, which will ultimately be repaid from rate revenues. However, only \$392M (67%) of these revenues were spent on both rate case and non-rate case water projects by FY2011 due to several factors including construction cost savings due to the recession, delays in executing the CIP program due to lack of access to the bond capital markets, and problems with project execution resulting from several causes including a reorganization. This led to the cash buildup which is slowly beginning to be drawn down.

It should be noted the Department met all the FY2012 requirements of a Department of Public Health compliance order which requires completion of eight pump stations, ten reservoirs/standpipes, nine treatment plant related projects, four pipelines and awarding ten miles of Cast Iron main replacements. However, compliance order projects represent a subset of the total water capital program. Thirty-four (34%) of total projects have been completed and only 67% of total funds have been expended, according to a Department progress report issued February 2012.

Analysis of the Department's operating expenses shows that the water program has been operating with relatively stable efficiency over the past five years, and has been keeping expenses under control. Gross operating expenses have increased about \$11.2M (4.2%) per year during the period. When we look at water program operating expenses as a percent of operating revenues and total assets under management we see that expenses show a long term decline as a percentage of revenues because they haven't grown on par with revenues. Expenses as a percent of total assets under management have been relatively stable at 13.3% for the period. This control of expenses is a noteworthy accomplishment, particularly the decline in maintenance and operating costs.

**Recommendation.** IROC continues to be concerned about the levels of unrestricted cash and investments and the continuing operating surpluses being generated by the Department. This could indicate that water rates are set too high since CIP expenditure levels are below those contemplated in the 2006 COSS. Last year we recommended that a long term cash flow forecast be developed to better define the Department's cash needs into the future and to recalibrate water rates. This is currently under development as part of the Cost of Service study. In the meantime, the Department has not passed along the past two wholesale water rate increases to the public, which IROC applauds due to the continuing questions about cash and investment levels, operating surpluses, and whether existing rates are too high given the levels of CIP expenditures incurred.

However, the Water Refunding Bond Prospectus 2012A (page 71) indicates that a 4% water rate increase is forecast for FY 2014 with additional 2% increases estimated for FY 2015 and 2016. IROC therefore recommends that no further rate increases be adopted – either retail or pass-through - until the current rate structure can be recalibrated through the cost of service study currently underway; including IROC review of the revenue, expenditures, and sales volume assumptions underlying the study.

### **Wastewater Fund Financial Review**

An analysis of the 2011 finances for the wastewater program is contained in Appendices #3 and #4.

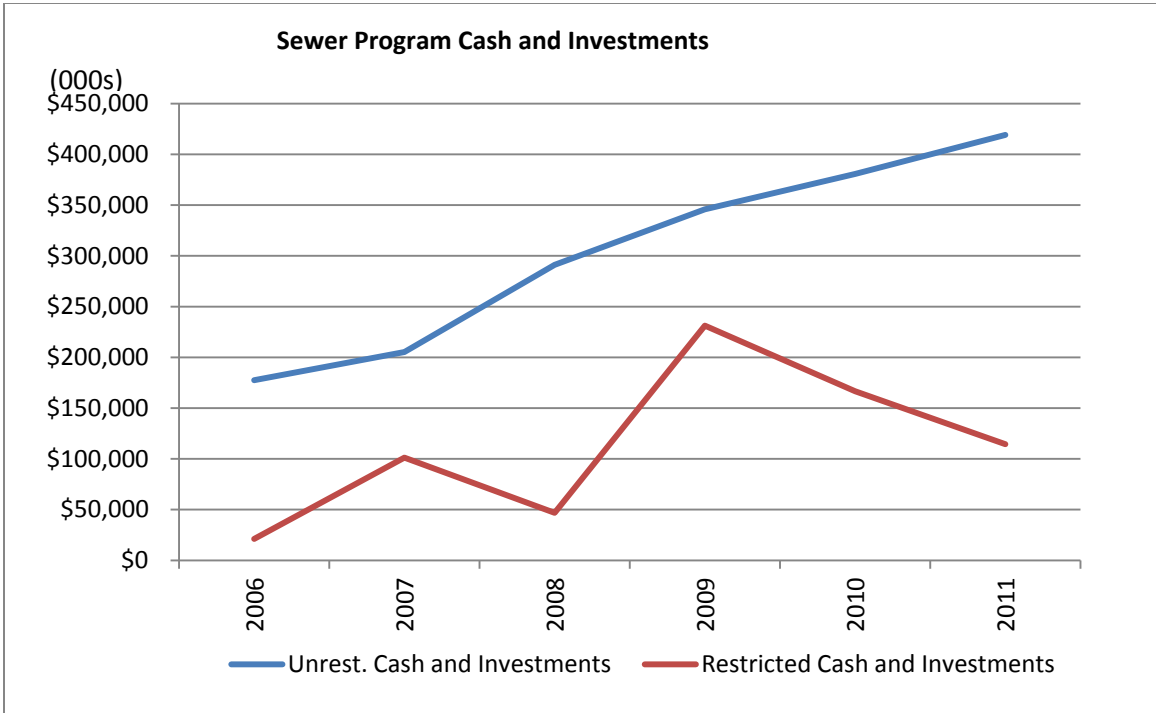
**Cash and Investment Levels.** The sewer program continues to generate large growth in unrestricted cash and investments which left cash levels at elevated levels at the end of FY 2011.

There was \$419M of unrestricted cash and investments on the books at June 30, 2011 and \$114M of restricted cash and investments for a total of \$533M. IROC is unconcerned with the restricted cash as this is used to fund future debt service payments; but is concerned about unrestricted cash, which is used to fund maintenance, operations, administration costs, and the capital program. This has grown \$48M per year (27%) since 2006 and currently comprises 12% of total assets, up from 6.4% in 2007, a substantial growth trend.

IROC surveyed three other California sanitation districts and found considerable variability in their cash to asset ratios. These ranged from a low of 4.1% for the City and County of San Francisco wastewater program to a high of 13.6% for the Orange County sanitation district. San Diego's 12% ratio was above the 10.9% median ratio. Furthermore, Table 5-5 of the 2006 Cost of Service study indicated there was a cash balance goal of 10% of revenues which would equate to a \$35.7M ending cash balance target for FY11 based on \$357.7M of operating revenues. The \$419M of unrestricted cash on the books substantially exceeds the \$35.7M targeted goal by \$383.3M. Essentially, the Department is maintaining unrestricted cash levels on the books equivalent to 117% of annual operating revenues instead of the 10% target called for in the 2006 wastewater cost of service study. This needs further justification.

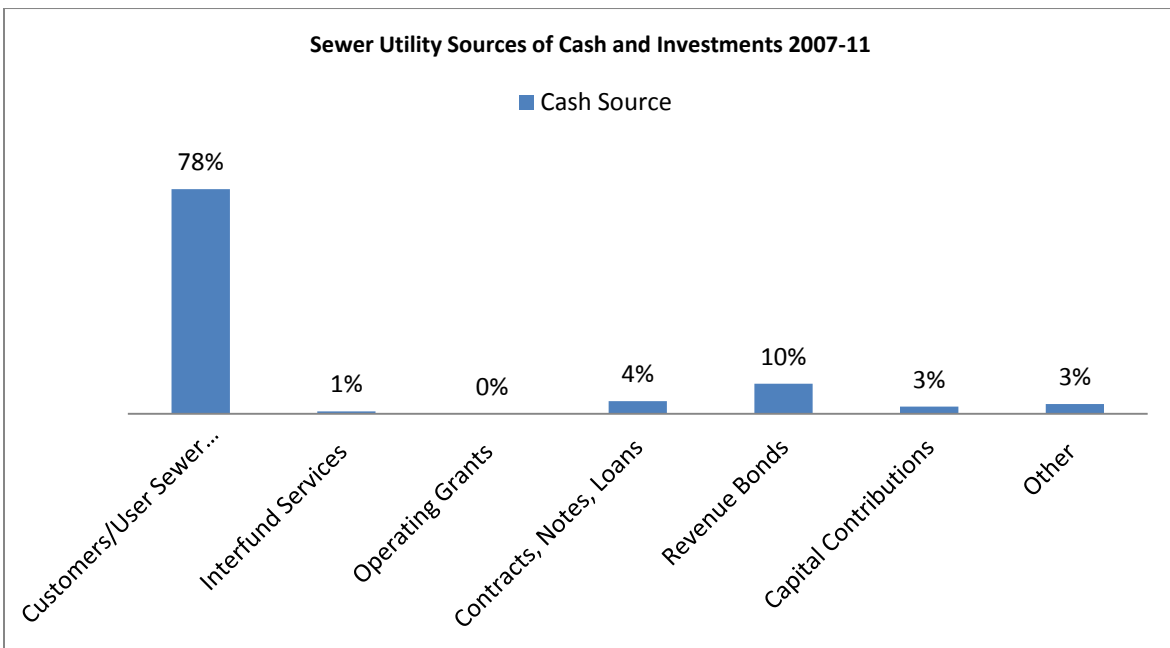
The Department has justified the level of cash and investments on the books as necessary to fund reserves, encumbrances, and continuing appropriations. They have stated that continuing appropriations should not exceed two years worth of forecasted CIP expenditures. \$104M was expended on the sewer CIP program in FY2012 and two years worth of expenditures equate to \$208M. FY2011 year-end continuing appropriation and encumbrances are \$279M; which exceeds the \$208M target number by \$71M. Therefore more funds than necessary have been encumbered or continuously appropriated based on these estimates; and are being used in support of the elevated cash and investment levels in the sewer fund.

The Department recognized this problem in the water fund and de-appropriated \$116M of continuing appropriations from that fund during FY2012. A similar review of encumbrances and continuing appropriations is now underway in the sewer fund. This review is still in progress and no funds have yet been de-appropriated from the sewer fund.



Source: 2006-2011 Water Utility Fund Statement of Net Revenues, Comprehensive Annual Financial Report.

The following chart shows the sources from which both unrestricted and restricted cash and investments for the sewer utility were derived from 2007 to 2011. Seventy-eight percent (78%) came from sewer rates assessed on customers and participating agencies while 10% came from revenue bond sales. Another 4% came from contracts, notes, and loans, while the remaining came from a variety of miscellaneous sources -- principally capital contributions and dividends/interest on fund investments.



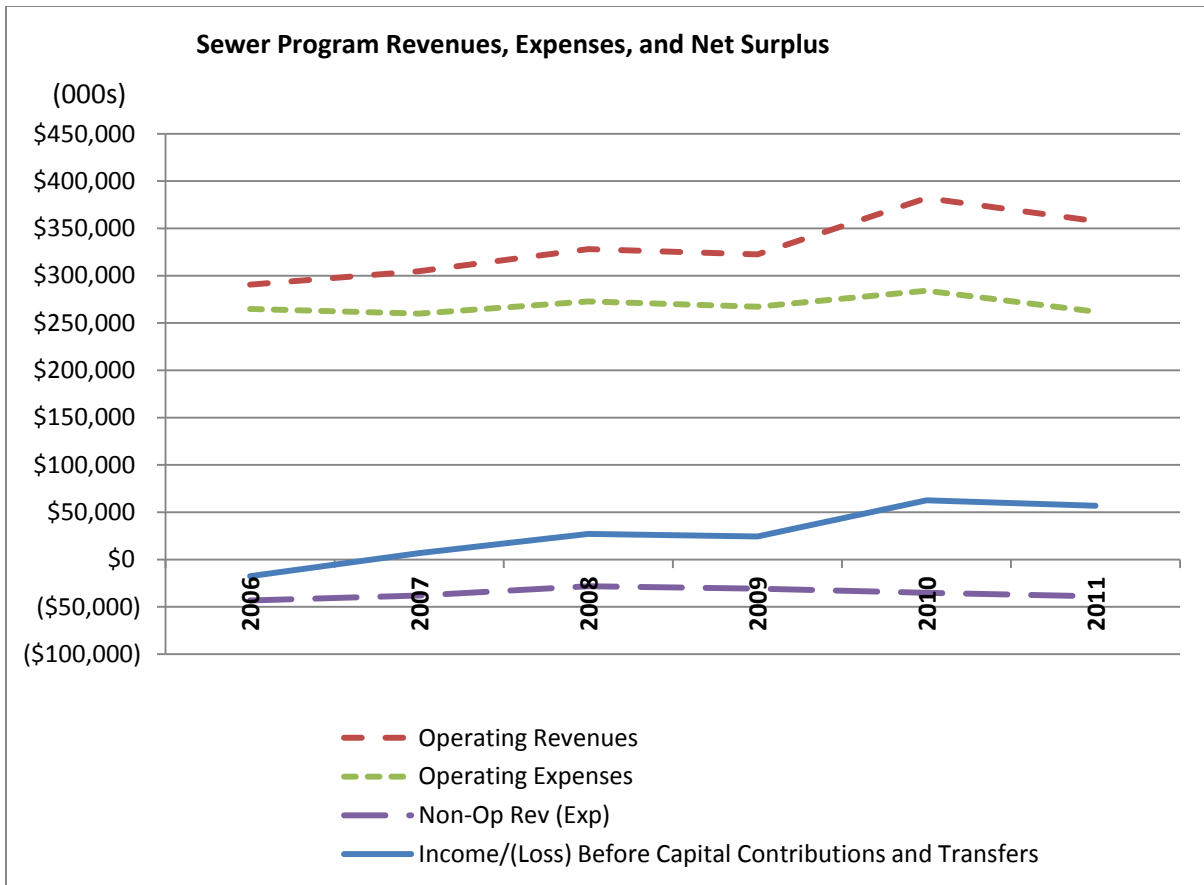
Source: Statement of Cashflows, San Diego City Comprehensive Annual Financial Report 2007-2011



Since 78% of unrestricted cash came from sewer ratepayer and participating agency payments, holding higher cash levels implies that rates may have been too high from 2006 to 2011 if the Department is not able to justify a need for the funds within the next three years through a long term cash flow forecast.

**Operating Surpluses:** The Statement of Revenues, Expenses and Changes in Fund Net Assets show that the sewer fund continues to generate large surpluses, as it has since 2007, when the last rate case was adopted. In 2010 and 2011 the surplus was \$62.7M and \$56.8M respectively, which equated to 16.4% and 15.9% of gross revenues. This surplus was mainly due to a large increase in service charge revenue from 2009 to 2010 which has continued into 2011.

Operating revenues have grown an average of \$13.5M (4.7%) per year from 2006 to 2011 while 2011 operating expenses were below 2006 levels. Net non-operating expenses (including debt service) have decreased an average of \$4.4M a year. Therefore while operating revenues have increased consistently over the period, operating expenses have remained stable while net non-operating expenses have decreased. This has caused the net surplus before capital contributions and transfers to grow an average of \$14.9M per year for the past five years; with surpluses of \$62.7M and \$56.8M generated in 2010 and 2011 respectively. 2011 Capital contributions added an additional \$12.2M to the surplus such that the change in net assets during the year was \$69.1M. The ratio of surplus to operating revenues jumped to 16.4% and 15.9% respectively in 2010 and 2011. It therefore appears that revenue growth is out of line with expense trends, which indicates that sewer rates need to be reviewed and possibly recalibrated.



The expenses of operating the system have continue to be controlled, with aggregate operating expenses decreasing \$0.5M (0.2%) per year from 2006 to 2011; with 2011 expense levels below those of 2006. This control of expenses is reflected in the ratios of operating expenses to operating revenues, and the ratio of operating expenses to total assets under management. Both metrics continue to show a steady decline over the past five years with the ratio of operating expenses to revenues decreasing from 91.2% in 2006 to 73.3% in 2011 - with the decline attributable to a \$22M reduction in operating costs from 2010 to 2011 resulting from administrative expense savings. This favorable decline in expenses is reflected in the ratio of operating costs to total assets which decreased from 8.6% in 2006 to 7.5% by 2011. Operating costs in the sewer program therefore appear well controlled.

The Department runs both the revenues and costs of its capital improvement program through the sewer fund, and IROC continues to believe the key underlying cause of the surpluses and higher cash levels is the delays in executing its CIP program combined with other financial factors affecting that program. The 2006 rate case set sewer rates from 2008 thru 2011 at a level sufficient to fund \$585M of capital expenditures by June 30, 2011, in combination with other revenue sources including bond funds (which will eventually be repaid from sewer fees), participating agency revenues, capacity charges, SRF loan and grant and receipts. However, only \$251M out of the \$585M of revenue raised (43%) were actually spent on both rate case and non-rate case sewer projects by

FY2011 due to several factors including construction cost savings due to the recession, delays in executing the CIP program due to lack of access to the bond capital markets, and problems with project execution resulting from several causes including a reorganization. During that time, 31 out of 73 (42%) of rate case and non-rate case projects were actually completed according to a Department report.

The combination of an Environmental Protection Agency (EPA) administrative order and three consent decrees mandated the repair, replacement, and rehabilitation of 450 miles of aged sewer pipes, and upgrade/replacement of 17 trunk sewers and 26 pump stations by June 2013. By June 30, 2012, the Department completed 70 miles of sewer pipeline (versus the 45 miles targeted for completion this year). Twelve out of 17 mandated trunk sewers were completed by June 30<sup>th</sup> with the remaining five either in construction or awarded. Nineteen out of 26 pump station projects were completed, with the remaining seven either in construction or to be awarded. Consent decree projects, however, constitute a subset of the total sewer CIP program.

**Recommendation.** IROC continues to be concerned about the large levels of unrestricted cash and investments and the large operating surpluses being generated in the sewer program, as this may indicate that sewer rates were set too high from 2006 to 2011. This is most likely caused by sewer CIP expenditure levels being below those contemplated in the 2006 Cost of Service study upon which the rates were based. Last year we recommended that a long term cash flow forecast be developed to better define the sewer programs cash needs into the future and to recalibrate rates. This is currently under development as part of the Cost of Service Study. IROC therefore recommends that no sewer rate increases – either retail or pass-through - be adopted until the current rate structure is reevaluated through the cost of service study currently underway; including IROC review of the revenue, expenditures, and sales volume assumptions underlying the study.

### **Review of Progress Made to Address the Departmental and CIP Reporting Issues**

**Improvements Made In CIP Schedule and Budget Reporting.** In IROC's 2011 annual report, IROC pledged to continue to work with the Department to develop appropriate reports for financial and CIP monitoring; and to report to the Mayor and Council the progress made to address reporting issues in the 2012 report. This was a major concern to IROC – particularly in the CIP program – since such programs pose major financial risks to municipalities unless both their schedule and finances are well controlled. Back in 2009 IROC did not see evidence of adequate schedule or budgetary reporting in the CIP area to indicate that adequate controls were in place.

IROC is pleased to report that substantial improvements have been made in both water and sewer schedule and budgetary reporting and controls. In terms of schedule, both IROC and the Department agreed that there should be a “one-time only” re-baselining of both the water and sewer CIP program schedules to reflect the reality that the original schedule was no longer relevant in view of the delays that occurred from FY2008-11. The current re-baseline schedule reflects the Department's assessment of what is

realistically achievable for both the water and sewer program. There was also agreement that the re-baselined schedule for a project would not be changed once adopted – even if there was a change in project scope - so that an objective measurement of future progress could be made to facilitate program management and oversight. Previously, the baseline schedule “goal post” was moved at the start of each year, making an objective assessment of progress impossible.

In addition, individual baseline schedules were created for projects previously lumped into and reported as part of an “annual allocation” project so that their individual progress could be monitored and managed. Finally, a quarterly current versus baseline schedule report is issued and reviewed by both the Department and IROC so that program progress is monitored and managed. This is important progress which substantially enhances oversight and control for both the water and sewer CIP program for which the Department is to be congratulated.

The actual versus budget report, however, has one important missing element that IROC recommends be corrected. CIP projects usually span multiple years, but the actual versus budget reports only current year expenditures and encumbrances against the current year budget. It does not report actual project-to-date expenditures/encumbrances against project-to-date budgets so that project expenditures spanning multiple years can be measured against budget over those same years to maintain budgetary control. The Department indicates this is not possible with the current SAP system.

**Recommendation.** IROC considers this an important weakness in CIP budgetary control and therefore recommends the Department contract with SAP to develop a software patch to implement this important management control and reporting. Otherwise IROC is pleased with the progress the Department has made regarding budgetary control of the CIP program for which the Department is to be congratulated.

**Cash Flow Forecast and 2013 Cost of Service Study Transparency and Oversight.**

One important area in which there is continuing disagreement between the Department and IROC is the cash flow forecast recommended in the 2011 IROC annual report. The 2011 annual report recommended the Department revalidate their water and sewer rates by producing a long term cash flow forecast taking into account forecasted inflation rates, costs, and schedules for the Department and its CIP program; and when the current levels of continuing appropriations and encumbrances will actually be expended. It also needed to validate the operating surpluses and the buildup and retention of unrestricted cash and investments in the water and sewer funds by demonstrating a use for the assets with the next three years to finance operating and capital expenditures, mitigate operating risk, or maintain debt coverage ratios to comply with bond covenants. IROC further recommended forecasts be shared with IROC and the Council as justification for any future rate increase. In their April 10, 2012 official response, the Department agreed with the recommendation, and stated it planned to utilize a format to be provided by IROC as well as review continuing CIP appropriation balances.

In follow-up, on April 15, 2012 IROC provided the Department a suggested long term cash flow forecast template for the water utility which incorporated these principals. This was based upon a cash flow forecast model developed by Raftelis for the 2006 cost of service study that was sent to the Department along with the study. IROC wants the model and forecasts to be shared with IROC and the Council as justification for any future rate increase. The Department declined both to utilize IROC's template (as promised in their official response) or to provide access to the Raftelis cash flow forecast model which IROC believed was being maintained internally by the Department.

Instead, the Department commissioned a new cost of service study to review both water and sewer rates which includes a cash flow forecast. They also began a review of CIP continuing appropriations for both the water and sewer program which IROC commends since this was one cause of the cash buildup.

IROC concurs with this substitution provided it can independently review the underlying Excel cash flow forecast model which underlies the cost of service study so that we can fully understand all the assumptions – both known and unknown - which drive both costs and rates. The Department arranged to have the vendor appear at a hearing to answer IROC questions. IROC appreciates talking to the vendor but still wants to have access to the underlying Excel model so it can determine the reasonableness of all the assumptions upon which the cost of service study and the resulting rates are based, since the vendor's presentation was a higher level overview and did not discuss the specific dollar assumptions underlying the model and forecasts.

**Recommendation.** IROC considers this transparency important since we believe unrealistic assumptions regarding the level of realizable CIP expenditures between 2007 and 2011 led to water and sewer rates being set too high, thereby generating large operating surpluses and cash growth. IROC wants to avoid this in the future by having a full understanding of all the assumptions underlying the cost of service study. IROC also requests quarterly reports from any internal cash flow model being maintained by the Department so that we can review whether cash and investment levels as well as operating surpluses are supportable in view of forecasted future expenditures. IROC therefore recommends that it be given access to the Excel model underlying the upcoming cost of service study and that it also receives quarterly internal cash flow forecast model reports being generated internally within the Department. It further recommends the model and related cash flow forecasts be submitted to IROC and the Council prior to any proposed rate increase as justification for the increase.

**2013 Cost of Service Study Model Design and Reporting.** During IROC's review of 2010 water and sewer fund finances, the Department stated it was not possible to compare actual financial results for the water and sewer fund as reported in the Comprehensive Annual Financial Report to the 2006 Cost of Service Study financial forecasts. Therefore it was not possible to determine whether actual results were on track with the financial forecasts and assumptions underlying the current rate structure. Therefore, it wasn't possible to determine whether the rate structure was generating cash levels and operating surpluses in accordance with COSS forecasts.

This is a serious model shortcoming as you need to compare actual results to model forecasts at least annually – preferably quarterly – to determine whether the current rate structure is generating cash as forecasted, and to determine the cause of any variances. Such variance analyses are customary in the private sector and usually done monthly. IROC reviewed the 2006 COSS forecasts and believed a comparison of actual cash levels to forecasted levels in the COSS was possible and should have been monitored.

**Recommendation.** IROC recommends that the 2013 COSS cash flow forecast model be structured to allow a direct comparison of forecasted cash and investment levels to future actuals as reported in the CAFR. It would be preferable if it could also facilitate a comparison of forecasted operating surpluses to actuals as reported in the CAFR. This is necessary to determine whether actual results are on track with the COSS forecast; and therefore whether the rate structure is generating cash and surpluses which are on target with the forecast.

IROC also recommends that an annual variance analysis and reconciliation be done between CAFR results to the COSS forecast to determine the extent to which actual results are on target with forecast and the cause of any variances. This should be reported to both IROC and the City Council's NR&C so that the rate structure can be revalidated annually.

**Dedicated Reserve for Efficiency and Savings (DRES) Fund.** On February 15, 2007, the Mayor released a plan to safeguard Water and Wastewater ratepayer funds. One element of that plan was installation of a Dedicated Reserve for Efficiencies and Savings to help offset future rate increases in both systems.

Specifically, the plan stated “The DRES will track funds that can be used for accelerating CIP project schedules, creating further efficiencies or other actions that will help to offset the need for any future rate increases in these systems. At the end of each fiscal year, any savings not required to comply with established policies or legal documents will be transferred into the DRES. At the end of four years, any funds transferred into the DRES and not used for capital improvements will be used to lower future rates necessary for the water and wastewater systems.

The four year period expired February 11, 2011, and there were substantial funds in both the water and sewer DRES Funds which were not budgeted for any specific shovel ready projects. On 3/1/2011, the council approved a 7.90% rate increase which was effectively reduced to 5.74% after factoring in a previous 2.16% special rate increase which had expired. None of the funds in the water DRES at the time were used to lower the water rate increase as originally promised, even though the four year retention period had expired.

Currently, the following monies reside in both the water and sewer DRES funds:

Fiscal Year	Water DRES Fund	Sewer DRES Fund	Total DRES Funds
FY2011 ending 6/30/2011(Actual)	\$13,972,678	\$36,272,893	\$50,245,571
FY2012 ending 6/30/12 (Budget)	\$15,126,948	\$36,272,893	\$51,399,841
FY2012 ending 6/30/12 (Actual Est.)	\$36,392,908	\$27,722,827	\$64,115,735
FY2012 Actual Over/<Under> Budget	\$21,265,960	<\$8,550,066>	\$12,715,894

Source: Public Utilities Department "Public Utilities Financial Summary FY 2012 Year End"

The Public Utilities Financial Summary for FY2012 indicates that both DRES funds contained \$50.2M at the end of FY2011, which is estimated to grow to \$64.1M at the end of FY2012 - \$12.7M over the \$51.4M budget for both DRES Funds. The water DRES fund is estimated to end FY 2012 \$21.2M over budget while the sewer DRES fund is estimated to end FY2012 \$8.5M under budget.

Currently, both DRES funds are being used as revolving funds for the CIP programs, even though the Department data indicates that both programs are behind the schedule originally contemplated in the 2006 Cost of Service Study; and even though both the water and sewer funds have elevated cash levels and continue to generate operating surpluses. The Department's FY12-FY16 CIP Financing Plan issued July 14, 2011 indicates the Department plans to use \$15,126,948 from the water DRES for the water CIP program from FY12 thru FY16, which would still leave \$21,265,960. They also plan to take \$36,272,893 from the sewer DRES for the sewer CIP program even though there is only \$27.7M estimated to be available in that fund. Water and sewer DRES funds cannot be moved from one fund to the other.

In a November 16, 2012 response to an IROC inquiry the Department stated they moved \$15M from the water DRES to the Rate Stabilization Reserve to increase it to \$50.3M to maintain the debt coverage ratios in the water fund at acceptable levels. They stated this was recorded before FY2012 was closed but not posted, which was why the transfer wasn't reflected in the Public Utilities Financial Summary for FY2012 Report provided IROC. IROC was notified about the \$15M transfer after a preliminary copy of the IROC annual report provided the Department included a recommendation that the \$21.2M surplus in the water DRES be rebated to the ratepayers in the form of a credit against their water bills. Such a rebate would not be feasible if \$15M was instead transferred to the Rate Stabilization Reserve.

The 2012A water refunding bond prospectus forecasted a 1.38 aggregate debt coverage ratio in FY2013 which the Department now projects would decrease to 1.13 without the \$15M transfer. This is barely above the 1.10 minimum and below the 1.38 projected in the 2012A bond prospectus and could endanger the water bond rating if verified. They state this was caused by the Department absorbing the costs of both the CY2012 and 2013 San Diego County Water Authority pass-through rate increases, rather than raising water rates to retail customers. They also state the CY2013 pass through rate increase was not included in the 2012A Refunding Bond projection of 1.38 as the reason for the discrepancy.

If verified, this would be an appropriate use of the DRES funds rather than rebating those funds to the ratepayers since it facilitated the Department absorption of the prior pass-through rate increases and is therefore consistent with the intent behind the establishment of the DRES. IROC also agrees with bolstering the debt coverage ratio to levels necessary to maintain the current water bond rating if in fact the aggregate debt coverage ratio was in danger of falling to 1.10.

**Recommendation.** IROC finds the timing of the \$15M transfer from DRES to the Rate Stabilization Fund somewhat unusual, but would support it rather than rebate the funds to the ratepayers if in fact it occurred as stated, and if it was necessary to maintain the aggregate debt coverage ratio at a level sufficient to maintain the water bond rating at current levels. This would be a prudent use of these funds and consistent with the intent behind the establishment of DRES.

Unfortunately, IROC cannot verify either of these since it does not have access to the Department's internal books not was not able to review the detailed debt coverage ratio projection which indicates the debt coverage ratio was in danger of falling to 1.10. IROC therefore recommends that the NR&C Committee request the Independent Budget Analyst verify that the \$15M transfer was made as represented and report its findings to IROC. We also recommend that the Department prepare updated Water Fund Debt coverage ratio projections for review by IROC which both includes and excludes the \$15M transfer to the Rate Stabilization Fund to verify that the debt coverage ratio was in danger of falling to 1.10. IROC will report its findings and any recommendations to the NR&C via a supplemental advisory letter after the transfer and debt coverage ratios can be verified.

### **CIP Program Financial Review**

In this section, IROC will: (a) review the status of the 2006 rate case capital projects; (b) briefly review the progress and financial status of current program versus the re-baselined schedule and budget agreed to by the Department and IROC; and (c) discuss whether any risky financing methods are currently being used to fund the CIP programs.

**Status of 2006 Rate Case Capital Projects.** The Department completed a status report of the 2006 rate case capital projects in response to news articles in the Union Tribune which was presented at a 2/29/2012 NR&C committee. IROC did a detailed analysis of the data underlying the presentation which is included as Appendix 5; and makes the following comments based on that analysis.

The 2006 water rate case assumed that four 6.5% water rate increases would occur between 2008-11 to raise sufficient revenues to partially fund \$585M of water CIP expenditures by 6/30/2011 in combination with capacity charges, State Revolving Fund (SRF) loans, grants and bond financing; with the bond and loan financing eventually being repaid from future water rate charges. Similarly the 2006 wastewater rate case assumed that five sewer rate increases of 8.75%, 8.75%, 7.00%, 7.00% and 4.00% would occur between 2007 and 2011 to provide sufficient revenues (in combination with other financing sources) to fund \$585M of sewer CIP expenditures by 6/30/2011. The 2012A



water refunding bond prospectus shows that the four water rate increases occurred on schedule. However, IROC's financial analysis shows that both the water and sewer CIP program expenditures did not occur on schedule, thereby likely causing the build-up of unrestricted cash balances and the operating surpluses in both funds.

The analysis shows that between FY2008-11 \$392M out of the scheduled \$585M of expenditures (67%) contained in the water COSS occurred on time and was spent on Water CIP projects. \$251M out of the second \$585M of scheduled expenditures (43%) in the sewer COSS was spent on time for sewer projects. This includes both rate-case and non-rate case projects. Therefore the level of CIP expenditures contemplated in the 2006 rate case for the water and sewer CIP programs didn't occur on schedule while the rate increases and revenue collected to fund them did occur on schedule. Instead, a substantial part of the anticipated expenditures is projected to roll over into 2012, 2013, and 2014 while the Department continues to collect revenues over the \$585M target for each program from the higher rates and other sources which are still in place today.

Forty-eight unfunded non-rate case water projects costing \$225M were added on top of the 61 rate case projects costing \$447M thru the annual budget process and approved by Council. Therefore the program expanded 50% in terms of dollars and an additional 79% in terms of project count. The rate case water projects would have ended 2014 with a projected \$137M surplus, but this will be redirected to fund the \$225M of unfunded non rate case water projects with the result being a projected \$88M deficit in the water program assuming no additional revenues beyond the \$585M included in the rate case are dedicated to the program. This in effect ensures the higher water rates will remain in place beyond 2011.

Twenty-three unfunded non-rate case sewer projects costing \$192M were added on top of the 50 rate case sewer projects costing \$370M thru the annual budget process and were approved by Council. Therefore the program expanded 52% in terms of dollars and 46% in terms of project count. The rate case sewer projects would have ended 2014 with a projected \$215M surplus, but instead, this will be redirected to fund \$192M of unfunded non rate case sewer projects with the result still being a \$23M surplus in the sewer program assuming no other costs occur after 2014 and no other revenues are dedicated to the program beyond the \$585M contemplated in the rate case.

IROC reviewed the 2006 water and sewer program cost of service studies. These implied that the rate increases would raise sufficient revenues in combination with other sources to fund \$585M of water CIP program expenditures and \$585M of sewer program CIP expenditures by June 30, 2011. They were silent regarding what happens to these rate increases after the CIP project set are completed – whether the rate increases would remain in place or sun set after 2011.

IROC also reviewed the Prop 218 notices for both the 2006 COSS water and sewer rate increases. The Prop 218 notices were silent regarding whether the increases were intended to fund only a defined set of capital projects with the rate increases sun setting after \$585M was raised for the water CIP program and \$585M raised for the sewer CIP

program; or were intended to continue indefinitely to fund an on-going higher level of CIP expenditures. The language contains extensive references to repairing and replacing ageing water and wastewater infrastructure while making only a passing reference to costs to operate and maintain those facilities. In fact, the set of rate increases in the 2006 COSS will rise substantially more than \$585M for the water CIP program and the \$585M for the sewer CIP program if they continue past 2011 as is presently occurring.

CIP program expenditures typically ramp up as projects proceed from the planning and design stage to the construction phase, then ramp down as construction is completed and program close out begins. Review of the Department program, however, indicates that it will continue at a high expenditure level well into 2020. Therefore, the CIP program never ramps down within a reasonable period as most capital programs do. Therefore, current water and sewer rate levels are probably locked in place into 2020, and will probably increase, if council approves additional CIP projects through future budgets. The discretionary unfunded projects enacted through the annual budget process therefore impose a large future obligation on the ratepayers since the city doesn't usually doesn't have the resources to pay for them without maintaining rates at current elevated levels or increasing them.

**Observation.** IROC believes the 2006 COSS Prop 218 language was ambiguous since rate increases to fund capital costs imply they were be temporary and sunset after the project set for which they were enacted are complete. IROC therefore believes that ratepayers should to be explicitly informed in the Prop 218 notice whether a rate increase enacted to fund one-time infrastructure construction costs will be temporary - and therefore sunset after the project set is funded; or are permanent and therefore continue indefinitely to fund a permanent on-going level of elevated CIP expenditures.

**Current Progress of the Water and Sewer CIP programs versus the re-baselined schedule and budget.** Both IROC and the Department agreed that there should be a "one-time only" re-baselining of the water and sewer CIP program's schedule and budgets to reflect the reality that the original schedule and budgets were no longer relevant in view of the delays that occurred from 2008-11. They are also not relevant because of the new streamlined capital review procedures enacted by the Mayor and because of the enhanced schedule and budgetary controls.

The current re-baselined schedule reflects the Department's assessment of what is realistically achievable for both the water and sewer program. There is also agreement that the re-base lined schedule for a project should not be changed – even if there was a change in project scope - so that an objective measurement of future progress can be made to facilitate program oversight and management. Previously, the baseline schedule "goal post" was moved at the start of each year, making an objective assessment of progress impossible.

IROC reviewed the FY 2012 Capital Improvement Program August 29, 2012 schedule and budget reports (see Appendix # 6 and #7 ) and found the following for the water and sewer CIP projects. These reports incorporate the new re-baselined schedule and project

budgets for both programs. In general the current schedule for the water CIP program is on track with the new re-baselined schedule. There has been some schedule slippage – mainly in some water main replacement and water treatment plant projects (i.e. the Miramar Water Treatment Plant Contract A project S00024, and the Lower Otay Reservoir project S00044) but IROC does not consider the overall program schedule slippage excessive at this time. Some schedule slippage is customary for large CIP programs.

The estimated total cost at completion for all the projects in the water CIP program is \$790M which is \$8.5M (1%) over the \$781M re-budgeted program cost. FY2012 actual expenditures of \$64M are currently 21% under the \$81M of projected expenditures for FY 2012. IROC cannot determine how multi-year project-to-date expenditures are doing versus project-to-date budgets due to a reporting problem in the SAP system which IROC recommends be fixed. There were four change orders issued during FY 2012 where the estimated cost of the water project budget revision exceeded 10% of the original estimated project cost, which added \$819K to the programs aggregate cost. IROC reviewed the reasons for the change orders and found the explanations acceptable.

	Total Baseline Program Cost	Total Projected Program Cost	FY12 Projected Total Expenditures	FY12 Period 12 Encumbrances SAV (Unaudited)	FY12 Period 12 Actual Expenditures SAP (unaudited)
Water Program	\$781,552,518	\$790,124,977	\$81,590,622	\$44,121,928	\$64,182,634
Sewer Program	\$891,081,692	\$894,457,101	\$101,722,341	\$64,593,542	\$104,559,390

**Observation.** In general, IROC is satisfied at this time with both the progress and finances for the water CIP program versus the re-baselined schedule and re-baselined budget for FY2012. It cannot tell how project-to-date expenditures are doing versus the project-to-date budgets due to the absence of multi-year actual versus budget reporting which IROC recommends be corrected. The Infrastructure and Operations subcommittee of IROC will continue to monitor closely each quarter those projects behind schedule or whose projected cost at completion exceeds budget to determine the cause of these variances and appropriate remedial actions.

IROC also reviewed the current versus baseline schedule for the sewer CIP program and found some significant slippage in projects B00342, B00414, B00452, and B00521 which are sewer and water group projects as well as a sewer main rehabilitation project. The current schedules for most of the other projects, however, were on track with the re-baselined schedule.

The estimated total cost at completion for all the projects in the sewer CIP program is \$894M which is \$3.4M (0.4%) over the \$891 re-budgeted total program cost. FY 2012 actual expenditures of \$104.5M are currently 2.7% (\$2.8M) over the \$101.7M projected expenditures. IROC cannot determine how multi-year project-to-date expenditures are doing versus project-to-date budgets due to the reporting problem in the SAP system which IROC recommends be remedied.

There were eight change orders issued where the estimated cost of the sewer project revision exceeded 10% of the original estimated project cost. These added almost \$3M to the sewer CIP program's cost. One change order (S-00335 Lake Murray Trunk Sewer) was for \$1.1M and indicated that additional work was needed in a golf course area due to golf course moratorium requirements. IROC will review the reasons for this change order, but the other seven change orders are acceptable.

**Observation.** IROC is satisfied at this time with the progress of the sewer CIP program versus the re-baseline schedule and its re-budgeted cost for FY2012. It cannot tell how project -to-date expenditures are doing versus budget due to the absence of multi-year actual versus budget reporting which IROC recommends be corrected.

**Risky Financing Review.** Jefferson County Alabama declared the largest municipal bankruptcy in U.S. history during late 2011. In response, IROC looked into the underlying causes of the bankruptcy since it involved a sewer CIP program similar to San Diego's to see if there were any similar risks which could threaten San Diego's finances. IROC reviewed the water and sewer CIP program's finances with the city's Chief Financial Officer (CFO) and the Director of Debt Management as well as reviewed bond indentures and CAFR disclosures to uncover any hidden risks.

IROC's review found that the causes of the Jefferson County bankruptcy involved malfeasance between public officials and some bond underwriters and financial advisors; the use of variable auction rate securities to finance the program, and the use of derivatives as a hedge for the variable rate debt. It also involved the accelerated repayment of the bonds when a default event occurred.

IROC's review of San Diego's bond indentures, CAFR, and our discussion with the CFO, indicated that San Diego has a policy of using only fixed rate debt to finance its capital programs and there is no evidence of derivatives use to hedge interest rate risk. The CFO indicated there were also procedures in place to protect against any irregularities involving the underwriting of municipal securities to finance the capital projects and described those procedures.

Finally, there has been recent controversy in the Poway school district regarding the use of Capital Appreciation Bonds to finance their school construction programs. Issuers do not pay current interest payments on these bonds but rather accrue the interest payment via negative amortization resulting, in a very large principal and interest payment at maturity. This pushes the cost of the capital projects onto future taxpayers while current taxpayers receive project benefits. IROC found no evidence that any of these risky financing vehicles are being used to finance either the water or sewer CIP programs.

**Observation.** At the current time, IROC is satisfied that there is no evidence that any risky financing vehicles are being used to finance the water or sewer CIP program or to hedge interest rate risk - including no evidence of the use of variable auction rate or capital appreciation securities, or the use of derivatives to hedge risk. It is also satisfied that controls are in place to protect against any bond underwriting irregularities.

**The following FY2012 IROC issues were reviewed by the Infrastructure and Operations Subcommittee:**

- Review of timing and substance of the System Condition Assessment, CIP, Water Rate Study, and the Rate Case
- Water Main Breaks and Sanitary Sewer Overflows
- Public Utilities' Condition Assessment Program
- Public Utilities' Environmental Mitigation Program
- Impact of Metropolitan Water District Cancellation of Funding for Local Water Supply Projects in Retaliation for Lawsuit Challenging its Rate
- Relining Water Pipes, Improved Technology
- Asbestos Cement Pipeline Issue
- Automated Metering Infrastructure (AMI) Project
- Findings and Recommendations of the Office of City Auditor's Capital Improvement Program (CIP) Audit

Of these items, specific key issues that have not been previously addressed in detail in prior IROC final reports are highlighted and further evaluated in this report based on the subcommittee's findings.

**Asbestos Cement Pipeline Replacement**

A Cement Service Life Study (completed March, 2011) was conducted and the results discussed with this subcommittee. This study indicated that the majority of other water agencies have not begun an AC replacement program. Still, the City of San Diego is looking to develop a proactive strategy to prioritize and replace the approximately 2100 miles of AC pipe within the City. The Department feels that additional break, leak, and condition data is required to better prioritize the areas of most concern. Through the implementation of a conditions assessment program and the development of a statistical model to determine the most problematic areas requiring replacement, the City anticipates developing a better understanding for the implementation of an eventual replacement program in FY2017-19. In addition, alternatives to pipe replacement such as relining are being investigated for certain areas in the City. These alternatives may provide a more cost-effective means to resolve some issues with the AC pipe. It is not clear to the subcommittee that it is in the best interest of the system and the ratepayers to delay the systematic replacement of AC pipe that long. The Infrastructure and Operations subcommittee will continue to review the AC pipe replacement program and

the possibilities of alternative cost-savings measures further with the Department in FY2013.

**Advance Metering Infrastructure (AMI) Deployment**

The AMI program has been in development since FY2006. After initially appearing that 10% deployment would occur in the City, the progress of the program was slowed in FY2009. From FY2010-12, consultants investigated and evaluated integrations issues while the Public Utilities Department reviewed new technology and project scope. The Infrastructure and Operations subcommittee supports this effort as a means to provide improved customer satisfaction, assist with potential conservation programs, and improve system operation. However, this committee would like to see this deployment process move at a more rapid pace and include more classes of consumers. The Infrastructure and Operations subcommittee will continue to review and evaluate this process during FY2013.

## **The following FY2012 issues were reviewed by the Outreach and Communications Subcommittee:**

### **Water Conservation campaign**

The Public Utilities Department provided a water conservation update on the current “San Diegans Waste No Water” campaign. With improved local water supply conditions, the main communication objectives of the campaign were to make water conservation more personal and less authoritative. Focusing on the wise use of water was instrumental to maintain the public’s water conservation momentum. A new trolley wrap and buses were outfitted with advertising. Community fair and speaking engagements were utilized to spread the conservation message, along with press releases, online messaging and public service announcements. The campaign earned the 2011 Earth Award from the San Diego Earthworks organization and the Silver Anvil Award of Excellence for Community Relations from the Public Relations Society of America. The City’s Water Conservation Section continues to focus on conservation programs and initiatives, offering free water surveys and grant funded rebate programs for commercial landscape, residential water use and enhanced multi-family customers. In addition, the annual water conservation film and poster contests continue to provide excellent outreach to engage students in the conservation message.

### **Advanced Water Purification Demonstration Project Public Outreach Metrics**

The outreach effort is comprised of a dedicated team of City Staff and Contractor Staff. The 3-year contract value is \$1.5 million, awarded in 2010 to consultant Katz & Associates. This outreach effort continued to make significant progress in public education and has continued to actively promote the demonstration tour at the North City Reclamation Plant via onsite and “virtual” tours online. City staff and consultant staff handling the public outreach have been successful in diligently working with local community leaders and engaging in community events (fairs, town meetings, etc) and local community papers, to educate and inform the public on the Demo project. There has been positive public response and school tours have helped to spread the word, as well as utilizing technical journals and newspapers to report on the project. Public opinion has changed dramatically over the past several years, as well, with an overwhelming majority viewing water reuse as a positive and necessary process. Ms. Marsi Steirer, Deputy Director, informed IROC that the City was recognized at the Annual National Water Reuse Conference and awarded the 2011 Public Education Program of the Year Award for the Water Purification Demonstration Project.

Recommend that the Department provide a presentation to IROC detailing their outreach to the various community leaders, and their engagement with them to help promote the project outreach and awareness efforts.

### **Customer Care Solution (CCS) Project Update**

The City’s new system went live over a year ago on July 5, 2011 with 12.7 million records converted, resulting in a 99.97% data conversion success rate. The Department experienced a variety of customer service issues and responded with increased temporary staff and weekend shifts to handle the increased calls triggered by the billing system

change. They also established a Customer Care Liaison, provided targeted training, improved website help and increased phone capacity to reduce call queue times and help alleviate the issues. Over 51,000 users are successfully utilizing the online bill payment system and the system appears to have stabilized, which IROC deemed necessary prior to implementing a future managed competition for the customer billing services. It should be noted that several IROC members have recently experienced billing inconsistencies and lengthy phone call delays in contacting the call center, therefore there still appear to be some problems in the system which need to be addressed. Recommend the Department fix these operational problems with the call center as soon as possible and report back to IROC on this topic.

### **Construction Water Use**

In November 2011, the Public Utilities Department provided information on the use of temporary fire hydrant construction meters, in connection with the San Diego Gas & Electric company's Sunrise Powerlink project. Residents in the San Carlos community were upset with SDG&E's use of private water trucks filling up at community hydrants "round the clock", using drinking water for construction, creating a nuisance and damaging roadways. It was determined that the activities were not illegal and were consistent with existing City Council policies and practices for construction dust control. SDG&E was working with the City to resolve the issues, including applying for a permit to build a recycled water fill station, or using existing recycled water, and repairing any damage to roadways. IROC urged the Department to be proactive in working with customers to help avoid and minimize construction issues in communities, going forward. Recommend the Department develop a policy for future temporary large water use projects that requires as a condition of obtaining a permit, a plan to mitigate these issues prior to project commencement.

### **New External Affairs Group.**

IROC continued to emphasize the importance for the Department's transparency of an effective communications plan to educate the public on the various drivers/reasons for water and wastewater rate increases. The Department briefed IROC in January 2012 on the newly created External Affairs group that will report directly to the Director. This group was formed with a goal to improve customer and stakeholder confidence through communications and advocacy. The various Public Information Officers (PIO's) will report through this group which will provide education and outreach to the public and to improve customer confidence in the Department.

### **Other Related Activities.**

IROC staff participated in the Department's 2012 Long Range Water Resources planning process to conduct comprehensive evaluation of various water demands and supply opportunities for the city of San Diego. Initial stakeholder meetings were held in 2011 and efforts continued throughout 2012.



## **LOOKING AHEAD: IROC'S KEY ISSUES FOR FY2013**

The following are key issues that IROC plans to review in FY2013:

### **1. FY2013 Areas of Focus for the Finance Subcommittee:**

- Long Term Revenue and Expense Trends. IROC examines water and sewer fund financial trends each year to determine whether water and sewer rates are at the correct levels. IROC also reviews any unusual trends in water and sewer program revenues and costs to determine their cause and recommends any corrective action to the Mayor and Council in the annual report. IROC will continue this practice in FY2013.
- Wholesaler Water Rates and Costs. Local water rates are dependent upon both the rates charged by the Department for water treatment and delivery as well as pass through rates charged by water wholesalers. Earlier this year IROC examined the San Diego County Water Authority's (SDCWA) water sales volume and its cost structure and found evidence that reduced water sales were not being matched by a comparable reduction in their cost structure, thereby causing increased wholesale water rates which are passed thru to the Department and retail ratepayers. IROC intends to continue this review in FY2013, to determine whether wholesale and retail cost structure reductions are keeping pace with reduced sales volumes and whether this is driving up rates.
- Conduct in-depth review of the COSS model and assumptions to make sure recommended rate increases are justified.
- Review justifications for any recommended rate increases.
- Review and advise City Council regarding FY2014 budget request.

### **2. FY2013 Areas of Focus for the Infrastructure and Operations Subcommittee:**

- Review and provide recommendations for the COSS reflecting infrastructure and operational needs.
- Help identify infrastructure replacement needs, as well as systems to monitor implementation, budget, and timing.
- Continue to review the System Condition Assessment Study and CIP Projects.
- Conduct quarterly reviews of CIP program progress versus the baseline schedule and budget to ensure the CIP program is on schedule and on budget.

- Assess the CIP program progress and determine whether in-house management of the CIP program is adequate to implement projects in a timely and cost effective manner.
- Continue to improve CIP program reporting.
- Review additions and deletions from the CIP program.
- Continue to review Public Utilities Department Strategic Planning, Performance Metrics and Measures.
- Review and make recommendations for plans for sustainable long term water supply.
- Review and comment on Cost of Service Study.
- Review and make recommendations on performance audits.
- Continue oversight of waiver at Pt. Loma.

### **3. FY13 Areas of Focus for Outreach and Communications Subcommittee:**

The Public Utilities Department will continue to face challenges associated with quality, sustainability and cost of services to ratepayers. These issues must be adequately communicated to ratepayers by the Utilities and by the policy makers overseeing the Water and Wastewater Department.

- **Desalination Water Purchase Agreement.**

In November 2012, the SDCWA's Board of Directors voted to approve a landmark agreement to purchase up to 56,000 acre-feet of water annually from what will be the nation's largest seawater desalination plant in Carlsbad, Calif. The plant is expected to start producing up to 50 million gallons a day in 2016. The Board approved a 30-year Water Purchase Agreement with project developer Poseidon Resources. As construction gets under way, the SDCWA will conduct a comprehensive cost of service study to determine precisely how expenses related to desalinated water will be split among the Water Authority's rates and charges. The impact to ratepayers is expected to be approximately \$5 to \$7 more a month per the SDCWA. This subcommittee intends to review the proposed cost allocation to the City of San Diego ratepayers.

- **Water Conservation.**

The City has been very successful in taking its public outreach campaign for water conservation to the next phase with the "San Diegans Waste No Water" campaign. IROC will continue to monitor the conservation efforts and water usage results, and recommends that the Department continue aggressive efforts to maintain the public's momentum in water conservation activities.

- **Water Purification Demonstration Project Outreach.**

IROC believes that the Water Purification Demonstration Project is crucial to developing regional water sustainability in San Diego. Reducing our dependency on imported water and associated pass-through costs (which are out of the City's control) is critical. It is imperative that the Department

continue its efforts to promote an effective public outreach campaign to ensure stakeholders become fully engaged in understanding the issues and opportunities to best ensure the quality and sustainability of San Diego's essential water resources at a reasonable and affordable cost to all water system ratepayers. IROC will continue to actively monitor the outreach efforts that are being conducted by the contractor and the associated costs to ensure funds are adequately and appropriately utilized to obtain the maximum project awareness and exposure to the various communities.

- **Proactive Public Messaging Campaign Aimed at Educating the Public.** IROC recognizes the need for effective and accurate public information to ensure the Public is appropriately informed on the water and wastewater cost drivers. IROC encourages the Department to continue to focus efforts to both the public and the media in a proactive manner to promote accurate information about the costs of operation and infrastructure for our water and wastewater systems, via newspapers, the City Website, Fact Sheets and PIO staff communications. IROC believes a focused effort in this area will enhance the public's perception of the Department in a positive manner.
- **Proactive Engagement with Mayor and Council Members.** IROC recognizes the need for effective communications exchange with the Mayor and Council Members and plans to conduct a focused outreach to staff in FY13.
- **Water and Wastewater Cost of Service Studies.** IROC will continue to monitor the results of ongoing water and wastewater cost of service studies and urges the Department to ensure there are timely and appropriate outreach efforts to inform and educate the affected stakeholder groups on the study results, as well as any potential rate changes.
- **Managed Competition Activities.** IROC will review potential managed competition initiatives to identify opportunities for cost savings and efficiency. Recommend the Department present options to IROC at a future meeting.
- **Non-Potable Use (Purple Pipe System) Extensions – *continued from FY11 Annual Report.*** IROC recognizes that one of the biggest challenges for the City is to decrease reliance on imported water, and to create a local sustainable water supply for the region. The City's main focus to creating a long range water supply has been through initiation of the Advanced Water Purification Demonstration Project.

Currently, the City's purple pipe system and reclaimed water production is underutilized, and the City continues to pay increasingly higher prices to purchase potable water from its suppliers. Meanwhile commercial/industrial users continue to rely on potable water for irrigation and industrial use, such

as cooling towers, when reclaimed water could suffice. With the timeline for full implementation of the Advanced Water Purification Demonstration Project (assuming full development is approved by regulatory and other bodies) nearly 10 years away, IROC encourages the City to evaluate implementing the most cost effective extensions that provide maximum value to avoid significant use of increasingly costly potable water. Additionally, IROC also encourages the City to continue to explore reclaimed water project grant funds to offset the cost of the reclaimed pipe extensions. Recommend the Department report back to IROC with an evaluation of the cost effectiveness of expanding the purple pipe to specific Commercial and Industrial users.

- **Human Resources Management and Formal Analysis of Retention and Recruitment for the Department – *continued from FY11 Annual Report.*** IROC understands the need to carefully manage costs in order to minimize future rate increases. Still it is important for the Department to provide adequate benefits to its employees in order to attract and retain a skilled and experienced workforce for years to come. This aspect becomes more important as government reduces staffing levels. IROC requests periodic briefings on the Department's Leadership Development efforts, as well as efforts to retain and recruit employees. This should include pertinent performance metrics to verify the Department is within industry standards with respect to injury rates, turnover rates, and retention rates, as well as other pertinent metrics. Recommend the Department report back to IROC on the Bid to Goal program status and its replacement program.

## **ATTACHMENTS to the FY12 IROC Annual Report**

Attachment A: IROC Municipal Code (Original)

Attachment B: IROC Municipal Code (Proposed Revision)

Attachment C: IROC Members Listing

Attachment D: IROC Agenda Topics for FY2012

Attachment E: Finance Subcommittee Appendices

**Article 6: Board and Commissions****Division 20: City of San Diego Independent Rates Oversight Committee***(Added 4-18-2007 by O-19607 N.S.; effective 5-18-2007.)***§26.2001 Purpose and Intent**

It is the purpose and intent of the City Council to establish the Independent Rates Oversight Committee to serve as an official advisory body to the Mayor, City Council, and City Manager on policy issues relating to the oversight of the City of San Diego's public utilities department operations including, but not limited to, resource management, planned expenditures, service delivery methods, public awareness and outreach efforts, high quality and affordable utility services provided by the public utilities departments, including the Water and Metropolitan Wastewater Departments. In addition, the Independent Rates Oversight Committee is established to assist the City in tracking and reviewing the use of rate proceeds to advance the capital improvements related to the rate packages and work programs adopted by the City Council. It is the vision of the Independent Rates Oversight Committee that a high level of public confidence in the City of San Diego's utility services is maintained because the services are provided in the most cost effective and environmentally sensitive way.

*("Purpose and Intent" added 4-18-2007 by O-19607 N.S.; effective 5-18-2007.)***§26.2002 Independent Rates Oversight Committee Established**

- (a) There is hereby created an Independent Rates Oversight Committee to consist of eleven members, the majority of whom shall be residents of the City of San Diego, who shall serve without compensation. The members shall be appointed by the Mayor and confirmed by the City Council. Each of the four ratepayer classes (single family residential, multifamily residential, commercial and industrial, and temporary irrigation and construction) will have one representative on the Committee. The Committee shall also include two ex-officio members, one representing and appointed by the Metropolitan Wastewater Joint Powers Authority, and one representing and appointed by the ten-member City representatives to the San Diego County Water Authority. A majority of the members of the committee shall possess expertise in one or more of the following areas: accounting, auditing, engineering, biology or environmental science, finance or municipal finance, law, and construction management.
- (b) Members shall serve four year terms, and each member shall serve until a successor is duly appointed and confirmed. In accordance with City Charter section 43, members are limited to a maximum of eight consecutive years, and an interval of four years must pass before such persons can be reappointed.

Initial members shall be appointed such that the terms of not more than six members shall expire in any one year so as to allow the Committee to be staggered. For the initial appointments, five members shall be appointed to an initial term that will expire May 1, 2009, and six members shall be appointed to an initial term that will expire May 1, 2011. Initial appointments which are less than the full term of four years will be allowed to serve two full terms. The expiration date of all terms shall be May 1. Any vacancy shall be filled for the remainder of the unexpired term. Vacancy appointment recommendations will come from the original recommending body. Any vacancy replacements will be eligible to serve the remaining term of the vacant position and two full terms.

- (c) For the initial year, the Mayor will designate one member as Chair. Thereafter, the Committee shall on or after May 1, select a Chair from among its members. The Chair will serve a one year term with the option of reappointment for one additional one year term, with a one year interval between consecutive terms as Chair.
- (d) The Committee may adopt rules consistent with the law for the governing of its business and procedures.
- (e) A conflict of interest code shall be adopted for the Committee, subject to City Council approval. The members of the Committee shall be required to complete and file statements of economic interests in accordance with the conflict of interest code.

*(“Independent Rates Oversight Committee Established” added 4-18-2007 by O-19607 N.S.; effective 5-18-2007.)*

**§26.2003 Duties and Functions**

The Committee shall:

- (a) Meet at least every other month with additional meetings convened as necessary and as determined by the Committee Chair, and set an attendance policy for Committee members to help ensure a quorum of members are present for all meetings.
- (b) Review reports from staff and an independent audit organization on rate and bond proceed expenditures.
- (c) Review independent performance audits on Water and Wastewater systems.
- (d) Provide advice on the efficiency and performance of Water and Wastewater systems on a regular basis.

- (e) Provide advice on future cost allocation models.
- (f) Oversee departmental savings efforts and deposits to the “Dedicated Reserve from Efficiency and Savings (DRES)” fund to be established as another part of the safeguard plan.
- (g) Assist in the selection and retention of the independent firm to conduct the annual financial audit of the utility departments’ budget activity.
- (h) Assist in the selection and retention of the independent firm to conduct the annual performance audit to be set for each utility department.
- (i) Provide an annual public report on the above issues to the Mayor and City Council.
- (j) Provide advice and review of policy and proposals as sought by department leaders and other City staff related to budget and finance, environmental issues, technology innovations, public outreach and education efforts.
- (k) Perform such further duties as may hereafter be delegated to the Committee by resolution of the City Council.

Any duties or functions of the Independent Rates Oversight Committee that fall within the oversight responsibilities of the Audit Committee should be fully coordinated with and reported to the Audit Committee.

*(“Duties and Functions” added 4-18-2007 by O-19607 N.S.; effective 5-18-2007.)*



(O-2013-39)

ORDINANCE NUMBER O-\_\_\_\_\_ (NEW SERIES)

DATE OF FINAL PASSAGE \_\_\_\_\_

AN ORDINANCE AMENDING CHAPTER 2, ARTICLE 6,  
DIVISION 20 OF THE SAN DIEGO MUNICIPAL CODE  
BY AMENDING SECTIONS 26.2001, 26.2002, AND 26.2003,  
AND BY ADDING NEW SECTION 26.2004, ALL RELATING  
TO THE INDEPENDENT RATES OVERSIGHT COMMITTEE.

WHEREAS, on April 18, 2007, the Independent Rates Oversight Committee (IROC) was established pursuant to Ordinance No. O-19607 to oversee water and wastewater services provided by the City; and

WHEREAS, on June 27, 2012 and October 10, 2012, the Natural Resources and Culture Committee discussed the role and responsibilities of IROC and heard from various stakeholders; and

WHEREAS, on October 10, 2012, the Natural Resources and Culture Committee approved amending the Municipal Code to clarify the role and responsibilities of IROC consistent with this proposed ordinance; and

WHEREAS, the City Council desires to clarify the role and responsibilities of IROC;  
NOW, THEREFORE,

BE IT ORDAINED, by the Council of the City of San Diego, as follows:

Section 1. That Chapter 2, Article 6, Division 20, of the San Diego Municipal Code is amended by amending sections 26.2001, 26.2002, and 26.2003, and by adding new section 26.2004, to read as follows:

**Division 20: City of San Diego Independent Rates Oversight Committee**

**§26.2001 Purpose and Intent**

- (a) It is the purpose and intent of the City Council to establish the Independent Rates Oversight Committee (IROC) to serve as an official advisory body to the Mayor and City Council on issues relating to the oversight of the City of San Diego's water and wastewater services. IROC will assist the City in tracking and reviewing the use of rate proceeds to advance the capital improvements related to the rate packages and work programs adopted by the City Council. IROC will also oversee and advise on planning and operations including, but not limited to, resource management, cost effectiveness, planned expenditures, service delivery methods, public awareness and outreach efforts, and the City's efforts to provide high quality and affordable services. It is the vision of the City of San Diego that a high level of public confidence in the City of San Diego's utility services be maintained in the most cost effective and environmentally sensitive way. IROC is formed in support of this vision.
- (b) IROC will independently evaluate information and conduct its work in a manner which considers and balances the interests of both the public utilities department and the ratepayers. IROC will diversify its information sources to promote objectivity and independence, and will solicit information from other City departments and outside sources to supplement public utilities department information in conducting its work.

**§26.2002 Independent Rates Oversight Committee Established**

- (a) IROC shall consist of eleven members, the majority of whom shall be residents of the City of San Diego, who shall serve without compensation. The members shall be appointed by the Mayor and confirmed by the City Council. The four ratepayer classes of single family residential, multifamily residential, commercial and industrial, and temporary irrigation and construction will each have one representative on IROC. In addition to the eleven members, IROC shall also include two ex-officio members, one representing and appointed by the Metropolitan Wastewater Joint Powers Authority, and one representing and appointed by the ten-member City representatives to the San Diego County Water Authority. A majority of the members of IROC shall possess expertise in one or more of the following areas: accounting, auditing, engineering, biology or environmental science, finance or municipal finance, law, and construction management.
- (b) Members shall serve four year terms, and each member shall serve until a successor is duly appointed and confirmed. In accordance with City Charter section 43, members are limited to a maximum of eight consecutive years, and an interval of four years must pass before such persons can be reappointed. Initial members shall be appointed such that the terms of not more than six members shall expire in any one year so as to allow the terms to be staggered. Initial appointments which are less than the full term of four years will be allowed to serve two full terms. The

expiration date of all terms shall be May 1. Any vacancy shall be filled for the remainder of the unexpired term. Vacancy appointment recommendations will come from the original recommending body. Any vacancy replacements will be eligible to serve the remaining term of the vacant position and two full terms.

- (c) On or after May 1, IROC shall select a Chair from among its members. The Chair will serve a one year term with the option of reappointment for one additional one year term, with a one year interval between consecutive terms as Chair.
- (d) IROC may adopt rules consistent with the law for the governing of its business and procedures.
- (e) A conflict of interest code shall be adopted for IROC, subject to City Council approval. The members of IROC shall be required to complete and file statements of economic interests in accordance with the conflict of interest code.

**§26.2003 Duties and Functions**

- (a) IROC shall:
  - (1) Meet at least every other month with additional meetings convened as necessary and as determined by the Chair, and set an attendance policy for IROC members to help ensure a quorum of members is present for all meetings.
  - (2) Present an annual IROC work plan to the Natural Resources and Culture Committee by May 1 of each year for discussion and

comment, but not for approval. IROC may change its work plan to incorporate comments and feedback received from the Natural Resources and Culture Committee. The work plan shall describe the activities and tasks IROC anticipates performing in the coming year. The work plan shall include, as a priority, the following components:

- (A) A quarterly review of the current schedule versus the original schedule for each capital improvement project and project to date expenditures versus the budget for each project funded by the water and wastewater enterprise funds.
  - (B) Any duties delegated to IROC by resolution of the City Council.
- (3) Review factors, drivers, and cost structures of any proposed changes to City water or wastewater rates.
  - (4) In conjunction with any proposals by the City to increase water or wastewater rates, other than proposed increases attributable solely to increases in the wholesale cost of water, conduct a cumulative review of the project schedules and budgets set forth in Section 26.2003(a)(2)(A) for capital improvement projects initiated or completed since the last City water or wastewater rate increase was implemented.

- (5) Review cost allocation models that may be included in cost of service studies of the water and wastewater systems.
- (6) Oversee departmental savings efforts and deposits to, and withdrawals from, the “Dedicated Reserve from Efficiency and Savings (DRES)” fund.
- (7) Advise on the priority and scope of performance audits of the water and wastewater systems, and review any resulting performance audit reports.
- (8) Provide advice and review of policy and proposals as sought by department leaders and other City staff related, but not limited to budget and finance, environmental issues, technology innovations, system viability, water supply, and public outreach and education efforts.
- (9) Provide an annual public report to the Mayor and City Council discussing the activities, conclusions and recommendations of IROC and addressing the duties and functions of IROC set forth in this Section. The report shall include a discussion of all the components of the work plan, or an explanation as to why any components of the work plan are not included or incomplete. IROC shall present its annual reports at meetings of the Natural Resources and Culture Committee.

- (b) IROC may also provide correspondence, interim reports, and appear at meetings of the City Council and Council Committees, as IROC deems necessary in the performance of its duties and functions.

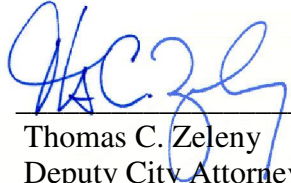
**§26.2004 Coordination with Audit Committee**

Any duties or functions of IROC that fall within the oversight responsibilities of the Audit Committee should be fully coordinated with and reported to the Audit Committee. IROC shall recommend at least one performance audit of the water or wastewater system each year for consideration by the City Auditor in time for inclusion in the City's audit plan.

Section 2. That a full reading of this ordinance is dispensed with prior to its passage, a written or printed copy having been made available to the City Council and the public prior to the day of its passage.

Section 3. That this ordinance shall take effect and be in force on the thirtieth day from and after its final passage.

APPROVED: JAN I. GOLDSMITH, City Attorney

By  \_\_\_\_\_  
Thomas C. Zeleny  
Deputy City Attorney

TCZ:mb  
10/25/12  
Or.Dept:NR&C  
Doc No:461824

I hereby certify that the foregoing Ordinance was passed by the Council of the City of San Diego,  
at its meeting of \_\_\_\_\_.

ELIZABETH S. MALAND, City Clerk

By \_\_\_\_\_  
Deputy City Clerk

Approved: \_\_\_\_\_  
(date)

\_\_\_\_\_  
JERRY SANDERS, Mayor

Vetoed: \_\_\_\_\_  
(date)

\_\_\_\_\_  
JERRY SANDERS, Mayor



### Independent Rates Oversight Committee (IROC)

Committee Member	Council District/Community	Category	Appointment Date	Term Expiration Date
<a href="#">Michael Ross</a>	District 6 Serra Mesa	Multi-Family Residential Ratepayer	9/28/2011	5/1/2013
<a href="#">Todd Webster</a>	District 3 Talmadge	Science Professional	6/2/2009 10/18/2007	5/1/2013 5/1/2009
<a href="#">Jack Kubota</a>	Carlsbad	Engineering Professional	6/2/2009 10/18/2007	5/1/2013 5/1/2009
<a href="#">Andrew Hollingworth</a>	District 2 Point Loma	Audit/Accounting Professional	6/2/2009	5/1/2013
<a href="#">Jeff Justus</a>	District 2 Pacific Beach	Temporary Irrigations & Construction Rep.	1/23/2012	5/1/2013
Christopher Dull	Escondido	Construction Management	5/16/2011 10/9/2008	5/1/2015 5/1/2011
Donald Billings	Solana Beach	Finance/Municipal Finance	5/16/2011 10/18/2007	5/1/2015 5/1/2011
<a href="#">Noam Glick</a>	District 3 North Park	Law Professional	*	5/1/2015
James Peugh	District 2 Point Loma	Environmental Rep.	5/16/2011 10/18/2007	5/1/2015 5/1/2011
Irene Stallard-Rodriguez	District 7 San Carlos	Single-Family Residential Ratepayer	5/16/2011 10/18/2007	5/1/2015 5/1/2011
Gail Welch	District 1 Carmel Valley	Commercial and Industrial Ratepayer	5/16/2011 10/18/2007	5/1/2015 5/1/2011

\* Date of Council Action 11/13/12- Appointment not confirmed without the Mayor's final approval, anticipated within 12 days of Council action date.

#### 11 Members, 4 Year Term

#### Appointed by Mayor, Confirmed by Council

San Diego Municipal Code 26.2001 – 26.2003

[Members are required to file Statement of Economic Interests](#)

Register Revised 11/14/2012

Last Update 1/23/2012 R-307224

## IROC Agenda Topics for Fiscal Year 2012

## ATTACHMENT D

**JULY, 2011****Full IROC**

- Office of City Auditor Presentation - Report on the Citywide Capital Improvement Program: Better Planning and Oversight are Needed to Effectively Identify Capital Infrastructure Needs and Manage Projects
- Customer Care Solutions (CCS) Go Live Update
- Presentation on the impact of the City's Announcement that the January 2012 Metropolitan Water District Water Cost Increases will not be Passed on to City of San Diego Ratepayers
- Proposed changes to San Diego Municipal Code 67.38 "Emergency Water Regulations"
- Public Utilities Department – Third Quarter Capital Improvement Program Report
- Public Utilities Department Capital Improvement Program (CIP) Funding Strategy
- FY10 IROC Annual Report Adoption
- Accepting Nominations for IROC Chair and IROC Vice-Chair positions
- Accepting Nominations for Finance Subcommittee

**Finance Subcommittee**

- Current Year Budget Monitoring for Public Utilities – Month 10 data and year-end projections.
- Public Utilities Department – Third Quarter Capital Improvement Program Report
- CIP reporting, program controls, and scope definition for "annual allocation" projects
- Subcommittee: Adoption of the Finance Portion of the IROC 2010 Annual Report.

**Public Outreach, Education, and Customer Service Subcommittee**

- Public Utilities Human Resources Presentation Overview:
  - Human Resources Management
  - Strategic Support Services
  - Training
  - Safety Program

**Environmental & Technical Subcommittee**

- Semi-Annual Update on Water Main Breaks and Sanitary Sewer Overflows
- Public Utilities' Condition Assessment Program
- Presentation of Public Utilities' Environmental Mitigation Program and a Typical Mitigation Project
- Impact of Metropolitan Water District Cancellation of Funding for Local Water Supply Projects in Retaliation for Lawsuit Challenging its Rates

**AUGUST, 2011****Full IROC**

- Water Conservation Film Contest Finalists – Showcase
- FY10 IROC Annual Report Adoption
- Future Permitting Strategies – Planning for Next 5 Years
- Infrastructure Disaster Preparedness
- Proposed Amendments to IROC By-Laws
- Accepting nominations for the Environmental & Technical, and Public Outreach, Education & Customer Service subcommittees

**Finance Subcommittee**

- Finalize Finance Portion of the 2010 IROC Annual Report

**Public Outreach, Education, and Customer Service Subcommittee**

- Cancelled

**Environmental & Technical Subcommittee**

- Cancelled

**SEPTEMBER, 2011****Full IROC**

- Update on the Impact of the September 8, 2011 Power Outage on San Diego's Water and Wastewater Operations.
- Colorado River Water Supply Outlook
- Managed Competition Program Update
- Public Utilities Grants & State Revolving Fund (SRF) Loans Program
- Public Utilities Department – FY2011 Capital Improvements Program Report
- Adoption of the IROC Annual Report
- Accepting Nominations for Finance Subcommittee

**Finance Subcommittee**

- Current Year Budget Monitoring for Public Utilities – Month data and Year-end projections.
- Public Utilities Department – Third Quarter Capital Improvement Program Report.

**Public Outreach, Education, and Customer Service Subcommittee**

- Cancelled

**Environmental & Technical Subcommittee**

- Discussion: Relining Water Pipes, Improved Technology
- Discussion: Asbestos Cement Pipeline Issue

**OCTOBER, 2011****Full IROC**

- Office of City Auditor Performance Audit: Public Utilities Capital Improvements Program
- Update on the Impact of the September 8, 2011 Power Outage on the Water and Sewer Utilities
- Current Year Monitoring Report – First Quarter of FY2012
- North City Cogeneration Facility Expansion Project at North City Water Reclamation Plant
- Discussion: Development of the FY2011 IROC Annual Report.
- Accepting nominations for the Public Outreach , Education, and Customer Service Subcommittee

**Finance Subcommittee**

- FY2010 Comprehensive Annual Financial Report (CAFR)
- Fiscal Year 2011 Projected Financial Summaries for Public Utilities
- Current Year Monitoring Report – First Quarter of FY2012

**Public Outreach, Education, and Customer Service Subcommittee**

- Advanced Water Purification Metrics Update
- FY Annual Report development planning discussion

**Environmental & Technical Subcommittee**

- Cancelled

**NOVEMBER, 2011****Full IROC**

- Public Utilities Award from the Water Environment Research Foundation for 20 years of Advancing Science
- Discussion: Selection of future City Auditor conducted “IROC Sponsored” Public Utilities Audit
- City of San Diego Reserve Policy
- CIP Project Prioritization Tool (Council Policy 800-14). This presentation addresses Recommendation #5 from the OCA’s IROC Sponsored audit of the Public Utilities CIP Program issued in September 2011.
- Water Main Replacement Program: Planning Rationale
- Public Utilities Business Case Evaluation Process: CIP Project Justification Standards. This presentation addresses Recommendation #4 from the OCA’s IROC sponsored audit of the Public Utilities CIP Program issued in Sept. 2011.
- Public Utilities’ SAP Enterprise Asset Management Implementation
- FY2011 IROC Annual Report Development

**Finance Subcommittee**

- Causes of the Jefferson County, Alabama, municipal bankruptcy and San Diego Water/Sewer program risk assessment
- Discussion of the preparation of the FY2011 IROC Annual Report (Finance Subcommittee Portion)

**Public Outreach, Education, and Customer Service Subcommittee**

- Construction Water Use in San Carlos Community – Sunrise Powerlink
- Update on the utility billing system conversion (Customer Care Solutions)
- Water Conservation Update
- Discussion: FY11 Annual Report

**Environmental & Technical Subcommittee**

- Cancelled

**DECEMBER, 2011****Full IROC**

- Public Utilities Department Response to the FY10 IROC Annual Report
- Public Utilities Business Case Evaluation Process: CIP Project Justification Standards
- Public Utilities' SAP Enterprise Asset Management Implementation
- Presentation: Understanding the City of San Diego Consolidated Annual Financial Report (CAFR)
- California Regional Water Quality Review Board (San Diego Region): Review of Self Monitoring Reports
- Capital Improvement Program – First Quarter Report
- FY2011 IROC Annual Report Development Discussion

**Finance Subcommittee**

- Cancelled

**Public Outreach, Education, and Customer Service Subcommittee**

- Cancelled

**Environmental & Technical Subcommittee**

- Cancelled

**JANUARY, 2012****Full IROC**

- Presentation from Public Works, Engineering & Capital Improvements Program on CIP streamlining
- FY2011 IROC Annual Report Adoption
- Water Reliability Program: Consultant Agreement for Comprehensive Groundwater Services with CH2M Hill
- Public Utilities Department/Wastewater Treatment & Disposal – Backup Generation Project
- Advanced Metering Infrastructure Project
- Public Utilities' SAP Enterprise Asset Management Implementation (This item was continued from the December 19, 2011 IROC meeting)

**Finance Subcommittee**

- Approval of the Finance portion of the FY11 IROC Annual Report

**Outreach and Communications Subcommittee**

- Water Conservation
- Public Utilities Department External Affairs Program
- Discussion: FY2011 IROC Annual Report Development

**Infrastructure and Operations Subcommittee**

- Automated Metering Infrastructure Project
- FY1011 IROC Annual Report development

**FEBRUARY, 2012****Full IROC**

- Update on the Water Purification Demonstration Project
- Implementation of Advance Metering Infrastructure System (Trailed from January IROC meeting due to lack of a voting quorum)
- Update on the Public Utilities Customer Service Call Center
- Status of the Cost of Service Study Consultant Procurement
- Public Utilities presentation of Water and Sewer FY2008-FY2011 Rate Case Expenditures
- State Revolving Fund – Low Interest Loans for the Metropolitan Biosolids Center (MBC) Dewatering Centrifuges Replacement Project
- FY2011 IROC Annual Report Adoption
- Invitation to IROC Members to participate in the upcoming Public Utilities Department Strategic Planning Sessions
- Presentation: Second Quarter FY2012 Capital Improvement Program Report

**Finance Subcommittee**

- Cancelled

**Outreach and Communications Subcommittee**

- Cancelled

**Infrastructure and Operations Subcommittee**

- Implementation of Advanced Metering Infrastructure (AMI) System
- Follow up on the Findings and Recommendations of the Office of City Auditor's Capital Improvement Program (CIP) Audit

**MARCH, 2012****Full IROC**

- Fond Farewell to Angie Caires whose last meeting as an IROC Member is March 2012
- San Diego County Taxpayers Association proposal to revise IROC's duties and responsibilities in the San Diego Municipal Code
- Metropolitan Water District Water Rates
- Public Utilities Presentation on Water and Sewer FY2008-FY2011 Rate Case Expenditures – Update
- Water System Bond Refinancing (2012A Refinancing Bonds)
- Transfer of \$500,000 from the DRES for the Water Department Security Upgrades Design-Build Contract
- California Department of Public Health Safe Drinking Water State Revolving Fund Loan Applications for the Harbor Drive Pipeline Replacement and Lindberg Field Cast Iron Main Replacement Projects
- Update on proposed IROC Planning Meeting
- FY2012 IROC Annual Report Planning

**Finance Subcommittee**

- Metropolitan Water District Water Rates
- Status of Independent Accountant Financial Review and Analysis – Water and Wastewater Funds
- How does the Department determine which additional non-rate case projects get added into the program, and what procedures are in place to notify the City council of the impact these projects have on the overall CIP program?
- Draft Cash-Flow Forecast Model

**Outreach and Communications Subcommittee**

- External Affairs Update
- Advanced Water Purification Demonstration Project Outreach Metrics
- Discussion: IROC Planning Meeting for FY12

**Infrastructure and Operations Subcommittee**

- Cancelled

**APRIL, 2012****Full IROC**

- Bay Delta Solution
- Support of the existing IROC ordinance versus the San Diego County Taxpayer's Association's proposed IROC Ordinance, or other alternatives
- Renewal of 5-year contract with IBWC for Ocean Monitoring Programs
- Renewal of the JPA Agreement for the Southern California Coastal Water Research Partnership (SCCWRP)
- Update on the Cost Estimate of Backup Generators
- Response to the FY2011 IROC Annual Report
- Update on Public Utilities Efficiency Studies

**Finance Subcommittee**

- Cancelled

**Outreach and Communications Subcommittee**

- Cancelled

**Infrastructure and Operations Subcommittee**

- Cancelled

**MAY, 2012****Full IROC**

- Recycled Water Master Plan 2010 Update
- Recycled Water Study Final Report
- FY2013 Public Utilities Proposed Budget
- Cost of Service Study Project Plans
- FY2012 Third Quarter Capital Improvement Program Report
- Report from IROC ad hoc committee on reviewing Municipal Code Section 26.2001 on the Role of IROC
- Selection of IROC Chairperson
- Selection of IROC Vice Chairperson
- Water Forecasting Cash-flow Reporting Template

**Finance Subcommittee**

- FY2012 Third Quarter Public Utilities Finance Report
- Presentation: How additional project scope is added in the CIP program and what safeguards are in place to ensure the additions are necessary, and the fiscal implications for debt service costs
- Review of proposed cash flow forecast template
- FY2012 Third Quarter Capital Improvement Program Report



**Outreach and Communications Subcommittee**

- Cancelled

**Infrastructure and Operations Subcommittee**

- Cancelled

**JUNE, 2012**

**Full IROC**

- Comments from the Offices of Mayor and City Council
- Cost of Service Study Project Plan
- Discussion about IROC Subcommittee Structure. Should IROC change the focus of the current three subcommittees?
- Water Forecasting Cash-flow Reporting Template

**Finance Subcommittee**

- Update on the proposed San Diego County Water Authority water rate increase.
- Update on the status of the now concluded FY10 and FY11 Bid to Goal Programs.
- Discussion of the Los Angeles County Economic Development Corporation study regarding the IID Water Transfer and SDCWA Water Rates Final Report.

**Outreach and Communications Subcommittee**

- Cancelled

**Infrastructure and Operations Subcommittee**

- Cancelled

# Attachment E

Finance Subcommittee  
Appendices 1-7

**Appendix #1**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**WATER UTILITY FUND**  
**Fiscal Years 2006 through 2011 (000s) (Audited)**

Line #	Income/Expense	2006	2007	2008	2009	2010	2011	Total Chg 2006-11	Ann. Chg 2006-11	% Ann. Chg From 2006
1	<b>Operating Revenues</b>									
2	Sales of Water	258,900	289,127	297,225	324,772	354,543	358,747	99,847	19,969	7.7%
3	Charges for Services	1,031	1,147	33	-	14,655	3,789	2,758	552	53.5%
4	Revenues from Property Use	4,833	6,162	6,115	5,418	4,431	5,540	707	141	2.9%
5	Usage Fees	1,943	1,594	1,235	1,272	503	33	(1,910)	(382)	-19.7%
6	Other	13,860	12,262	14,018	11,257	2,329	3,406	(10,454)	(2,091)	-15.1%
7	<b>Subtotal</b>	<b>280,567</b>	<b>310,292</b>	<b>318,626</b>	<b>342,719</b>	<b>376,461</b>	<b>371,515</b>	<b>90,948</b>	<b>18,190</b>	<b>6.5%</b>
8										
9	<b>Operating Expenses</b>									
10	Maint & Oper.	94,433	97,821	100,360	95,979	70,568	72,027	(22,406)	(4,481)	-4.7%
11	Purchased Water Cost	110,263	124,880	121,186	133,499	148,232	143,155	32,892	6,578	6.0%
12	Taxes	570	163	162	162	1,805	1,755	1,185	237	41.6%
13	Administration	35,370	30,964	36,722	33,258	65,169	65,926	30,556	6,111	17.3%
14	Depreciation	29,230	27,644	29,870	39,627	38,525	43,054	13,824	2,765	9.5%
15	<b>Subtotal</b>	<b>269,866</b>	<b>281,472</b>	<b>288,300</b>	<b>302,525</b>	<b>324,299</b>	<b>325,917</b>	<b>56,051</b>	<b>11,210</b>	<b>4.2%</b>
16	<b>Operating Inc/(Loss)</b>	<b>10,701</b>	<b>28,820</b>	<b>30,326</b>	<b>40,194</b>	<b>52,162</b>	<b>45,598</b>	<b>34,897</b>	<b>6,979</b>	<b>65.2%</b>
17										
18	<b>Nonoper. Rev - (Exp)</b>									
19	Invest. Earnings	6,966	11,461	15,536	12,478	8,914	4,468	(2,498)	-	0.0%
20	Federal Grants	424	283	1,427	192	1,351	203	(221)	(44)	-10.4%
21	Other Agency Grants	359	284	272	1,070	(135)	7,028	6,669	1,334	371.5%
22	Gain (Loss) Sale-Ret Assets	(9,819)	(5,076)	(3,494)	(2,436)	(2,582)	(1,164)	8,655	1,731	-17.6%
23	Debt Service Interest	(23,935)	(26,370)	(29,919)	(28,081)	(38,240)	(34,490)	(10,555)	(2,111)	8.8%
24	Other	(67)	175	980	751	3,809	3,552	3,619	724	-1080.3%
25	<b>Subtotal</b>	<b>(26,072)</b>	<b>(19,243)</b>	<b>(15,198)</b>	<b>(16,026)</b>	<b>(26,883)</b>	<b>(20,403)</b>	<b>5,669</b>	<b>1,134</b>	<b>-4.3%</b>
26										
27	Inc - (Loss) Before Contrib.									
28	<b>&amp; Transfers</b>	<b>(15,371)</b>	<b>9,577</b>	<b>15,128</b>	<b>24,168</b>	<b>25,279</b>	<b>25,195</b>	<b>40,566</b>	<b>8,113</b>	<b>-52.8%</b>
29										
30	Capital Contribution	44,262	80,859	31,526	30,277	23,932	18,011	(26,251)	(5,250)	-11.9%
31	Trans. From Other Funds	220	352	578	439	245	113	(107)	(21)	-9.7%
32	Trans. From Govt. Funds	-	84	3,867	3,443	337	142	142	28	NA
33	Trans to Other Funds	(158)	(234)	(93)	(99)	(2)	-	158	32	-20.0%
34	Trans. To Govt Funds	(1,481)	(1,713)	(834)	(530)	(612)	(222)	1,259	252	-17.0%
35	<b>Subtotal</b>	<b>42,843</b>	<b>79,348</b>	<b>35,044</b>	<b>33,530</b>	<b>23,900</b>	<b>18,044</b>	<b>(24,799)</b>	<b>(4,960)</b>	<b>-11.6%</b>
36	<b>Chg in Net Assets</b>	<b>27,472</b>	<b>88,925</b>	<b>50,172</b>	<b>57,698</b>	<b>49,179</b>	<b>43,239</b>	<b>15,767</b>	<b>3,153</b>	<b>11.5%</b>
37										
38	<b>Net Assets Beg of Year</b>	<b>1,198,951</b>	<b>1,226,423</b>	<b>1,315,348</b>	<b>1,365,520</b>	<b>1,423,218</b>	<b>1,472,397</b>	<b>273,446</b>	<b>54,689</b>	<b>4.6%</b>
39	<b>Net Assets End of Year</b>	<b>1,226,423</b>	<b>1,315,348</b>	<b>1,365,520</b>	<b>1,423,218</b>	<b>1,472,397</b>	<b>1,515,636</b>	<b>289,213</b>	<b>54,689</b>	<b>4.5%</b>
40										
41	<b>Financial Ratios</b>									
42	<b>Total Assets</b>	<b>1,890,854</b>	<b>2,022,665</b>	<b>2,217,822</b>	<b>2,432,782</b>	<b>2,477,068</b>	<b>2,503,095</b>	<b>2,257,381</b>		
43	<b>Oper. Exp. to Oper Rev.</b>	<b>96.2%</b>	<b>90.7%</b>	<b>90.5%</b>	<b>88.3%</b>	<b>86.1%</b>	<b>87.7%</b>	<b>89.9%</b>		
44	<b>Oper. Exp to Total Assets</b>	<b>14.3%</b>	<b>13.9%</b>	<b>13.0%</b>	<b>12.4%</b>	<b>13.1%</b>	<b>13.0%</b>	<b>13.3%</b>		
45	<b>Surplus/(Deficit) to Oper Rev</b>	<b>-5.5%</b>	<b>3.1%</b>	<b>4.7%</b>	<b>7.1%</b>	<b>6.7%</b>	<b>6.8%</b>	<b>3.8%</b>		

Source: San Diego City Comprehensive Annual Financial Report FY 2006 -2011

**Appendix #2**  
**STATEMENT OF NET ASSETS**  
**WATER UTILITY FUND**  
**Fiscal Years 2006 through 2011(000s) (Audited)**

Line #	Asset/Liability	2006	2007	2008	2009	2010	2011	Total \$ Chg 2006-11	\$ Yrly Chg	% Yrly Chg From 2006
1	<b>ASSETS</b>									
2	Current Assets:									
3	Cash & Invest.	154,889	196,510	212,932	225,556	221,585	214,550	59,661	11,932	7.7%
4	Receivables									
5	Accounts - Net of Allow.	36,385	42,697	43,854	43,573	62,048	66,133	29,748	5,950	16.4%
6	Claims - Net					284	222	222	44	NA
7	Contributions									
8	Accrued Interest		2,291	2,040	604	761	868	868	174	NA
9	Grants	1,723	1,202	1,572	1,822	1,162	2,596	873	175	10.1%
10	From Other Funds	1,655			-			(1,655)	(331)	-20.0%
11	Invent. Of Water in Storage	26,546	27,556	36,593	36,947	38,303	50,186	23,640	4,728	17.8%
12	Inventories	428	414	463	620	700	540	112	22	5.2%
13	Prepaid Expenses	690	737	446	456	467		(690)	22	3.2%
14	<b>Total Current Assets</b>	<b>222,316</b>	<b>271,407</b>	<b>297,900</b>	<b>309,578</b>	<b>325,310</b>	<b>335,095</b>	<b>112,779</b>	<b>22,556</b>	<b>10.1%</b>
15										
16	Non-Current Assets									
17	Restrict. Cash & Invest.	53,240	77,587	196,304	263,883	189,149	161,687	108,447	21,689	40.7%
18	Advances to Other Funds	644						(644)	(129)	-20.0%
19	Deferred Charges	4,792	4,704	4,515	6,988	6,840	6,636	1,844	369	7.7%
20	Interfund Int Rec.	773		-				(773)	(155)	-20.0%
21	Interfund Loan Rec.	2,386						(2,386)	(477)	-20.0%
22	Capital Assets - Non-Deprec.	285,466	216,124	134,738	240,760	226,299	119,956	(165,510)	(33,102)	-11.6%
23	Capital Assets - Deprec.	1,321,237	1,452,843	1,584,365	1,611,573	1,729,470	1,879,721	558,484	(33,102)	-2.5%
24	<b>Total Non-Current Assets</b>	<b>1,668,538</b>	<b>1,751,258</b>	<b>1,919,922</b>	<b>2,123,204</b>	<b>2,151,758</b>	<b>2,168,000</b>	<b>499,462</b>	<b>99,892</b>	<b>6.0%</b>
25	<b>Total Assets</b>	<b>1,890,854</b>	<b>2,022,665</b>	<b>2,217,822</b>	<b>2,432,782</b>	<b>2,477,068</b>	<b>2,503,095</b>	<b>612,241</b>	<b>122,448</b>	<b>6.5%</b>
26										
27	<b>LIABILITIES</b>									
28	Current Liabilities:									
29	Accounts Payable	32,392	30,125	37,556	32,367	43,710	26,350	(6,042)	(1,208)	-3.7%
30	Accrued Wage & Benefits	1,923	1,925	1,817	2,145	6,253	9,645	7,722	1,544	80.3%
31	Interest Accrued on LTD	11,133	11,772	13,236	11,598	15,165	17,617	6,484	1,297	11.6%
32	LTD Due Within One Year	17,577	18,776	76,962	19,705	26,181	27,298	9,721	1,944	11.1%
33	Due to Other Funds			1,242	558	99		-	1,944	NA
34	Due to Other Agencies	3,937	4,502	2,571	1,046	1,522	1,520	(2,417)	(483)	-12.3%
35	Unearned Revenue	3,289	1,004	1,143	817	665	539	(2,750)	(550)	-16.7%
36	Contract Deposits	5,151	5,569	4,519	4,756	4,670	4,365	(786)	(157)	-3.1%
37	Curr. Liab Pay. - Rest. Assets:							-	-	NA
38	Customer Dep. Payable	3,849	4,265	4,331	4,566	4,930	5,384	1,535	307	8.0%
39	<b>Total Current Liabilities</b>	<b>79,251</b>	<b>77,938</b>	<b>143,377</b>	<b>77,558</b>	<b>103,195</b>	<b>92,718</b>	<b>13,467</b>	<b>2,693</b>	<b>3.4%</b>
40										
41	Arbitrage Liability	176	193	429	-	-	25	(151)	(30)	-17.2%
42	Compensated Absenses	2,359	2,202	2,027	2,036	2,394	2,426	67	13	0.6%
43	Liability Claims	3,642	5,340	5,534	1,576	3,107	3,088	(554)	13	0.4%
44	Loans Payable	20,257	19,385	18,490	17,573	16,634	27,432	7,175	1,435	NA
45	Notes Payable		57,000	150,000				-	-	NA
46	Net Revenue Bonds Payable	548,964	535,470	521,510	895,146	861,684	838,837	289,873	57,975	10.6%
47	Pollution Remediation Oblig.				620			-	-	NA
48	Obligation			2,659	6,578			-	-	NA
49	Net Other Post Emp Bene Oblig.					11,215	16,423	16,423	3,285	NA
50	Net Pension Payable	9,782	9,789	8,276	8,477	6,442	6,510	(3,272)	(654)	-6.7%
51	<b>Total Non-Current Liabilities</b>	<b>585,180</b>	<b>629,379</b>	<b>708,925</b>	<b>932,006</b>	<b>901,476</b>	<b>894,741</b>	<b>309,561</b>	<b>61,912</b>	<b>10.6%</b>
52	<b>Total Liabilities</b>	<b>664,431</b>	<b>707,317</b>	<b>852,302</b>	<b>1,009,564</b>	<b>1,004,671</b>	<b>987,459</b>	<b>323,028</b>	<b>64,606</b>	<b>9.7%</b>
53										
54	<b>Net Assets:</b>									
55	Invest in Capital Assets, Net of									
56	Related Debt	1,075,851	1,175,384	1,151,511	1,186,697	1,235,835	1,264,939	189,088	37,818	3.5%
57	Restricted for Debt Service	2,395	2,260	2,164	3,622	3,297	4,731	2,336	467	19.5%
58	Unrestricted	148,177	137,704	211,845	232,899	233,265	245,966	97,789	19,558	13.2%
59	<b>Total Net Assets</b>	<b>1,226,423</b>	<b>1,315,348</b>	<b>1,365,520</b>	<b>1,423,218</b>	<b>1,472,397</b>	<b>1,515,636</b>	<b>289,213</b>	<b>57,843</b>	<b>4.7%</b>
60	<b>Total Liab &amp; Net Assets</b>	<b>1,890,854</b>	<b>2,022,665</b>	<b>2,217,822</b>	<b>2,432,782</b>	<b>2,477,068</b>	<b>2,503,095</b>	<b>612,241</b>	<b>122,448</b>	<b>6.5%</b>
61										
62	<b>Financial Ratios:</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>			
63	Unrest. Net Assets/ Total Assets	7.8%	6.8%	9.6%	9.6%	9.4%	9.8%			
64	Total Net Assets / Total Assets	64.9%	65.0%	61.6%	58.5%	59.4%	60.6%			
65	Unrest. Cash & Inv./ Total Assets	8.2%	9.7%	9.6%	9.3%	8.9%	8.6%			
66	Total Cash & Inv./ Total Assets	11.0%	13.6%	18.5%	20.1%	16.6%	15.0%			

Source: San Diego City Comprehensive Annual Financial Report FY 2006 - 2011

**Appendix #3**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**SEWER UTILITY FUND**  
**Fiscal Years 2006 through 2011 (000s) (Audited)**

Line #	Income/Expense	2006	2007	2008	2009	2010	2011	\$ Chg 2006-11	\$ Yrly Chg	% Yrly Chg From 2006
1	<b>Operating Revenues</b>									
2	Sales of Water							-	-	
3	Charges for Services	286,416	299,736	325,048	318,474	378,640	354,083	67,667	13,533	4.7%
4	Revenues from Property Use					184	181	181	36	NA
5	Usage Fees									
6	Other	4,152	5,013	3,071	4,097	3,301	3,467	(685)	-	0.0%
7	<b>Subtotal</b>	<b>290,568</b>	<b>304,749</b>	<b>328,119</b>	<b>322,571</b>	<b>382,125</b>	<b>357,731</b>	<b>67,163</b>	<b>13,433</b>	<b>4.6%</b>
8										
9	<b>Operating Expenses</b>									
10	Maint & Oper.	109,257	111,086	110,492	119,470	136,820	134,696	25,439	5,088	4.7%
11	Purchased Water Cost									
12	Taxes									
13	Administration	90,749	79,164	91,158	71,300	80,879	63,875	(26,874)	(5,375)	-5.9%
14	Depreciation	64,922	69,696	71,138	76,554	66,523	63,488	(1,434)	(287)	-0.4%
15	<b>Subtotal</b>	<b>264,928</b>	<b>259,946</b>	<b>272,788</b>	<b>267,324</b>	<b>284,222</b>	<b>262,059</b>	<b>(2,869)</b>	<b>(574)</b>	<b>-0.2%</b>
16	<b>Operating Inc/(Loss)</b>	<b>25,640</b>	<b>44,803</b>	<b>55,331</b>	<b>55,247</b>	<b>97,903</b>	<b>95,672</b>	<b>70,032</b>	<b>14,006</b>	<b>54.6%</b>
17										
18	<b>Nonoper. Rev - (Exp)</b>									
19	Invest. Earnings	6,578	12,505	17,757	13,454	10,612	7,454	876	175	2.7%
20	Federal Grants	325	65	134	-	175	380	55	11	3.4%
21	Other Agency Grants	136			167	165	-	(136)	(27)	NA
22	Gain (Loss) Sale-Ret Assets	(443)	(9,004)	(2,057)	(3,525)	(558)	(1,961)	(1,518)	(304)	68.5%
23	Debt Service Interest	(54,132)	(44,735)	(48,571)	(46,151)	(53,348)	(51,112)	3,020	604	-1.1%
24	Other	4,313	3,093	4,524	5,244	7,750	6,404	2,091	418	9.7%
25	<b>Subtotal</b>	<b>(43,223)</b>	<b>(38,076)</b>	<b>(28,213)</b>	<b>(30,811)</b>	<b>(35,204)</b>	<b>(38,835)</b>	<b>4,388</b>	<b>878</b>	<b>-2.0%</b>
26										
27	<b>Inc - (Loss) Before Contrib.</b>									
28	<b>&amp; Transfers</b>	<b>(17,583)</b>	<b>6,727</b>	<b>27,118</b>	<b>24,436</b>	<b>62,699</b>	<b>56,837</b>	<b>74,420</b>	<b>14,884</b>	<b>-84.6%</b>
29										
30	Capital Contribution	31,976	59,785	25,359	28,780	21,346	12,345	(19,631)	(3,926)	-12.3%
31	Trans. From Other Funds	481	7,738	714	616	316	147	(334)	(67)	-13.9%
32	Trans. From Govt. Funds		80	9	1,238	-	-	-	-	NA
33	Trans to Other Funds	(147)	(220)	(1,214)	(59)	(119)	(10)	137	27	-18.6%
34	Trans. To Govt Funds	(1,958)	(2,162)	(5,585)	(3,550)	(883)	(192)	1,766	353	-18.0%
35	<b>Subtotal</b>	<b>30,352</b>	<b>65,221</b>	<b>19,283</b>	<b>27,025</b>	<b>20,660</b>	<b>12,290</b>	<b>(18,062)</b>	<b>(3,612)</b>	<b>-11.9%</b>
36	<b>Chg in Net Assets</b>	<b>12,769</b>	<b>71,948</b>	<b>46,401</b>	<b>51,461</b>	<b>83,359</b>	<b>69,127</b>	<b>56,358</b>	<b>11,271.60</b>	<b>88.3%</b>
37										
38	<b>Net Assets Beg of Year</b>	<b>1,808,861</b>	<b>1,821,630</b>	<b>1,893,578</b>	<b>1,939,979</b>	<b>1,991,440</b>	<b>2,074,799</b>	<b>265,938</b>	<b>53,188</b>	<b>2.9%</b>
39	<b>Net Assets End of Year</b>	<b>1,821,630</b>	<b>1,893,578</b>	<b>1,939,979</b>	<b>1,991,440</b>	<b>2,074,799</b>	<b>2,143,926</b>	<b>322,296</b>	<b>64,459</b>	<b>3.5%</b>
40										
41	<b>Financial Ratios:</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Average</b>		
42	<b>Total Assets</b>	3,082,660	3,207,474	3,216,578	3,453,324	3,474,070	3,495,439	3,321,591		
43	<b>Oper. Exp. to Oper Rev.</b>	91.2%	85.3%	83.1%	82.9%	74.4%	73.3%	81.7%		
44	<b>Oper. Exp to Total Assets</b>	8.6%	8.1%	8.5%	7.7%	8.2%	7.5%	8.1%		
45	<b>Surplus/(Deficit) to Oper Rev</b>	-6.1%	2.2%	8.3%	7.6%	16.4%	15.9%	7.4%		

Source: San Diego City Comprehensive Annual Financial Report FY 2006 - 2011

**Appendix #4**  
**STATEMENT OF NET ASSETS**  
**SEWER UTILITY FUND**  
**Fiscal Years 2006 through 2011 (000s) (Audited)**

Line #	Asset/Liability	2006	2007	2008	2009	2010	2011	Total \$ Chg 2006-11	\$ Yrly Chg	% Yrly Chg From 2006
1	<b>ASSETS</b>									
2	Current Assets:									
3	Cash & Invest.	177,495	205,229	291,240	345,933	380,774	419,209	241,714	48,343	27.2%
4	Receivables									
5	Accounts - Net of Allow.	30,040	35,746	37,627	35,172	48,763	43,571	13,531	2,706	9.0%
6	Claims - Net					305	212	212	42	NA
7	Contributions									
8	Accrued Interest	2,034	2,733	1,637	1,420	964	1,164	(870)	(174)	-8.6%
9	Grants		26			137	181	181	36	#DIV/0!
10	From Other Funds					-	-	-	-	NA
11	Invent. Of Water in Storage					-	-	-	-	NA
12	Inventories					-	-	-	-	NA
13	Prepaid Expenses	3	1	8	3	-	-	(3)	(1)	NA
14	<b>Total Current Assets</b>	<b>209,572</b>	<b>243,735</b>	<b>330,512</b>	<b>382,528</b>	<b>430,943</b>	<b>464,337</b>	<b>254,765</b>	<b>50,953</b>	<b>24.3%</b>
15										
16	Non-Current Assets									
17	Restrict. Cash & Invest.	21,079	101,168	46,839	231,212	166,647	114,499	93,420	18,684	88.6%
18	Advances to Other Funds	341						(341)	(68)	-20.0%
19	Deferred Charges	6,788	6,436	5,953	7,114	6,631	6,275	(513)	(103)	-1.5%
20	Interfund Int Rec.							-	-	NA
21	Interfund Loan Rec.	3,487	3,487	3,487	3,487	3,487	3,487	-	-	0.0%
22	Capital Assets - Non-Deprec.	181,206	140,261	107,309	118,881	138,386	168,524	(12,682)	(2,536)	-1.4%
23	Capital Assets - Deprec.	2,660,187	2,712,387	2,722,478	2,710,102	2,727,976	2,738,317	78,130	15,626	0.6%
24	<b>Total Non-Current Assets</b>	<b>2,873,088</b>	<b>2,963,739</b>	<b>2,886,066</b>	<b>3,070,796</b>	<b>3,043,127</b>	<b>3,031,102</b>	<b>158,014</b>	<b>31,603</b>	<b>1.1%</b>
25	<b>Total Assets</b>	<b>3,082,660</b>	<b>3,207,474</b>	<b>3,216,578</b>	<b>3,453,324</b>	<b>3,474,070</b>	<b>3,495,439</b>	<b>412,779</b>	<b>82,556</b>	<b>2.7%</b>
26										
27	<b>LIABILITIES</b>									
28	Current Liabilities:									
29	Accounts Payable	11,828	10,800	7,650	11,995	17,999	22,135	10,307	2,061	17.4%
30	Accrued Wage & Benefits	4,225	4,101	9,734	7,682	12,908	13,238	9,013	1,803	42.7%
31	Interest Accrued on LTD	6,716	8,010	7,679	6,162	7,867	7,728	1,012	1,803	26.8%
32	LTD Due Within One Year	52,056	39,061	264,772	54,663	54,807	56,594	4,538	908	1.7%
33	Due to Other Funds			1,206	510	24		-	-	NA
34	Due to Other Agencies	8,263	5,511	2,897	10,262	698	698	(7,565)	(1,513)	-18.3%
35	Unearned Revenue							-	-	NA
36	Contract Deposits	4,009	3,828	3,314	3,503	3,633	3,722	(287)	(57)	-1.4%
37	Curr. Liab Pay. - Rest. Assets:							-	-	NA
38	Customer Dep. Payable							-	-	NA
39	<b>Total Current Liabilities</b>	<b>87,097</b>	<b>71,311</b>	<b>297,252</b>	<b>94,777</b>	<b>97,936</b>	<b>104,115</b>	<b>17,018</b>	<b>3,404</b>	<b>3.9%</b>
40										
41	Deposits/Advances from Others			250	250	530	497	497	-	NA
42	Arbitrage Liability	17	31	157				(17)	(3)	-20.0%
43	Compensated Absences	2,973	2,673	2,422	2,323	2,954	2,805	(168)	(34)	-1.1%
44	Liability Claims	43,213	43,917	38,792	27,776	16,337	8,662	(34,551)	(6,910)	-16.0%
45	Loans Payable	66,313	76,490	71,838	67,100	62,274	57,260	(9,053)	(1,811)	-2.7%
46	Notes Payable		223,830					-	-	NA
47	Net Revenue Bonds Payable	1,049,137	883,356	852,291	1,251,957	1,198,845	1,152,334	103,197	20,639	2.0%
48	Pollution Remediation Oblig.							-	-	NA
49	Obligation							-	-	NA
50	Net Other Post Emp Bene Oblig.			3,038	6,916	11,830	17,201	17,201	3,440	NA
51	Net Pension Payable	12,280	12,288	10,559	10,785	8,565	8,639	(3,641)	3,440	28.0%
52	<b>Total Non-Current Liabilities</b>	<b>1,173,933</b>	<b>1,242,585</b>	<b>979,347</b>	<b>1,367,107</b>	<b>1,301,335</b>	<b>1,247,398</b>	<b>73,465</b>	<b>14,693</b>	<b>1.3%</b>
53	<b>Total Liabilities</b>	<b>1,261,030</b>	<b>1,313,896</b>	<b>1,276,599</b>	<b>1,461,884</b>	<b>1,399,271</b>	<b>1,351,513</b>	<b>90,483</b>	<b>18,097</b>	<b>1.4%</b>
54										
55	<b>Net Assets:</b>									
56	Invest in Capital Assets, Net of									
57	Related Debt	1,705,452	1,740,801	1,695,766	1,698,249	1,717,312	1,749,107	43,655	8,731	0.5%
58	Restricted for Debt Service	575	717	496	750	5,146	6,398	5,823	1,165	202.5%
59	Unrestricted	115,603	150,060	243,717	292,441	352,341	388,421	272,818	54,564	47.2%
60	<b>Total Net Assets</b>	<b>1,821,630</b>	<b>1,891,578</b>	<b>1,939,979</b>	<b>1,991,440</b>	<b>2,074,799</b>	<b>2,143,926</b>	<b>322,296</b>	<b>64,459</b>	<b>3.5%</b>
61	<b>Total Liab &amp; Net Assets</b>	<b>3,082,660</b>	<b>3,205,474</b>	<b>3,216,578</b>	<b>3,453,324</b>	<b>3,474,070</b>	<b>3,495,439</b>	<b>412,779</b>	<b>64,459</b>	<b>2.1%</b>
62										
63	<b>Financial Ratios:</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>			
64	Unrest. Net Assets/ Total Assets	3.8%	4.7%	7.6%	8.5%	10.1%	11.1%			
65	Total Net Assets / Total Assets	59.1%	59.0%	60.3%	57.7%	59.7%	61.3%			
66	Unrest. Cash & Inv./ Total Assets	5.8%	6.4%	9.1%	10.0%	11.0%	12.0%			
67	Total Cash & Inv./ Total Assets	6.4%	9.6%	10.5%	16.7%	15.8%	15.3%			
68										

Source: San Diego City Comprehensive Annual Financial Report FY 2006 - 2011

**Appendix 5**

**Financial Analysis of 2007 Rate Case Projects**

Water Rate Case Projects		Dollars							Percent							
Project Status	Project Count	Rate Case Funds FY 08-11	Actual Expenditures FY08-11	Expenditures Actuals plus Planned FY08-FY12	Expenditures Actuals plus Planned FY08-FY13	Expenditures Actuals plus Planned FY08-FY14	Surplus / Deficit FY 08-11	Potential Surplus / (Deficit) FY08-14 Without Add. Funding	Project Count	Rate Case Funds FY 08-11	Actual Expenditures FY08-11	Expenditures Actuals plus Planned FY08-FY12	Expenditures Actuals plus Planned FY08-FY13	Expenditures Actuals plus Planned FY08-FY14	Surplus / Deficit FY 08-11	Potential Surplus / (Deficit) FY08-14 Without Add. Funding
<b>Rate Case Projects:</b>																
On-going Projects	27	46,100,000	6,798,867	22,677,145	62,531,505	81,467,080	39,301,133	(35,367,080)	44%	100%	15%	49%	136%	177%	85%	-77%
Completed Projects	21	447,000,000	364,727,790	365,199,599	365,199,599	365,199,599	82,272,210	81,800,401	34%	100%	82%	82%	82%	82%	18%	18%
On-Hold Projects	7	42,000,000	37,662	37,662	37,662	37,662	41,962,338	41,962,338	11%	100%	0%	0%	0%	0%	100%	100%
Cancelled Projects	6	31,400,000	882,277	882,277	882,277	882,277	30,517,723	30,517,723	10%	100%	3%	3%	3%	3%	97%	97%
Contingency	1	18,700,000	-	-	-	-	18,700,000	18,700,000	2%	100%	0%	0%	0%	0%	100%	100%
Subtotal	62	585,200,000	372,446,596	388,796,683	428,651,043	447,586,618	212,753,404	137,613,382	100%	100%	64%	66%	73%	76%	36%	24%
<b>Non Rate Case Projects:</b>																
On-going Proj	31	-	20,127,761	87,702,326	149,561,353	225,601,393	(20,127,761)	(225,601,393)	63%	NA	NA	NA	NA	NA	NA	NA
Completed Projects	17	-	338,270	338,387	338,387	338,887	(338,270)	(338,887)	35%	NA	NA	NA	NA	NA	NA	NA
Cancelled Projects	1	-	380	380	380	380	(380)	(380)	2%	NA	NA	NA	NA	NA	NA	NA
Subtotal	49	-	20,466,411	88,041,093	149,900,120	225,940,660	(20,466,411)	(225,940,660)	100%	NA	NA	NA	NA	NA	NA	NA

**Rate Case & Non Rate Case Proj.**

On-going Projects	58	46,100,000	26,926,628	110,379,471	212,092,858	307,068,473	19,173,372	(260,968,473)	52%	100%	58%	239%	460%	666%	42%	-566%
Completed Projects	38	447,000,000	365,066,060	365,537,986	365,537,986	365,538,486	81,933,940	81,461,514	34%	100%	82%	82%	82%	82%	18%	18%
On-Hold Projects	7	42,000,000	37,662	37,662	37,662	37,662	41,962,338	41,962,338	6%	100%	0%	0%	0%	0%	100%	100%
Cancelled Projects	7	31,400,000	882,657	882,657	882,657	882,657	30,517,343	30,517,343	6%	100%	3%	3%	3%	3%	97%	97%
Contingency	1	18,700,000	-	-	-	-	18,700,000	18,700,000	1%	100%	0%	0%	0%	0%	100%	100%
Total	111	585,200,000	392,913,007	476,837,776	578,551,163	673,527,278	192,286,993	(88,327,278)	100%	100%	67%	81%	99%	115%	33%	-15%

**Appendix 5A**

**Wastewater Muni & Metro**

Wastewater Muni & Metro		Dollars							Percent							
Project Status	Project Count	Rate Case Funds FY 08-11	Actual Expenditures FY08-11	Expenditures Actuals plus Planned FY08-FY12	Expenditures Actuals plus Planned FY08-FY13	Expenditures Actuals plus Planned FY08-FY14	Surplus / Deficit FY 08-11	Potential Surplus / (Deficit) FY08-14 Without Add. Funding	Project Count	Rate Case Funds FY 08-11	Actual Expenditures FY08-11	Expenditures Actuals plus Planned FY08-FY12	Expenditures Actuals plus Planned FY08-FY13	Expenditures Actuals plus Planned FY08-FY14	Surplus / Deficit FY 08-11	Potential Surplus / (Deficit) FY08-14 Without Add. Funding
<b>Rate Case Projects:</b>																
On-going Projects	19	248,573,619	86,989,510	126,016,430	183,193,639	213,059,674	161,584,109	35,513,945	37%	100%	35%	51%	74%	86%	65%	14%
Completed Projects	18	282,253,419	151,523,234	156,159,296	156,159,295	156,159,295	130,730,185	126,094,124	35%	100%	54%	55%	55%	55%	46%	45%
On-Hold Projects	3	9,094,073	399	399	399	399	9,093,674	9,093,674	6%	100%	0%	0%	0%	0%	100%	100%
Cancelled Projects	10	28,524,873	819,755	819,755	819,755	819,755	27,705,118	27,705,118	19%	100%	3%	3%	3%	3%	97%	97%
Contingency	2	16,919,960	-	-	-	-	16,919,960	16,919,960	4%	100%	0%	0%	0%	0%	100%	100%
Total	52	585,365,944	239,332,898	282,995,880	340,173,088	370,039,123	346,033,046	215,326,821	1	100%	41%	48%	58%	63%	59%	37%
<b>Non Rate Case Projects:</b>																
On-going Proj	9	-	8,094,289	67,626,513	125,119,340	187,940,460	(8,094,289)	(187,940,460)	39%	NA	NA	NA	NA	NA	NA	NA
Cancelled	1	-	-	-	-	-	-	-	4%	NA	NA	NA	NA	NA	NA	NA
Completed Projects	13	-	3,644,170	3,700,295	3,700,295	3,700,295	(3,644,170)	(3,700,295)	57%	NA	NA	NA	NA	NA	NA	NA
Total	23	-	11,738,459	71,326,808	128,819,635	191,640,755	(11,738,459)	(191,640,755)	NA	NA	NA	NA	NA	NA	NA	NA

**Rate Case & Non Rate Case Proj.**

On-going Projects	28	248,573,619	95,083,799	193,642,943	308,312,979	401,000,134	153,489,820	(152,426,515)	37%	100%	38%	78%	124%	161%	62%	-61%
Completed Projects	31	282,253,419	155,167,404	159,859,591	159,859,590	159,859,590	127,086,015	122,393,829	41%	100%	55%	57%	57%	57%	45%	43%
On-Hold Projects	3	9,094,073	399	399	399	399	9,093,674	9,093,674	4%	100%	0%	0%	0%	0%	100%	100%
Cancelled Projects	11	28,524,873	819,755	819,755	819,755	819,755	27,705,118	27,705,118	15%	100%	3%	3%	3%	3%	97%	97%
Contingency	2	16,919,960	-	-	-	-	16,919,960	16,919,960	3%	100%	0%	0%	0%	0%	100%	100%
Total	75	585,365,944	251,071,357	354,322,688	468,992,723	561,679,878	334,294,587	23,686,066	100%	100%	43%	61%	80%	96%	57%	4%

Source: Public Utilities Dept Report: Water and Wastewater Capital Improvement Program Reports Dated 2/9/2012

## Forecast vs. Actual Expenditures

WATER							
Funded Program	Project Name	Baseline Project Cost	Revised Project Cost	FY12 Projected Expenditures Total	FY12 Period 12 Encumbrances SAP (unaudited)	FY12 Period 12 Actual Expenditures SAP (unaudited)	
<b>ABJ00001</b>	<b>Water Pump Station Restoration</b>	<b>\$14,689,000</b>	<b>\$18,657,510</b>	<b>\$950,000</b>	<b>\$577,449</b>	<b>\$202,622</b>	
B10006	Tierrasanta (Via Dominique) Pump Station	\$7,468,000	\$11,228,000	\$550,000		\$90,438	
B11023	College Ranch Hydro Pump Station	\$7,221,000	\$7,429,510	\$400,000	\$577,449	\$112,184	
<b>ABK00001</b>	<b>Dams and Reservoirs</b>	<b>\$571,330</b>	<b>\$687,130</b>	<b>\$193,111</b>	<b>\$45,429</b>	<b>\$175,024</b>	
B00171	El Capitan Seepage Recovery Pump	\$53,330	\$53,330			\$10,314	
B10165	Scripps Ranch Reservoir Slope Repair & Bracket Rpl	\$518,000	\$633,800	\$193,111	\$45,429	\$164,710	
<b>ABL00001</b>	<b>Standpipe and Reservoir Rehabilitations</b>	<b>\$20,394,022</b>	<b>\$21,279,622</b>	<b>\$2,178,708</b>	<b>\$3,697,803</b>	<b>\$1,032,644</b>	
B00143	San Carlos Reservoir Interior Enhancement	\$1,159,022	\$1,159,022	\$881,121	\$515,425	\$416,095	
B00155	Catalina Standpipe Renovation	\$2,540,000	\$3,425,600	\$505,000	\$2,805,955	\$240,606	
B00156	Pomerado Park Reservoir Upgrade				\$5,446	-\$12,029	
B10003	Dulzura Conduit Flume 22 (aka 14)	\$1,000,000	\$1,000,000	\$128,355		\$32,869	
B11024	La Jolla Country Club Reservoir	\$6,025,000	\$6,025,000	\$664,232	\$370,978	\$269,629	
B11070	La Jolla View Reservoir	\$9,670,000	\$9,670,000			\$85,474	
<b>ABM00001</b>	<b>Groundwater Asset Development Program</b>	<b>\$10,506,415</b>	<b>\$10,506,415</b>	<b>\$200,000</b>	<b>\$1,256,177</b>	<b>\$1,624,557</b>	
B00168	Groundwater Pilot Production Wells	\$8,165,621	\$8,165,621		\$543,298	\$545,562	
B00169	San Vicente Groundwater Well	\$388,794	\$388,794		\$76,193	\$390,230	
B11065	Chollas USGS Monitoring Wells	\$1,210,000	\$1,210,000		\$12,591	\$610,140	
B11066	San Pasqual USGS Monitoring Wells	\$742,000	\$742,000		\$624,095	\$78,625	



**WATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
<b>AHC00001</b>	<b>Reclaimed Water Extension</b>				<b>\$40,814</b>	<b>\$88,844</b>
<b>AHC00002</b>	<b>North City Reclamation System</b>	<b>\$12,666,270</b>	<b>\$11,412,755</b>	<b>\$1,971,094</b>	<b>\$1,593,169</b>	<b>\$4,061,008</b>
B00158	Carmel Valley	\$3,805,170	\$3,805,170	\$1,571,094	\$182,094	\$527,995
B00160	Los Penasquitos Canyon / Camino Ruiz RW Pipeline	\$6,420,255	\$5,166,740	\$300,000	\$286,087	\$3,224,723
B00161	Pacific Highlands Ranch Recycled Water Pipeline	\$1,448,345	\$1,448,345		\$1,092,181	\$121,031
B10200	Camino Del Sur Pipeline - North of SRS56	\$992,500	\$992,500	\$100,000	\$32,808	\$187,259
<b>AHC00003</b>	<b>Reclaimed Water Retrofit</b>					<b>\$76,417</b>
<b>AKA00001</b>	<b>Corrosion Control</b>					<b>\$1,057</b>
<b>AKB00002</b>	<b>Freeway Relocation</b>	<b>\$344,076</b>	<b>\$344,076</b>			<b>\$75,970</b>
B00010	Caltrans - I905	\$344,076	\$344,076			\$67,602
B00013	Ct - Carroll Cnyn Br-I15 14" 16" Recl Wtr					\$4,283
B10199	Caltrans- Hillery Dr. Water Pipeline Relocation Pr					\$4,085
<b>AKB00003</b>	<b>Water Main Replacements</b>	<b>\$258,200,361</b>	<b>\$260,556,136</b>	<b>\$52,040,000</b>	<b>\$22,393,268</b>	<b>\$32,353,376</b>
B00018	Sewer and Water Group 616	\$5,511,854	\$7,129,949	\$714,278	\$4,099	\$157,354
B00020	Water Group 532	\$5,307,561	\$5,159,160			\$33,967
B00021	Water Group 533	\$3,422,702	\$3,316,158			\$12,825
B00024	Group 3011-Sewer & Water Group 648	\$1,175,445	\$1,175,445	\$250,000		\$73,215
B00025	Group 3011-Sewer & Water Group 650	\$2,401,721	\$2,401,721	\$250,000		\$85,903
B00026	Group 3011-Water Group 651	\$2,781,064	\$2,781,064			-\$120,279
B00031	Group Job 525B	\$4,427,959	\$4,427,959	\$3,103,901	\$1,474,080	\$1,575,497
B00032	Water Group Job 525C	\$4,889,745	\$4,889,745	\$472,010		\$39,261
B00035	Sewer & Water Group 694	\$1,438,490	\$1,389,360	\$74,715		\$44,413
B00036	Group Job 693 - Northpark	\$271,142	\$271,142	\$20,226		\$84,256
B00037	Water Group 927	\$1,329,688	\$615,912	\$66,361		\$63,379
B00039	Sewer & Water Group 701	\$326,720	\$326,720	\$32,172		\$27,050
B00040	Group 3011-Talmadge Water Group 703A	\$1,894,977	\$1,894,977		\$34,361	\$29,824

**WATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
B00042	La Jolla Group Job 541	\$3,106,062	\$3,106,062			\$1,461
B00044	Group Job 711W	\$1,045,229	\$1,045,229			\$180
B00045	Group 3010 - Water Group 717	\$1,328,242	\$1,328,242			\$5,645
B00046	Group Job 544	\$2,614,770	\$2,614,770			\$31,005
B00048	Water Group 550	\$2,852,184	\$2,852,184			\$99
B00050	Group Job 723	\$544,633	\$806,680	\$54,245		\$26,105
B00056	Water Group Job 728	\$675,159	\$675,159	\$25,105		\$122,927
B00057	Water Group Job 730	\$1,264,336	\$1,264,336	\$155,058		\$136,649
B00058	Water Group Job 731	\$1,434,890	\$1,434,890		\$25,530	\$1,933
B00059	Water Group Job 732	\$628,167	\$628,167	\$82,240		\$33,109
B00062	Water Group 740	\$469,447	\$694,943	\$348,245		\$442,833
B00064	Water Group 665	\$1,860,199	\$1,904,588			\$110,831
B00066	Water Group 910	\$5,006,701	\$5,207,964	\$3,744,264	\$2,026,961	\$1,867,176
B00067	Water Group 746A	\$289,375	\$288,806	\$40,029	\$37,384	\$167,038
B00068	Sewer & Water Group 747 (W)	\$2,660,492	\$2,538,826			\$282
B00069	Water Group 749A	\$790,000	\$661,243		\$364,643	\$112,012
B00072	Sewer & Water GJ 754	\$342,673	\$342,673	\$190,100	\$7,076	\$161,096
B00073	Group 3010 - Water Group 718A	\$1,994,885	\$1,994,885			\$2,887
B00074	Sewer & Water Group 758	\$124,028	\$124,028	\$6,214		\$7,565
B00075	Sewer & Water Group Job 759	\$529,552	\$529,552	\$376,898		\$118,189
B00077	Group 3013 - Water Group 764	\$1,552,579	\$1,552,579	\$52,422	\$82,428	\$341,961
B00078	Water Group 911	\$2,018,953	\$2,018,953			\$131,412
B00080	Sewer & Water GJ 761	\$1,208,356	\$10,204,946	\$95,166		\$92,012
B00081	Sewer & Water Group Job 685	\$1,060,245	\$1,060,245	\$139,837		\$62,677
B00082	Sewer & Water Group 768	\$1,414,183	\$1,345,275	\$969,816	\$84,347	\$607,993
B00083	Sewer & Water Group 689 (W)	\$1,230,191	\$1,230,191			\$8,223

**WATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
B00084	Group 3013 - Water Group 764A	\$1,185,495	\$1,185,495	\$44,905	\$38,383	\$689,610
B00085	Sewer & Water GJ 773	\$1,460,358	\$1,460,358	\$163,577		\$221,461
B00086	Sewer & Water Group 789	\$5,159,940	\$5,159,940	\$2,589,304	\$1,432,627	\$1,950,834
B00087	43rd St. & National Ave. Alignment	\$853,310	\$853,309	\$162,738	\$40,870	\$332,846
B00088	Water Group 772	\$339,861	\$339,861	\$5,395		\$77,680
B00091	Sewer & Water GJ 774	\$978,624	\$1,352,784	\$602,997	\$513,249	\$313,758
B00092	Sewer & Water Group Job 780	\$786,664	\$786,664	\$713,250		\$545,515
B00093	Sewer & Water Group Job 781	\$1,914,199	\$1,914,199	\$2,281,195	\$264,327	\$1,028,047
B00094	Group 3011 - Water Group 807	\$1,608,254	\$1,608,254		\$97,376	\$670
B00095	Manning Canyon Sewer and Water Replacement (W)	\$1,053,278	\$831,638	\$30,084		\$38,827
B00096	Sewer & Water Group 785 Canyon	\$776,392	\$776,392	\$497,057		\$414,696
B00097	Sewer & Water Group 779	\$736,282	\$847,361	\$192,775	\$29,149	\$712,030
B00098	Group 3013 - Water Group 821	\$1,450,039	\$1,499,825	\$30,015	\$85,839	\$229,691
B00099	Sewer & Water Group 770	\$735,159	\$735,159	\$77,634		\$52,741
B00100	Sewer & Water Group 792	\$1,613,162	\$1,511,162	\$232,614	\$121,930	\$966,195
B00101	Group 3011 - Water Group 806	\$1,128,843	\$1,128,843		\$50,758	\$3,209
B00102	Sewer & Water Group 809	\$2,836,439	\$2,836,439	\$111,174	\$12,461	\$81,104
B00103	Sewer & Water Group 822	\$1,366,592	\$1,366,592	\$868,436	\$82,653	\$807,913
B00105	Sewer & Water Group 799	\$5,695,150	\$5,731,492	\$1,171,394	\$1,580,369	\$277,982
B00106	Sewer & Water Group 788	\$478,223	\$478,223	\$350,738		\$22,251
B00107	Famosa Accelerated Sewer & Water	\$3,126,314	\$3,119,190			\$11,055
B00108	Water & Sewer Group 814	\$122,741	\$1,845,221	\$5,781		\$25,898
B00110	Sewer & Water Group 820	\$1,037,165	\$1,475,802	\$141,901		\$117,308
B00111	Water Group 793	\$4,901,756	\$4,901,756	\$50,000		\$53,846
B00114	Sewer & Water Group 687B	\$758,338	\$758,338	\$35,879		\$1,769
B00120	Water Group 907 CI	\$798,042	\$598,036	\$314,968	\$1,202	\$427,272

**WATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
B00121	Water Group 908 CI	\$762,845	\$860,383	\$261,382		\$546,023
B00122	Water Group 906	\$2,435,712	\$2,435,712	\$3,052,657		\$1,248,633
B00123	Water Group 909 CI Phase I	\$2,551,170	\$2,551,170	\$243,082	\$32,103	\$640,740
B00124	Water Group 909 CI Phase II	\$2,470,268	\$2,470,268	\$268,613	\$32,103	\$443,081
B00125	Water Group 914 CI (PB)	\$6,044,246	\$6,021,478	\$285,761		\$194,577
B00130	Water Group 919 CI	\$3,245,232	\$2,308,708	\$602,706	\$709,109	\$686,160
B00131	Water Group 525 E	\$2,583,375	\$2,583,375	\$123,321		\$75,914
B00132	Water Group 829	\$463,307	\$463,307			\$406
B10153	Water Group 787M1	\$737,300	\$737,300	\$710,810		\$502,610
B10154	Water Group 787M2	\$649,271	\$649,271	\$97,657	\$37,075	\$575,628
B10155	Water Group 787M3	\$489,719	\$489,719	\$104,517		\$250,022
B10156	Water Group 933M	\$394,016	\$394,016	\$451,015		\$26,436
B10170	Water Group Job 920	\$2,841,310	\$2,841,310	\$2,331,953	\$239,359	\$1,624,266
B10171	Water Group Job 921	\$3,122,000	\$3,107,000	\$2,811,369	\$1,629,557	\$829,979
B10172	Water Group Job 922	\$3,617,000	\$3,759,350	\$1,005,447	\$2,433,830	\$350,184
B10173	Water Group Job 923	\$5,651,295	\$4,911,561	\$2,014,068	\$943,922	\$1,789,970
B10174	Water Group Job 924	\$5,596,311	\$5,596,311	\$5,841,258	\$2,956,513	\$1,145,109
B10175	Water Group Job 925	\$3,948,135	\$3,938,135	\$2,827,347	\$2,710,973	\$328,049
B10176	Water Group Job 926	\$7,120,332	\$7,120,332	\$4,000,000	\$967,002	\$110,575
B10187	Sewer & Water Group 695 ( Water)	\$2,964,650	\$2,964,650			\$5,450
B10188	Water Group Job 928	\$2,322,924	\$3,017,410	\$339,214		\$143,812
B10189	Water and Sewer Group Job 929 (W)	\$3,710,443	\$2,705,148	\$536,935		\$93,865
B10190	Water and Sewer Group Job 930 (W)	\$3,150,766	\$3,529,993	\$230,309	\$19,981	\$289,707
B10191	Water Group Job 931	\$4,691,923	\$1,938,543	\$46,764	\$985,940	\$144,523
B11004	Water and Sewer GJ934 (W)	\$1,585,170	\$2,103,206	\$47,419		\$151,024
B11005	Water Group Job 935	\$1,564,977	\$1,364,765	\$70,433		\$180,312

**WATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
B11006	Water Group Job 936	\$4,848,050	\$4,848,050	\$239,740	\$3,700	\$263,199
B11007	Water Group Job 937	\$1,925,795	\$2,144,110	\$57,739		\$151,228
B11034	Water Group Job 938	\$2,438,100	\$715,000	\$73,776	\$45,168	\$565,053
B11035	Water Group Job 939	\$1,855,000	\$1,855,000	\$74,758		\$6,958
B11036	Water Group Job 940	\$5,160,250	\$4,586,431	\$51,594	\$513	\$127,521
B11037	Water Group Job 941	\$1,309,750	\$1,164,503	\$39,202		\$72,762
B11038	Water Group Job 942	\$2,833,458	\$2,878,458	\$83,850		\$37,444
B11039	Water Group Job 943	\$1,520,564	\$1,520,564	\$46,251		\$23,393
B11040	Water Group Job 944	\$2,450,000	\$2,920,000	\$52,167		\$175,104
B11041	Water Group Job 945	\$2,604,610	\$2,604,610	\$71,335		\$189,832
B11042	Water Group Job 946	\$1,337,648	\$1,337,648	\$47,285		\$162,391
B11043	Water Group Job 947	\$1,757,094	\$1,351,439	\$51,439		\$107,829
B11044	Water Group Job 948	\$1,874,890	\$1,874,890	\$55,901		\$11,746
B11045	Water Group Job 949	\$4,510,598	\$6,496,010	\$350,932		\$191,518
B11046	Water Group Job 950	\$5,167,375	\$511,000	\$51,624		\$28,604
B11047	Water Group Job 951	\$1,713,686	\$726,378	\$52,650	\$80,222	\$517,597
B11048	Water Group Job 952	\$2,100,000	\$2,100,000	\$42,000		\$8,940
B11049	Water Group Job 953	\$1,622,000	\$1,710,000	\$48,660		\$116,937
B11101	Juan Street - Water Pipeline Replacement	\$1,100,000	\$1,100,000	\$260,000	\$25,679	\$91,132
B11137	Water Group Job 958	\$5,156,200	\$5,156,200			\$216,853
B11138	Water Group Job 959	\$2,753,188	\$2,453,188		\$790	\$241,046
B11153	Water and Sewer Group Job 956 (W)	\$1,230,806	\$1,301,192			\$86,045
B11154	Water and Sewer Group Job 957 (W)	\$3,058,228	\$3,058,228		\$47,628	\$160,063
B12016	Water Group Job 960	\$600,000	\$509,600			\$52,194
B12041	Water Group 964 (W)	\$700,000	\$700,000			\$39,144
B12045	Sewer & Water Group 815 (W)	\$130,500	\$130,500			\$4,871

**WATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
B12051	Water Group 961	\$1,258,655	\$1,258,655			\$83,925
B12058	Water and Sewer Group 967 (W)					\$7,436
B12077	Water Group Job 962	\$1,990,000	\$1,990,000			\$32,751
B12092	AC Shawnee Road Emergency PPL Replacement	\$1,655,000	\$1,655,000			\$78,604
B12098	CI - Palm Ave. Meter Emerg CI Replac.(W)	\$700,000	\$700,000			\$20,023
TBD	CI remaining Package (To be grouped)			\$47,950		
S00004	Torrey Pines/La Jolla Blvd Phase 3B	\$3,085,318	\$3,085,318	\$1,418,498	\$76,453	\$2,005,173
S00073	SBRWS - Mag Meter Assembly Project	\$232,132	\$232,132		\$5,938	\$18,038
S00019	Harbor Drive Pipeline	\$11,540,000	\$11,540,000	\$600,000		-\$686,746
S00024	Miramar Water Treatment Plant Upgrade & Expansion					\$869
S00028	Miramar WTP Landscape & Site Improvement	\$3,246,747	\$3,246,747	\$1,265,314	\$2,008,348	\$474,053
S00029	Miramar WTP Ozone Equipment/Installation	\$25,298,662	\$25,298,662			-\$883
S00030	Otay Water Treatment Plant Upgrade & Expansion	\$26,702,441	\$26,702,441		\$13,936	\$141,127
S00031	Otay Water Trtmnt Plant Upgrade & Exp - Ph. II	\$14,878,498	\$14,878,498		\$128	\$87,877
S11059	Otay Water Treatment Plant Concrete Work	\$1,000,000	\$1,805,831			\$85,424
S00035	Otay 2nd - Cast Iron Replacement	\$15,691,628	\$15,691,628			\$1,076
S11109	Otay 2nd Pipeline -Emergency Main Repairs	\$500,000	\$500,000	\$17,500	\$35,882	\$263,655
S00041	Morena Reservoir Outlet Tower Upgrade	\$5,680,000	\$5,680,000		\$32,047	\$160,766
S00044	Lower Otay Reservoir Emergency Outlet Improvements	\$2,000,000	\$2,000,000	\$1,125,342	\$51,007	\$39,978
S00050	Water Department Security Upgrades	\$16,510,466	\$16,510,466	\$4,464,000		\$392
S00055	WDSU - RESERVOIRS & DAMS	\$140,000	\$140,000	\$148,525		
S00056	WDSU - Enclosed Pump Stations	\$320,000	\$320,000	\$296,998		\$47
S00058	WDSU - TANK/STANDPIPE RESERVOIR	\$240,000	\$240,000	\$165,150		
S11104	WDSU - SECURITY OPERATIONS CENTER PH. II					-\$341,486
S11105	WDSU - Enclosed Pumps - PH. II	\$2,920,000	\$4,590,000			\$108,932
S11106	WDSU - Reservoirs & Dams - PH. II	\$1,000,000	\$1,000,000		\$213,091	\$56,586

**WATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
S11107	WDSU - Water Tanks & Standpipes - PH. II	\$1,200,000	\$2,402,000			\$60,767
S00075	Alvarado WTP - Fluoridation Facilities	\$1,163,959	\$1,163,959			\$46,675
S00076	Miramar WTP - Fluoridation Facilities	\$1,050,824	\$1,050,824			\$24,431
S00077	Otay WTP - Fluoridation Facilities	\$1,012,233	\$1,012,233			\$67,406
S00068	Proctor Valley Off-Highway Vehicle Barrier					\$52,936
S00083	Miramar Pipeline Monitoring & Reinspection	\$1,487,636	\$1,487,636		\$268,509	\$1,161,856
S10004	Water Group Job 790	\$8,283,783	\$9,267,803	\$1,034,400	\$85,678	\$1,440,357
S10005	El Capitan Pipeline #2	\$716,000	\$1,349,928	\$220,437	\$865,640	\$128,091
S10008	El Monte Pipeline #2				\$24,108	\$55,184
S10010	Recycled Water System Upgrades	\$910,000	\$910,000			\$66,910
S10013	Barrett Flume Cover					\$99
S10055	Lindbergh Field 16" Cast Iron Main Replacement	\$6,820,000	\$4,208,313	\$507,000	\$73,930	\$227,424
S10123	Water Group Job 915 (3012)	\$16,012,271	\$16,012,271	\$3,641,286	\$2,924,360	\$4,556,326
S10127	Advanced Water Treatment Demo Plant (IPR/RA)	\$7,200,000	\$7,200,000		\$463,387	\$1,738,831
S11021	University Ave Pipeline Replacement	\$15,300,000	\$15,300,000	\$1,000,000	\$409,449	\$450,814
S11022	Upas Street Pipeline Replacement	\$20,196,326	\$20,196,326	\$1,136,558	\$590,419	\$480,881
S11024	Miramar Clearwell Improvements	\$79,000,000	\$79,000,000	\$100,000		\$131,388
S11025	Chollas Building	\$17,700,000	\$17,700,000	\$775,274	\$160,919	\$133,591
S11027	Otay 1st/2nd Pipeline Abandonment East of Highland	\$7,300,000	\$7,221,721	\$397,000		\$156,683
S11100	CIS ERP Implementation	\$11,198,520	\$11,198,520			\$2,978,980
S11102	Colony Hill Water Main Relocation	\$1,503,900	\$1,460,250	\$979,988	\$728,500	\$540,853
S11108	Water Group 787	\$9,236,125	\$9,174,252	\$2,569,756	\$1,938,189	\$4,016,468
S12015	Pacific Beach Pipeline	\$20,530,000	\$20,530,000			\$100,604
S12019 (B10070)	Scripps Ranch Pump Station	\$13,079,000	\$13,079,000	\$1,968,184	\$1,243,763	\$1,487,487
S12028	Harbor Drive Pipelines Replacement	\$11,540,000	\$11,540,000		\$102,063	\$881,366

**WATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
S00022	Alvarado WTP-Ozone Improvements (PH IV)	\$61,166,435	\$61,166,435	\$114,500	\$1,234,418	\$816,201
S00023	Alvarado WTP - Rehab Floc/Sed Basins PH 3	\$19,588,139	\$19,588,139	\$112,000	\$967,658	\$273,627
	<b>TOTAL</b>	<b>\$781,552,518</b>	<b>\$790,124,977</b>	<b>\$81,590,622</b>	<b>\$44,121,928</b>	<b>\$64,182,634</b>



**WASTEWATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
<b>ABP00001</b>	<b>Pump Station Restorations</b>	<b>\$14,391,651</b>	<b>\$14,316,147</b>	<b>\$1,626,791</b>	<b>\$1,399,338</b>	<b>\$395,216</b>
B00476	SPS 13 REHAB	\$840,000	\$1,026,500	\$50,000	\$14,584	\$163,976
B00499	SEWER PUMP STATION #27- RESTORATION	\$6,907,545	\$6,907,545			\$9,021
B00500	SKYLARK CNYN SWR PS	\$1,714,046	\$1,714,046	\$50,000	\$7,907	\$6,645
B00503	SEWER PUMP STATION #27 - PHASE 2	\$2,738,632	\$2,738,632	\$1,226,791	\$1,334,688	\$165,530
S01095	MISSION BAY SEWAGE INTERCEPT SYST	\$1,482,295	\$1,273,424			\$1,000
B12018	SEWER PUMP STATION 77A GENERATORS (SPS77A)	\$709,133	\$656,000	\$300,000	\$42,159	\$49,044
<b>ABP00003</b>	<b>Pump Station 64,65, Penasquitos, E Mission Gorge</b>	<b>\$4,411,508</b>	<b>\$6,500,000</b>	<b>\$1,100,000</b>	<b>\$616,358</b>	<b>\$768,835</b>
B00306	PS 65 CAPACITY UPGRADE (AA 419270)	\$3,911,508	\$6,000,000	\$100,000		\$383,996
B10224	Sewer Pump Station 64 Force Main Repair	\$500,000	\$500,000	\$1,000,000	\$616,358	\$384,839
<b>AJA00001</b>	<b>Sewer Main Replacements</b>	<b>\$326,121,012</b>	<b>\$322,927,814</b>	<b>\$37,985,534</b>	<b>\$11,825,857</b>	<b>\$36,371,178</b>
B00322	GROUP 3011-SEWER & WATER 648	\$2,647,619	\$2,647,619	\$150,000		\$8,979
B00323	GROUP 3011-SEWER 649	\$1,223,926	\$1,223,926	\$150,000	\$9,576	\$38,121
B00324	GROUP 3011-SEWER & WATER 650	\$3,390,197	\$3,390,197	\$200,000		\$83,097
B00326	SEWER GROUP 665	\$2,927,866	\$3,953,176	\$270,141	\$67,284	\$375,579
B00327	SEWER GROUP 644	\$2,659,147	\$2,659,147	\$365,229		\$273,124
B00328	Sewer Group 668 Ocean Beach South Master Plan	\$2,215,025	\$2,215,025	\$70,500		\$15,339
B00329	SEWER GROUP 682	\$3,616,158	\$3,616,158	\$927,312	\$210,811	\$1,391,598
B00331	SEWER GROUP 678	\$1,112,220	\$1,112,220	\$22,275		\$88
B00332	SEWER & WATER GRP 684A	\$4,530,146	\$4,530,146			\$746
B00333	CITY HEIGHTS: GRP 685	\$5,172,341	\$5,172,341	\$100,000		\$84,662
B00334	SEWER & WATER GROUP 689 (S)	\$4,623,427	\$4,623,427	\$14,795		\$48,735

**WASTEWATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
B00335	SEWER & WATER GROUP 683A (S)	\$4,018,699	\$4,018,699			\$24
B00336	SEWER GROUP JOB 726	\$2,901,218	\$2,901,218	\$700,000		\$91,548
B00337	SEWER GROUP JOB 727	\$3,836,901	\$3,055,368	\$3,000		\$9,111
B00338	SEWER GROUP JOB 728	\$3,581,119	\$3,581,117	\$168,658		\$3,780
B00339	SEWER GROUP JOB 729	\$2,052,017	\$2,140,745	\$316,274		\$154,112
B00340	SEWER GROUP JOB 730	\$1,786,063	\$1,786,063	\$121,515		\$190,138
B00341	SEWER GROUP JOB 731	\$1,927,893	\$1,927,893		\$171,980	\$2,201
B00342	SEWER GROUP JOB 732	\$1,378,638	\$1,378,684	\$50,000		\$56,871
B00343	SEWER GROUP JOB 734	\$1,317,661	\$1,317,661	\$153,939		\$18,188
B00344	SEWER & WATER GRP JOB 544	\$1,341,570	\$1,341,570			\$2,726
B00345	SEWER GROUP 735	\$3,040,971	\$2,492,006	\$3,000		\$22,834
B00346	SEWER GROUP 697A	\$2,286,693	\$2,286,693	\$21,600		\$5,955
B00348	GROUP JOB 740	\$2,750,341	\$1,300,930	\$1,395,940	\$107,177	\$560,273
B00349	GROUP JOB 739	\$1,379,975	\$1,361,814	\$511,661		\$70,381
B00352	SEWER GROUP 742	\$2,310,160	\$2,200,963	\$12,675		\$7,939
B00353	SEWER GROUP 743	\$1,363,300	\$1,363,300	\$54,450		\$704
B00354	SEWER GROUP 745	\$4,230,239	\$4,256,595	\$6,061		\$49,591
B00355	SEWER & WATER GROUP 747 (S)	\$2,777,411	\$2,949,591			\$144
B00356	SEWER GROUP 748	\$1,883,000	\$2,442,612	\$852,798	\$147,418	\$949,922
B00358	SEWER GROUP JOB 738	\$1,791,051	\$1,791,051	\$2,158,598		\$1,397,685
B00359	SEWER GROUP 750	\$2,472,681	\$2,418,041	\$486,447		\$896,633
B00360	Water & Sewer Group Job 752	\$4,773,547	\$4,773,547	\$98,609		\$3,335
B00361	SEWER GJ 753	\$3,428,695	\$3,428,694	\$1,511,492	\$186,886	\$1,410,868
B00362	WATER & SEWER GJ 754	\$3,560,417	\$3,560,417	\$1,302,424	\$702,542	\$1,549,395
B00363	SEWER GROUP 756	\$3,169,885	\$3,169,885	\$1,788,670	\$234,113	\$2,151,159
B00365	SEWER & WATER GROUP 758	\$3,445,600	\$3,445,600	\$100,000	\$840	\$37,318

**WASTEWATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
B00366	SEWER & WATER GROUP JOB 759	\$781,730	\$781,731	\$153,844		\$119,885
B00368	SEWER GROUPS 764	\$5,856,657	\$5,856,657	\$50,000		\$352
B00369	SEWER & WATER GROUP 765					\$567
B00370	SEWER GROUP 767	\$4,377,500	\$3,873,012	\$489,509	\$2,330,947	\$735,819
B00371	SEWER & WATER GROUP 768	\$2,615,442	\$2,701,671	\$1,901,106	\$158,711	\$1,214,585
B00372	SEWER & WATER GROUP JOB 761	\$3,777,689	\$3,813,470	\$60,000		\$134,092
B00373	GROUP 3015-SEWER GROUP 762	\$2,697,942	\$2,697,942	\$846,398		\$1,809,622
B00374	SEWER GROUP JOB 763					\$451
B00376	SEWER GROUP JOB 773			\$60,060		
B00377	SEWER GROUP JOB 772	\$2,067,029	\$2,067,029	\$135,676	\$1,053	\$726,240
B00378	SEWER GROUP JOB 784	\$3,578,809	\$3,578,809	\$50,000		\$11,681
B00379	SEWER GROUP JOB 788	\$4,425,026	\$4,425,026	\$100,000		\$41,184
B00380	SEWER GROUP 764A	\$4,852,242	\$4,852,242			\$73,512
B00381	SEWER & WATER GROUP 789	\$2,127,642	\$2,127,642	\$1,382,295	\$344,469	\$1,677,800
B00382	SEWER GROUP 820	\$3,558,665	\$4,094,866	\$100,000	\$1,550	\$82,749
B00383	SEWER GROUP 785	\$4,195,977	\$4,195,977	\$57,420		
B00384	43RD ST & NAT AVE REALIG	\$642,933	\$642,933	\$82,567	\$42,649	\$157,040
B00385	SEWER & WATER GROUP JOB 774	\$3,524,376	\$3,365,118	\$2,178,409	\$123,519	\$2,208,625
B00386	SEWER & WATER GROUP JOB 775					\$13,145
B00387	SEWER GROUP JOB 776	\$4,113,888	\$4,123,888	\$60,060		\$11,075
B00388	SEWER & WATER GROUP JOB 778	\$4,010,183	\$4,010,183	\$56,430		\$17,607
B00389	Sewer Group Job 780	\$3,502,926	\$3,502,926	\$1,711,685	\$92,438	\$2,194,845
B00390	Sewer Group Job 781	\$4,210,025	\$4,210,025	\$2,362,407	\$839,821	\$2,211,097
B00391	SEWER GROUP JOB 782					\$710
B00393	SEWER & WATER GJ 787	\$4,643,452	\$4,743,452	\$91,874		\$136,200
B00394	SEWER GJ 793	\$1,604,111	\$1,604,111	\$29,370		\$7,871

**WASTEWATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
B00395	SEWER GJ 794	\$4,091,924	\$4,091,924	\$99,990		\$1,531
B00396	SEWER GJ 795	\$455,460	\$536,211	\$44,880		\$7,424
B00398	SEWER GJ 797	\$70,000	\$70,000			\$27,409
B00399	SEWER GROUP 798	\$90,000	\$90,000			\$18,451
B00401	GROUP JOB 785 CANYON	\$954,434	\$954,434	\$462,335		\$439,992
B00403	Sewer Group Job 807	\$5,375,708	\$5,375,708	\$81,840		
B00404	GROUP 3015-SEWER GROUP 805	\$3,250,155	\$3,250,155	\$819,022	\$180,956	\$861,999
B00405	SEWER & WATER GROUP 792	\$2,667,193	\$2,334,963	\$2,000,000	\$355,455	\$1,170,187
B00406	SEWER GROUP JOB 806					\$14,090
B00408	SEWER GROUP 779					\$1,068
B00409	SEWER GJ 798C					\$6,302
B00410	SEWER GJ 770	\$2,182,420	\$2,202,420	\$100,000		\$69,071
B00411	SEWER GROUP 739A	\$1,156,595	\$1,156,595	\$1,499,729	\$12,742	\$757,678
B00412	SEWER GROUP 808	\$1,754,216	\$1,754,216	\$69,847		\$1,689
B00413	SEWER GROUP 821	\$4,606,854	\$4,606,854			\$544
B00414	SEWER GROUP 818	\$4,512,692	\$4,512,692	\$73,590		\$659
B00415	SEWER GJ 815	\$1,975,082	\$1,997,582	\$30,000		\$45,398
B00416	Sewer & Water Group Job 809	\$4,518,747	\$4,518,747	\$80,996	\$111,764	\$116,460
B00417	SEWER GROUP 810	\$4,145,949	\$4,145,949	\$59,070		
B00419	SEWER & WATER GROUP 822	\$2,372,517	\$2,372,517	\$1,446,125	\$556,516	\$1,004,898
B00420	SEWER & WATER GROUP JOB 799	\$1,908,021	\$1,942,197	\$100,000	\$985,481	\$111,120
B00421	SEWER GROUP 786	\$4,144,431	\$4,144,431	\$58,080		\$7,267
B00422	SEWER GROUP JOB 672A					\$1,083
B00424	SEWER GROUP JOB 800					\$1,741
B00426	SEWER GROUP 812	\$4,988,826	\$4,988,826	\$80,000		
B00429	BUCHANAN CANYON SEWER B	\$3,791,396	\$3,791,396	\$80,000	\$5,505	\$55,299

**WASTEWATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
B00432	Mission Center Canyon B Sewer Main Replacement	\$1,032,494	\$934,189	\$45,342	\$38,721	\$115,699
B00433	Mission Center Canyon C Sewer Main Replacement	\$3,153,159	\$3,153,159	\$27,840		
B00435	SEWER GJ 814	\$2,952,429	\$2,322,586	\$48,180		\$46,411
B00437	SEWER GROUP JOB 833					\$13,727
B00441	Sewer & Water Group Job 829	\$1,223,600	\$1,223,600			\$2,122
B00442	SEWER GROUP 549	\$4,544,800	\$3,287,731	\$117,953		\$149,187
B00443	SEWER GJ 816					\$17,623
B00445	WATER & SEWER GROUP 687B	\$6,748,442	\$6,748,442	\$100,000		\$84,870
B00446	SEWER GROUP 691	\$2,960,655	\$2,907,217	\$70,000	\$6,268	\$125,500
B00447	SEWER & WATER GROUP 693 (GP3) (05)	\$3,491,566	\$3,491,566	\$107,967		\$37,045
B00448	SEWER & WATER GROUP 694	\$3,795,800	\$4,597,426	\$77,550		\$50,395
B00449	SEWER & WATER GROUP 695	\$3,521,791	\$3,312,927	\$54,120		\$63,799
B00450	SEWER GROUP 725 SEWER MAIN REPLACEMENT	\$2,763,858	\$2,763,858			\$10,271
B00451	SEWER GROUP 698	\$7,851,112	\$7,328,926	\$1,000,000	\$3,625,801	\$1,615,850
B00452	SEWER & WATER GROUP 701	\$3,209,020	\$3,209,020	\$56,760		\$26,055
B00453	SEWER GROUP 703 SEWER MAIN REPLACEMENT	\$3,370,151	\$3,370,151			\$989
B00455	SEWER GROUP 714	\$2,747,272	\$2,747,272	\$1,400,000	\$139,575	\$1,373,309
B00456	SEWER GROUP 715	\$2,942,665	\$2,942,665			\$42,760
B00457	Sewer Group 716	\$3,066,124	\$3,066,124	\$123,264		\$424,984
B00458	CENTRE CITY GROUP JOB 711	\$839,156	\$839,155			\$701
B00459	SEWER GROUP 720	\$4,544,963	\$4,563,856	\$67,980		\$55,256
B00460	SEWER GROUP 721	\$4,983,712	\$4,878,277	\$70,290		\$9,918
B00461	TALMADGE - GROUP 703A	\$3,645,625	\$3,144,674	\$50,000		\$102,397
B00462	SEWER GROUP 723	\$3,118,050	\$3,692,620	\$354,000		\$52,143
B10149	Sewer Group Job 682M	\$571,553	\$571,553	\$117,466		\$340,112
B10151	Sewer Group Job 740M	\$316,280	\$337,000	\$208,626		\$277,784

**WASTEWATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
B10152	Sewer Group Job 785AM	\$376,920	\$376,920	\$77,422		\$263,157
B10209	Lytton St. 6-inch Sewer Replacement	\$544,957	\$544,957	\$30,000		\$50,739
B10210	YOSEMITE ST & LA CIMA DR SEWER MAIN REPLACEMENT					\$2,018
B11019	SEWER GROUP JOB 830					\$1,061
B11021	WATER AND SEWER GROUP JOB 929 (S)	\$544,957	\$771,105	\$48,100		\$125,877
B11022	WATER AND SEWER GROUP JOB 930 (S)	\$760,100	\$1,392,875	\$100,000		\$175,909
B11048	WATER & SEWER GROUP JOB 952	\$1,658,935	\$2,100,000	\$120,000		
B11077	Sewer Group 767A	\$2,744,345	\$2,744,345	\$80,000		\$1,484
B11136	WATER & SEWER GROUP JOB 934	\$2,744,345	\$650,618	\$120,000		\$16,818
B11151	Water & Sewer Group Job 956 (S)	\$208,750	\$349,579	\$20,000		\$75,108
B11152	Water & Sewer Group Job 957(S)	\$208,750	\$788,760	\$60,000	\$11,172	\$95,032
B12042	Sewer and Water Group Job 940 (S)	\$4,117,660	\$4,117,660		\$22,119	\$114,037
B12048	Water and Sewer Group 965 (S)	\$1,716,335	\$1,716,335			\$4,206
B12071	WATER AND SEWER GROUP JOB 946 (S)					\$18,432
B12097	Pacific Beach Pipeline Central in West Mission Bay					\$23,077
B12102	3742 Misslon Blvd Sewer Main Replacement					\$94,302
<b>AJA00002</b>	<b>Pipeline Rehabilitation</b>	<b>\$98,737,413</b>	<b>\$96,145,222</b>	<b>\$16,560,555</b>	<b>\$17,362,304</b>	<b>\$19,033,623</b>
B00347	SEWER MAIN REHAB PH J-1B (AA 460500)	\$2,334,788	\$3,055,461			\$242,749
B00469	PIPELINE REHAB PH H-1	\$6,585,361	\$6,585,361		\$534,818	\$1,106,069
B00471	PIPELINE REHAB PH J-1	\$4,801,017	\$4,801,017			\$58,775
B00474	PIPELINE REHAB PHASE D-2	\$1,676,073	\$1,676,073			\$68,720
B00521	PIPELINE REHAB PHASE J-1D	\$6,215,351	\$6,215,351	\$2,804,091	\$775,815	\$3,751,989
B00529	SEWER MAIN REHAB PH J-1A (AA 460500)	\$3,676,270	\$3,676,270			\$2,482
B00530	Sewer Main Rehabililtation Phase J-1C	\$4,135,853	\$4,135,852	\$1,086,965	\$31,400	\$963,666
B10141	PIPELINE REHABILITATION K-I	\$3,988,630	\$3,988,630	\$1,247,500	\$315,315	\$2,330,428

**WASTEWATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
B10142	PIPELINE REHABILITATION L-I	\$4,700,774	\$4,700,774	\$3,845,000	\$745,564	\$3,361,010
B10182	Pipeline Rehabilitation N-1	\$7,995,000	\$7,229,000	\$2,100,000	\$2,592,151	\$3,545,430
B10184	Pipeline Rehabilitation M-1	\$4,565,000	\$4,565,000	\$1,450,000	\$1,380,179	\$276,338
B10185	Pipeline Rehabilitation O-1	\$5,096,000	\$5,352,274	\$1,000,000	\$3,870,240	\$426,636
B10192	Pipeline Rehabilitation P-1	\$6,167,131	\$6,122,409	\$2,787,000	\$2,220,282	\$2,287,258
B11028	Pipeline Rehab - Phase K-2 (Laterals)					\$1,606
B11029	Pipeline Rehabilitation - Phase G-2 (Laterals)	\$4,000,000	\$4,000,000	\$50,000		\$1,429
B11030	Pipeline Rehabilitation - Phase I-2 (Laterals)	\$4,000,000	\$4,000,000			\$1,778
B11061	PIPELINE REHABILITATION - PHASE J-2 (LATERALS)	\$4,000,000	\$4,000,000			\$93,660
B11062	PIPELINE REHABILITATION R-1	\$5,710,400	\$4,845,972	\$40,000		\$124,413
B11074	PIPELINE REHABILITATION Q-1	\$6,543,000	\$6,027,335	\$100,000	\$4,896,542	\$168,264
B11078	PIPELINE REHABILITATION S-1	\$5,390,790	\$5,193,043	\$40,000		\$113,963
B11120	PIPELINE REHABILITATION T-1	\$7,155,975	\$5,975,400	\$10,000		\$106,960
<b>AJA00003</b>	<b>Unscheduled Projects</b>	<b>\$13,019,749</b>	<b>\$13,831,313</b>	<b>\$1,760,543</b>	<b>\$90,482</b>	<b>\$3,115,047</b>
B00495	SEWER GROUP JOB 785A ACCELERATED	\$2,649,967	\$2,649,967	\$1,700,000	\$90,482	\$1,400,307
B00496	WATSON RANCH CREEK CROSSING PIP					\$3
B00504	Manning Canyon Sewer and Water Replacement	\$4,108,917	\$4,998,185	\$60,543		\$59,082
B00507	FALSE BAY EMERGENCY	\$1,424,841	\$1,424,841			\$24,352
B00508	60TH STREET ACCELERATED	\$2,059,734	\$2,059,734			\$3,760
B00513	FAMOSIA ACCELERATED SEWER & WATER	\$2,076,290	\$1,998,586			\$7,841
B12088	Harbor Dr 48" TS Emerg MH Repl	\$700,000	\$700,000			\$1,619,703
<b>AJB00001</b>	<b>Metropolitan Waste Water Department Trunk Sewers</b>	<b>\$62,191,605</b>	<b>\$66,863,499</b>	<b>\$10,939,345</b>	<b>\$5,729,847</b>	<b>\$10,379,847</b>
B00302	54TH & MARKET	\$360,291	\$360,291	\$13,900		\$4,465
B00307	ALVARADO CHANNEL PIPE CROSSING ACCEL	\$723,255	\$738,712	\$55,515		\$28,466
B00310	OLD ROSE CYN TS RELOCATION	\$6,600,000	\$6,630,000			\$2,132

**WASTEWATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
B00311	CALTRANS/SR- 905 OTAY MESA TS	\$3,904,000	\$3,904,000			\$5,511
B00478	Balboa Terrace Trunk Sewer	\$6,387,169	\$9,496,368	\$600,000	-\$891,265	\$239,376
B00479	Pacific Highway Trunk Sewer	\$6,036,484	\$6,036,484	\$2,252,369	\$759,466	\$3,594,218
B00481	ALVARADO TRUNK SEWER PHIII	\$3,254,570	\$4,332,180	\$2,800,115		\$135,779
B00482	CROWN PT TS	\$4,814,072	\$4,814,072			\$29
B00483	PALM CITY TS	\$5,933,078	\$5,145,105	\$3,473,578	\$917,101	\$2,626,645
B00484	PENASQUITOS VIEW TS	\$2,139,207	\$2,139,207			\$1,119
B00485	HILLSIDE SEWER (TECHITE)					\$436
B00486	Sunset Cliffs Trunk Sewer	\$4,056,506	\$4,056,505	\$128,000		\$1,833,966
B00488	GRANTVILLE TS	\$4,768,476	\$4,359,432	\$1,549,398	\$1,168,899	\$1,822,349
B00490	PENASQUITOS NORTH TRUNK SEWER	\$3,661,452	\$3,661,452	\$10,230		
B00494	TRUNK SEWER #58 & #18 IMPROVEMENTS	\$4,772,935	\$4,772,935	\$56,240		
B00510	QUINCY ST. & WILBUR AVE.	\$2,080,110	\$2,080,110			\$547
B11112	Alvarado Trunk Sewer Phase IIIA	\$2,700,000	\$4,336,646		\$3,775,646	\$84,810
S00302	South Mission Valley Trunk Sewer	\$11,047,151	\$13,943,838	\$1,694,671	\$249,984	\$897,376
S00303	Pump Station Upgrades Group I North County	\$7,573,838	\$7,573,838			\$205,427
S00304	PS Upgrades Group II Cnty Wide	\$4,883,224	\$4,883,224	\$1,129,807	\$131,822	\$131,887
S00305	PS Upgrades Group III Forcemains	\$6,055,773	\$4,687,623	\$3,000,000	\$1,864,679	\$1,412,875
S00308	Pump Station 84 Upgrade & Pump Station 62 Abandon	\$13,265,500	\$13,265,500	\$500,000	\$168,562	\$329,491
S00325	Carmel Valley Trunk Sewer	\$10,707,151	\$10,707,151			\$3,655
S00329	East Point Loma Trunk Sewer	\$3,280,973	\$3,280,973	\$1,500,000	\$217,829	\$1,713,967
S00331	Balboa Avenue Trunk Sewer	\$2,718,160	\$2,991,041			\$82,142
S00332	Montezuma Trunk Sewer	\$4,039,298	\$5,736,198	\$100,000		-\$142,100
S00334	USIU Trunk Sewer	\$7,417,639	\$7,030,478	\$1,815,631	\$1,105,480	\$3,981,210
S00335	Lake Murray Trunk Sewer	\$10,366,815	\$10,366,815	\$401,944	\$879,247	\$864,843
S00336	Harbor Drive Trunk Sewer Replacement	\$12,398,748	\$12,398,748	\$3,875,000	\$6,013,434	\$1,422,307



**WASTEWATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
S00337	Sewer Pump Station 41 Rehabilitation	\$8,881,955	\$8,881,955	\$11,061	\$610,218	\$262,792
S00341	Pipeline Rehabilitation Phase F-1	\$10,260,957	\$9,062,157		\$520,447	\$31,294
S11100	CIS ERP Implementation	\$11,198,520	\$11,198,520			\$3,290,902
S12035	BALBOA TERRACE TRUNK SEWER				\$1,094,677	\$201,566
S12036	Backup Generators at Sewer PS's, TP, & EMTS				\$577,163	\$6,273,428
<b>ABO00001</b>	<b>Metro Treatment Plants</b>	<b>\$22,882,610</b>	<b>\$22,550,480</b>	<b>\$2,961,398</b>	<b>\$4,249,087</b>	<b>\$2,819,516</b>
B00314	MBC BIOSOLIDS SCREEN & BLENDING TANK BYP	\$945,846	\$945,846			\$689
B00315	MBC Chemical Storage & Handling System	\$439,131	\$439,131			\$5,328
B00316	MBC ACCESS ROAD DRAINAGE IMPROVEMENTS (A	\$288,184	\$288,184	\$211,779	\$12,781	\$202,032
B00318	MBC RAW SOLIDS RECEIVING TANK NO. 1 ISO					\$5,003
B00321	NCWRP LAB AIR CONDITIONING UPGRADE					\$2,991
B00527	NCWRP EDR #6	\$1,823,464	\$1,823,464			\$163,814
B00528	MBC WATER SYSTEMS IMPROVEMENTS	\$1,179,355	\$1,179,355	\$249,619	\$67,709	\$930,049
B10085	PTL Sedimentation Basins Equip Refurbish	\$8,386,630	\$7,954,500	\$950,000	\$608,960	\$809,966
B10178	MBC Chemical System Improvements Phase 2	\$5,070,000	\$5,070,000	\$1,000,000		\$65,815
B10225	PTLWTP - POWER CENTER 6	\$250,000	\$250,000	\$50,000		\$21,811
B11076	PTLWTP PC 6 Transformer Cabinet & Switchboard Repl	\$300,000	\$400,000		\$280,702	\$36,943
B11139	North City Cogeneration Facility Expansion	\$4,200,000	\$4,200,000	\$500,000	\$3,278,935	\$575,075
<b>ABP00002</b>	<b>Metropolitan System Pump Stations</b>	<b>\$9,935,000</b>	<b>\$9,935,000</b>	<b>\$2,000,000</b>	<b>\$650,927</b>	<b>\$2,213,505</b>
B00313	PS 1&2 ELECTRICAL UPG & NEW BLDG AT PS2	\$9,935,000	\$9,935,000	\$2,000,000	\$650,927	\$2,213,505
L100001	Ovation Upgrade at Pt Loma Wastewater Trmt Plant	\$4,180,000	\$4,180,000	\$3,200,000	\$1,049,958	\$2,718,474
S00320	Metro Facilities Control System Upgrade Phase I	\$7,000,000	\$7,000,429			\$10,014
S00309	NCWRP Sludge Pump Station Upgrade	\$626,294	\$636,294	\$283,000	\$60,991	\$66,607
S00312	PS2 Power Reliability & Surge Protection	\$31,500,000	\$31,200,000	\$100,000		\$100,846
S00314	Wet Weather Storage Facility	\$112,001,859	\$112,001,859	\$50,000	\$8,684	\$72,894

**WASTEWATER**

<b>Funded Program</b>	<b>Project Name</b>	<b>Baseline Project Cost</b>	<b>Revised Project Cost</b>	<b>FY12 Projected Expenditures Total</b>	<b>FY12 Period 12 Encumbrances SAP (unaudited)</b>	<b>FY12 Period 12 Actual Expenditures SAP (unaudited)</b>
S00315	Point Loma Grit Processing Improvements	\$32,922,630	\$33,296,326	\$8,000,000	\$6,767,028	\$5,200,719
S00316	Pt Loma-South Access Road Protection Project					\$379
S00321	MBC Centrate Collection Upgrades	\$2,311,159	\$2,311,159	\$27,061		\$107,610
S00322	MBC Biosolids Storage Silos	\$7,553,500	\$7,553,500	\$100,000	\$302,773	\$39,989
S00323	MBC Odor Control Facility Upgrades	\$5,200,000	\$5,200,000	\$500,000	\$1,046,368	\$71,970
S00339	MBC Dewatering Centrifuges Replacement	\$12,000,000	\$12,000,000	\$500,000		\$110,058
	<b>TOTAL</b>	<b>\$891,081,692</b>	<b>\$894,457,101</b>	<b>\$101,722,341</b>	<b>\$64,593,542</b>	<b>\$104,559,390</b>



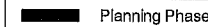
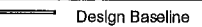




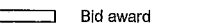


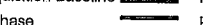
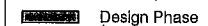
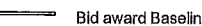







IROC Report - Sewer Projects

Data date: August 1st, 2012

Activity ID	Activity Name	Start	Finish	FY2010		FY2011				FY2012				FY2013				FY2014				FY2015				FY2016				FY2017				FY2018				FY2019				FY2020				FY2021				FY2022			
				FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4						
<b>SA-ABP00001 Pump Station Restorations</b>																																																					
B00476	SPS 13 REHAB	1/1/10 A	5/15/15																																																		
B00499	Sewer PS 27 Restoration 06/05 ...	3/6/05 A	12/6/13																																																		
B00500	Skylark Canyon Sewer Repl II (LJ)	12/20/11 A	6/12/16																																																		
B00503	Sewer PS 27 Phase II	6/21/07 A	12/6/13																																																		
B01095	MISSION BAY SEWER INTERCE...	2/28/09 A	7/2/13																																																		
<b>SB-ABP00003 Pump Station 64.65. Penas...</b>																																																					
B00306	Pump Station 65 Capacity Upgra...	9/27/07 A	7/20/15																																																		
B10224	Sewer Pump Station 64 Force M...	6/1/06 A	3/7/14																																																		
<b>SC-AJA00001 Sewer Main Replacements</b>																																																					
B00322	3011 - Swr & Wtr GJ 648 (KE)	12/19/05 A	8/15/13																																																		
B00323	3011 - Sewer GJ 649 (KE)	10/28/06 A	8/15/13																																																		
B00324	3011 - Swr & Wtr GJ 650 (KE)	12/21/05 A	8/15/13																																																		
B00326	Sewer Group 685 (OT) (03)	12/5/09 A	12/11/17																																																		
B00327	Sewer Group 644	9/3/09 A	8/15/13																																																		
B00328	Sewer Group 688	6/2/07 A	6/5/12																																																		
B00329	Sewer Group 682 (BP6) (04)	3/2/05 A	6/23/13																																																		
B00331	Sewer Group 678	12/2/02 A	4/10/16																																																		
B00332	Sewer & Water Group 684A (CH...	12/1/07 A	8/15/12																																																		
B00333	3014 - Swr & Wtr Grp 686 (CH3) ...	11/14/07 A	2/18/21																																																		
B00334	Sewer & Water Group 689 (GP3)...	12/6/07 A	12/9/12																																																		
B00336	Sewer & Water Group 683A (CH)	6/18/01 A	8/15/12																																																		
B00336	Sewer Group 728	11/14/00 A	6/4/13																																																		
B00337	Sewer Group Job 727	11/14/00 A	7/7/16																																																		
B00338	Sewer & Water Group 728 (PN4) ...	11/14/00 A	6/24/13																																																		
B00339	Sewer Group 729	11/14/00 A	2/1/13																																																		
B00340	Sewer & Water Group 730 (PN6) ...	11/15/00 A	11/14/12																																																		
B00341	Sewer & Water Group 731 (PN6) ...	11/14/00 A	10/1/12																																																		
B00342	Sewer & Water Group 732 (PN7) ...	11/17/00 A	4/28/15																																																		
B00343	Sewer Group 734 (SE1) (04)	3/28/01 A	1/4/13																																																		
B00344	Water & Sewer Group 644 (OB1)...	3/18/99 A	4/9/13																																																		
B00346	Sewer Group 736	2/12/01 A	7/7/16																																																		
B00346	Sewer Group 697A	8/1/01 A	6/16/22																																																		
B00348	Sewer & Water Group 740 (OB2)...	8/18/01 A	10/17/13																																																		
B00349	Sewer Group 739	8/18/01 A	11/19/12																																																		
B00352	Sewer Group 742 (LJ20VC)	8/18/01 A	4/9/12																																																		
B00353	Sewer Group 743	11/2/09 A	10/11/17																																																		
B00354	Sewer Group 746	8/28/01 A	12/22/12																																																		
B00356	Sewer & Water Group 747 (CC30...	8/28/01 A	4/7/12																																																		
B00356	Sewer Group 748	10/27/01 A	4/26/13																																																		
B00358	Sewer Group 749	11/4/02 A	8/14/13																																																		
B00359	Sewer Group 750	10/30/01 A	4/23/13																																																		
B00360	Sewer Group 762	8/1/09 A	10/9/17																																																		
B00361	Sewer Group 763	11/29/01 A	7/26/13																																																		
B00362	Sewer & Water Group 764	11/29/01 A	12/4/13																																																		
B00363	Sewer Group 766 (CM47VC)	11/29/07 A	1/22/13																																																		
B00366	Sewer & Water Group 768	2/14/02 A	11/13/16																																																		
B00366	Sewer & Water Group 769 (OB103)	11/27/01 A	6/14/13																																																		
B00368	Sewer Group 764	5/1/00 A	3/30/18																																																		
B00370	Sewer Group 767	5/1/00 A	1/22/14																																																		
B00371	Sewer & Water Group 768	1/3/02 A	8/4/13																																																		
B00372	Sewer & Water Group 761	8/10/09 A	6/11/15																																																		
B00373	Group 3015 - Sewer Group 762 (...)	5/15/02 A	7/9/13																																																		
B00377	Sewer & Water Group 772 (KE)	6/24/02 A	1/22/12																																																		
B00378	Sewer Group 784 (EA)	8/10/02 A	8/15/15																																																		
B00379	Sewer & Water Group 788 (EA)	8/23/02 A	7/26/15																																																		
B00380	Sewer Group 764A	5/1/00 A	3/8/18																																																		
B00381	Sewer & Water Group 789 (LV)	5/1/00 A	10/6/13																																																		
B00382	Sewer & Water Group 820 (LJ)	6/2/03 A	4/21/16																																																		
B00383	Sewer Group 786	11/2/09 A	1/17/18																																																		
B00384	43rd St. & National Ave. Reallgm...	1/6/02 A	2/8/13																																																		
B00386	Sewer & Water Group 774 (CH12...	10/24/02 A	4/26/14																																																		
B00388	Sewer Group 778	11/2/09 A	3/30/17																																																		
B00389	Sewer & Water Group 780 (CH)	10/1/02 A	9/30/13																																																		
B00390	Sewer & Water Group 781 (CH)	10/1/02 A	11/20/13																																																		
B00393	Sewer Group 787	8/1/02 A	11/22/15																																																		
B00394	Sewer Group 783	10/1/02 A	4/24/17																																																		
B00396	Sewer Group 794	11/2/09 A	12/22/16																																																		
B00396	Sewer Group Job 796	11/1/11 A	8/1/18																																																		
B00401	Sewer & Water Group 785 Cany...	12/23/02 A	10/2/13																																																		
B00403	Sewer Group Job 807	11/2/09 A	2/14/20																																																		
B00404	Group 3018 - Sewer Group 806 (...)	5/18/02 A	8/18/13																																																		
B00405	Sewer & Water Group 792	12/2/02 A	10/18/13																																																		
B00410	3014 - Swr & Wtr Grp 770 (CH)	4/7/05 A	2/18/21																																																		
B00411	Sewer Group 799A	3/25/03 A	8/18/13																																																		
B00412	Sewer Group 808 (RB)	6/2/03 A	6/2/16																																																		
B00413	Sewer Group 821	4/1/04 A	3/8/18																																																		

 Planning Phase	 Design Baseline	 Land Acquisition Phase	 Equipment acquisition Baseline	 Post Construction Phase
 Planning Baseline	 Bid award	 Land Acquisition Baseline	 Construction Phase	 Post Construction Baseline
 Design Phase	 Bid award Baseline	 Equipment acquisition Phase	 Construction Baseline	 Milestone



