

Independent Rates Oversight Committee - IROC
April 14, 2008

M I N U T E S

Roll Call

Chairperson Billings had Monica Musaraca call the roll at 10:00, and a quorum was declared. Attendance is reflected below:

Member	Present	Absent	Alt.
Donald Billings, Chair	X		
Larry Clemens	X		
Linda Cocking	X		
Jack Kubota		X	
Barry Newman	X		
Jim Peugh	X		
Charles Richardson	X		
Irene Stallard-Rodriguez <i>arrived at 10:02</i>	X		
Todd Webster	X		
Gail Welch		X	

Ex-Officios

August Caires (for Scott Tulloch)			X
Yen Tu		X	

1. Non-Agenda Public Comment

There was no non-agenda public comment.

2. Approval of Minutes from March 10, 2008

Chairperson Billings called for a motion to approve the minutes. Mr. Richardson mentioned that some comments from Agenda Item 6 at the March 10th meeting were not reflected in the minutes. Specifically, Mr. Richardson's concerns regarding the economic cost versus benefit of implementing Phase 1 of the AMR Program among the Water Department's rate payers. He wanted it noted that the AMR Program, as presented to IROC on March 10th, did not contain any information on the possibility of increased revenues for the Water Department as a result of the AMR Program and that the expected operational cost reductions for the Department, as a result of implementing the AMR Program would probably be more than offset by the interest costs of the borrowings associated with funding Phase 1 of the AMR Program. He added that since the Department's presentation also indicated that it would be cost prohibited to roll out that program to all of its 270,000+ ratepayer customers, Phase 1, as presented appeared to represent a system and service enhancement for those 27,000 customers expected to receive an AMR meter in Phase 1, while the other 243,000 meter customers would ultimately be paying for the vast majority of the cost of Phase 1 through their water rate assessments. Mr. Richardson went on to state that he viewed the AMR Program as something that the Water Department should be considering, however, until the Water Department can demonstrate to IROC that the people who will receive the benefit of such a system and service enhancement will also

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bear their fair share of the cost of such a Program, the AMR Program, as currently presented, doesn't represent a Program that IROC should endorse at this time. Chairperson Billings then suggested that future minutes fully reflect discussions at a more detailed level. It was asked that the minutes from March 10 be amended to reflect the discussion on Item 6 – Automated Meter Reading, Water Department. Also, it was noticed that Scott Tulloch was not marked on the roll call for the March 10 meeting, he was present at the meeting and it will be reflected. Mr. Newman moved to approve the amended minutes, Mr. Richardson seconded, with Committee Members Kabota and Welch absent, it was unanimous to have the March minutes approved as amended, on the record by Mr. Richardson.

3. Chair Updates

Chairperson Billings commented that future minutes need to be more detailed. He also mentioned the resignation of Committee Member John Nelson. The Mayor's office has been notified and is in the process of looking for a replacement.

4. Staff Updates

➤ Water Department

No updates to report at this time.

➤ Metropolitan Wastewater Department

No updates to report at this time.

5. The Mayor's FY2009 Proposed Budget

Ernie Linares gave an overview of what is to take place over the next few months. He stated that the Mayor releases the proposed FY09 Budget on April 15, 2008 and there will be a presentation summarizing the City budget at that time. He said once the proposed budget is issued to the City Council, they have the charge of adopting the final budget by City Charter, by June 30, 2008. The Water/MWWD Budget is scheduled to be heard by City Council on May 1, 2008 approximately between 2:30-5:00 pm. The Actual Budget will be available for viewing on the City's website this week. The Water and MWWD Budget pages will be sent to the IROC via email.

6. Capital Improvement Program Reporting Format Follow-Up

Sam Gray, Program Manager of Business & Support Services, Water Department mentioned that they gave a presentation on a series of reports on the status of the Capital Improvements Program to the Finance Subcommittee last month, which through suggestions of the members, created modified reports to share today. Mr. Gray indicated the reports were being presented primarily for review of format, to ensure they presented the type of information the Committee would find useful.

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He touched on the overall graphic of the FY08 Water CIP Cumulative Actual Expenditures compared to the original Rate Case and Current Year Forecasts and Annual Allocation of Water Main Replacements FY08 Period 9. He referred to tables he provided outlining the Top 15 Rate Case CIP for FY08, Period 9 which included items listed by project types and phases. He noted that this provides a summary of the entire program. These projects comprise 90% of the estimated expenditures for FY08. Mr. Gray provided and explained a detailed graphic of the Summary Schedule of Construction for the Water Department / Water Policy and Strategic Planning, which is a list of implemented projects showing what phase of the project they are, including the start and finish dates of construction, amount expended compared to the estimated cost at completion. He also made available the Water Department CIP 15 Year Rate Case Comparison – Current vs. Baseline, which outlines changes of costs in each fiscal year and in total for the project as well as changes in schedule. Lastly, Mr. Gray provided the quarterly report to the California Department of Public Health dated February 25, 2008 from Jim Barrett, Director of Public Utilities, Subject: California Department of Public Health Status Report for the Period Ending December 31, 2007. This report tells the status of each of the compliance items whether it has been completed, on schedule, or behind schedule, and some explaining factors. Mr. Gray offered his assistance to any of the members who may have input or ideas in regard to the reports and their format. The Committee referred the reports to a future meeting of the Finance Subcommittee for further review and discussion.

7. **Seismic Retrofit Project Funding – Water**

Sam Gray asked the Committee for support to transfer funds from an existing CIP (Miramar Water Treatment Plant Expansion Project) to the Seismic Retrofit CIP. Both of these projects were in the Rate Case, however, in budgeting for FY08, the retrofit project did not get budgeted, due to a need to focus on higher priority projects. The retrofit project has received grants from FEMA which will reimburse 75% of costs up to a total of \$3M for costs incurred between Feb 06 and Jan 09. Mr. Gray suggested taking advantage of those grants and fund the Retrofit Project, since monies are available in the Miramar Water Treatment Plant Project as a result of bids coming in lower than estimated. Mr. Gray noted that the appropriations are available during this year and reiterated his suggestion to transfer \$3,818,091 from the Miramar Project to the Seismic Retrofit Projects, asking for IROC's support for the transfer.

Mr. Richardson mentioned the DRES, and asked if it would be used for available funds for other projects, and if so, why wouldn't funds be moved from these projects into the DRES to feed these projects to have accountability? Mr. Richardson stated that he would like to see the monies transferred into the DRES, then have the ability to fund other projects, to be in compliance with what the DRES was intended for. Mr. Gray agreed that it would be appropriate to show

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this transfer going through the DRES and indicated that the spread sheet for DRES transactions would record it that way.

Mr. Peugh shared his concerns in regard to funds being available to transfer to this project when there are no funds available for the IPR and where it is on the list of priorities. He said he would like to see a more systematic list of unfunded projects, that will come up as money is available. Mr. Barrett offered that there is a difference between the types of projects that were proposed categorically within the Rate Case and those that were not and the IPR was not included. He indicated that in order to fund the IPR he felt it would be necessary to do a new 218 notice process describing this new use of water funds. Mr. Barrett stated that he does not feel we have the authority to spend money from that prior Rate Case on projects we specifically said were not contemplated. Upon motion by Chairperson Billings, Mr. Newman moved for approval and support of this request of Council Action. Mr. Richardson seconded. With members Kubota and Welch absent, all in favor with 1 opposed.

8. Identification of funds for a Lab Roof - Water

Sam Gray informed IROC that this is to create a new CIP project which was replacement of the roof of the joint lab at Alvarado, used both by the Water and Wastewater Departments on a proportional basis. He explained the history of the roof and how it has been leaking for approximately 5 years. At the time the Rate Case was prepared, it was assumed the repair could be accomplished at a fairly low cost, so it is not included as a CIP in the Rate Case. He stated that the repairs in need have now risen to the level of a CIP. The total cost is over \$600K, roughly \$200K from Water and \$400K from Wastewater. Mr. Gray explained that the Water fund has identified O&M's savings in its Operation Division which can be transferred to the new CIP project for this purpose. Wastewater has identified funds out of its annual allocation for construction contingencies which can be transferred for this purpose. Mr. Gray asked for IROC support for these transfers.

Mr. Richardson asked for a description of what this repair would entail. Jim Fisher, Deputy Director, Water Department Operations Division gave an overview of the project. Because of the changes in regulations and needs, the present roof had extensive work done for HVAC which caused penetrations in the roof, and numerous leaks. But with this project completed, and a new roof being installed, it should have a life of 30-40 years.

Chairperson Billings questioned the contracting process and asked if this was a sole source contract. Mr. Fisher stated that this contract will be done through the General Services Department, where they have a roofing contractor on board already, to fulfill any roofing needs during the contract period. Chairperson

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Billings called for a motion to approve and support the request, Mr. Newman moved and Mr. Webster seconded. With members Kubota and Welch absent, all were in favor.

Mr. Peugh reiterated his concerns regarding the availability of funds for this project but not for IPR. Other members of the Committee echoed those concerns. The Committee directed both the Water and Wastewater departments to return at a later date with list of projects not in their programs, requiring funding in the foreseeable future. The Departments committed to providing such lists.

9. **ISO 14001 Review Services for Water Department**

Jim Fisher gave a brief overview of the program. He stated in 2005 the Water Department entered into an ISO 14001 Environmental Management System, was certified in 2005, and recently went through an external audit for recertification with only 9 minor nonconformities, and working toward recertification for another 3 years. Mr. Fisher then introduced Linda Fox, ISO Consultant. Ms. Fox gave a presentation on ISO 14001 Environmental Management System and the benefits. She touched on the successful milestone for water operations of achieving ISO 14001 recertification of Environmental Management System in 2008; nationally/internationally recognized certification of excellence; environmental and regulatory compliance, product/service excellence and customer satisfaction. Ms. Fox gave a few reasons why companies select ISO 14001 such as to “build quality in” to processes and ensure products and services satisfy customers, and to eliminate waste and stabilize work processes. She said it helps identify the right objectives, improvement programs and metrics to achieve employee participation and buy-in to create a culture of continuous improvements versus a one-time gain. She explained the key areas which layout a roadmap of what the required policies and procedures are of the primary business, and went over the matrix for the program that would be tailored to the needs and targets of the Water Department.

Jim Barrett added that this significant program has wide recognition in the commercial and private sectors, and suggested that this could be used as a performance audit, and encourages involvement, so it can be used to satisfy the performance audit, perhaps.

Mr. Newman asked if there were levels of certification and Ms. Fox answered no, either there is a certification through a third party audit, or not. She explained that performance is not graded, it is looked at overall, and wanting to see that the program is maturing and the objectives and targets tailored are improving. She also added that for the audit, there must be a comprehensive system in place as well as meeting measurable objectives. It is a program of continual improvement rather than a one-shot deal. The process doesn't actually set the goals, but once

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the goals are defined, it enables you to see where you are in terms of compliance with the goals and what you may have to do to catch up.

Mr. Peugh commented that the Environmental & Technical Subcommittee is working on a performance audit they think would describe how well the two departments are doing, and wanted to know if there is a document that may give them some guidance. Ms. Fox offered her assistance, and is available to meet informally when ready.

10. Committee Updates

a. Finance

Mr. Richardson went over the March 17 meeting minutes and mentioned they will be doing a follow up on items 2 and 3 in their next meeting of April 14, following this IROC meeting, as well as a presentation by Sam Gray. No other comments.

b. Environmental & Technical

Mr. Peugh referred to his meeting minutes which were later distributed. He pointed out the discussion of the MWWWD Strategic Plan including and its relationship to a performance audit. He believes it should measure how the system works in terms of costs, maintenance, compliance, court orders, expansion, improvements, outreach, customer service, emergency response, impact on the environment, and accountability. They are eager to see what the ISO 14001 has to offer in regard to these measures. A presentation was given on proposed "live stream discharge" from NCWRP including purpose, cost and alternatives, as well as on wet weather flows that exceed the capacity of PS2 and the Treatment Plant. He suggested having someone from the LA Plants come to IROC in the future, to talk about what they have learned through the process and what their motivations were to go to secondary. Mr. Newman added that he learned recently of the huge amount of pharmaceutical drugs and other drugs found by people flushing them down the toilets. He believes there is a much bigger input of pharmaceuticals in our wastewater supply than assumed.

c. Public Outreach, Education & Customer Service

Mr. Clemens referred to two Meeting Minutes documents included in the package, which are March 3 and April 7. To know more about what the Water and Wastewater Departments do with regard to public outreach and education and customer service, Mike Bresnahan and Kurt Kidman were in attendance at the March 3 meeting and gave a lot of insight and answered questions about how these their office operates. Mr. Clemens appreciated the information, they gained a lot of knowledge at this meeting. On April 7 meeting, further discussions occurred with them. Most of the information

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gained centered on water conservation, how public outreach is being handled, and what the points of emphasis are. Mr. Clemens said that a question that came about with regard to conservation, and the master meters vs. individual meters and where the emphasis to conserve water if you are not actually paying the bill. This was directed back to the Finance Committee, since there could be savings here. Mr. Clemens said the Subcommittee discussed the AMR Program, which will be presented to Council in July 08. Ms. Welch showed concern with the prioritization of this program, and believes the existing residences should be first in line, since they are the ones controlling the bulk of the water usage and would have great benefit of knowing what their consumption habits are. Mr. Clemens stated they invited back John Gavares, who enlightened them on the Strategic Planning Process and the opportunities of outreach programs available. Mr. Gavares will return in May to provide background on public outreach from past years.

11. Proposed Agenda Items for next IROC meeting of 4/14/08

Mr. Ruiz offered items that may be of interest.

- The City has received communications from the First 5 Commission of San Diego County offering funding to fluoridate the water and under state law provided those funds come forward to the City; the City will be required to implement fluoridation.
- The proposed rate increases as a result of the Metropolitan Water District's increase and wholesale costs. The County Water Authority is proposing to increase its costs to its member agencies. He would like to come back and describe background, the process and what the anticipations are.
- The Water Department will be inserting language into the customer bills which is required as a result of the Michael Shames lawsuit that was settled. As part of that settlement, we are required to provide bill inserts 3 times a year, on behalf of UCAN. Chairperson billing suggested this may be a good item for the Public Outreach & Customer Service Subcommittee.

12. IROC Members Comments

Mr. Newman asked about the process of the items going to City Council that were approved/supported and how IROC is to be involved. Mr. Zeleny stated that the votes will be reflected in the minutes, and generally when those items are taken to Council, it is noted in report to Council that the matter has been reviewed by IROC and what the vote was. Bob Ferrier concurred. Mr. Ruiz estimated that it would occur within the next couple of weeks, and offered to communicate when these items will be heard. Chairperson Billings thanked the hard work from the City.

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Adjournment of IROC

At 11:47 Chairperson Billings called for a motion to adjourn, Mr. Newman moved and Mr. Clemens seconded, unanimously the meeting was adjourned.

Next Meeting: May 12, 2008, 10:00 a.m. – 12:00 noon.

Location: Metropolitan Wastewater Department, Auditorium, 9192
Topaz Way, San Diego, CA 92123 – (858)292-6300