

Independent Rates Oversight Committee – IROC

May 16, 2011

MINUTES

1. **Roll Call**

Chairperson Peugh brought the meeting to order at 9:32 a.m. Monica Foster called the roll and a quorum was declared. Attendance is reflected below:

Member	Present	Absent
Jim Peugh, Chair	X	
Don Billings	X	
Christopher Dull	X	
Andy Hollingworth, Vice Chair		X
Jack Kubota	X	
Colin Murray		X
Irene Stallard-Rodriguez	X	
Todd Webster	X	
Gail Welch		X
Ex-Officios		
Augie Caires, Metro JPA	X	
Ken Williams, City 10		X
Yen Tu, City 10 Alternate	X	

Department representatives: Roger Bailey, Director of Public Utilities; Alex Ruiz, Assistant Director, Tom Crane, Assistant Director, and Tom Zeleny, Deputy City Attorney.

2. **Non-Agenda Public Comment**

None.

3. **Approval of Draft Minutes from April 18, 2011**

Action: Chairperson Peugh noted on page 6, Item 7, second full paragraph, “201” should be corrected to read “2011”. He then asked for a motion to approve the April 18, 2011 Draft Minutes. Committee Member Billings moved, Committee Member Kubota seconded, with Committee Members Dull and Webster abstaining and Committee Members Hollingworth, Murray and Welch absent, all others were in favor to approve the Draft Minutes with said correction.

4. **Chair Updates – Chairperson Peugh**

- Commented that Members Dull, Stallard-Rodriguez, Welch, Billings and himself were recently reappointed to IROC by City Council.

5. **City Staff Updates - Roger Bailey, Public Utilities Director**

- Announced that Public Utilities won the California Center for Sustainable Energy 2010 Outstanding Organization Energy Award, as well as an award from the San Diego Earth Works for the “No Water to Waste” public education campaign.
- Councilmember Lightner will be presenting the Comprehensive Policy for Sustainable Water Supply in San Diego. We worked closely with the

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Councilmember, and she was very gracious and generous in accepting our concerns and input, and we are in support of the Policy she is proposing.

- Mayor's office staff will be presenting updates on the Managed Competition Program as there have been changes since last meeting.
- Committee Member Billings asked to discuss Water Budget Based Billing at a future meeting with the emphasis on the advisability and potential unintended consequences.

6. **Support for Managed Competition Program's Preliminary Statement of Work for Public Utilities Customer Service Functions**

This item was heard out of order, following item 6. Barbara Lamb, Program Manager, Business Office, indicated that following the previous IROC meeting, they presented to the Rules Committee for approval of the Preliminary Statement of Work (SOW) and will move forward to full Council. She noted this is a step outlined in the Managed Competition Guide.

Ms. Lamb presented the same presentation used in the Rules Committee for a better understanding of the Preliminary SOW. She also included a memo answering Chairperson Peugh's questions.

She stated the purpose of the Preliminary SOW is to document the service levels associated with the delivery of the function(s) selected for competition. The service levels will be based on current status and/or what the City is required to perform per existing Ordinance. She added that the Preliminary SOW will also include descriptions of the function(s) to be competitively sourced and the current or budgeted service level associated with the function(s) selected for competition.

She listed the current services and current performance standards for the Customer Service function in the Public Utilities Department, which is also described in great detail in the Preliminary SOW document. She also discussed the current performance standards identified to measure how those services are conducted. She noted the action before Council is to determine whether they want to procure the current service level or if they would like to change it.

Last, Ms. Lamb listed the next steps after Council approval. She added if the Mayor recommends awarding to an outside bidder, the meet and confer process will begin. She then asked for comments and questions:

Committee Member Billings thanked Ms. Lamb and her colleague, Maureen Jugar, for presenting additional material. He reiterated from past meeting, he still has many questions to feel comfortable approving. He asked for details in regard to the bidders having a reasonable pay structure and set of benefits that are considered to be comparable to those the City offers, to make all things fair. Ms. Lamb indicated managed competition procurements are subject to all of the same rules every City contract must

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abide by, including the living wage ordinance, equal benefits, equal opportunity, etc. and there are no exceptions made.

Corinne Wilson, public comment, representing Center on Policy Initiatives, suggested additions/comments to the Preliminary SOW as follows: 1) service needs to stay local; 2) ensure a rapid and effective response to water main breaks, sewage spills, etc; 3) it comes with ancillary documents that discuss the impact on related services; 4) requirements to maintain current hours and locations of customer service offices; and 5) needs standards set to how a contractor would handle sensitive billing information. Therefore, she would like to understand how the relationship between customer service and the Department charged with responding to breaks or spills is going to be managed.

Cathleen Higgins, public comment, advisory member of the employee proposal team representing Municipal Employees Association, indicated she has been through the previous managed competition process with Publishing Services. She expressed her concern with the current implementation of a very sophisticated computer program that is not guaranteed to work properly.

Committee Member Billings asked for information regarding the costs incurred by ratepayers to run this. Ms. Lamb reminded him that this is a managed competition that the City employees have a good chance of winning the award. She added there are a number of different types of costs associated, for instance the Business Office (6 employees) is responsible for a portion of the work, and a Consultant that specializes in competitions is specifically used to provide support for the employee proposal teams. The Consultant is under contract with General Fund money (not ratepayer money) and provided to the employee proposal teams to help prepare responses. In reference to the continuing government organization, the costs are taken into account in the proposal evaluation process in terms of the cost proposals (cost evaluation tool).

He then asked to see indemnification to the City if an outside vendor fails to relay information to the City in a timely manner. He also suggested that the service provider operating customer service not be the responder to customer complaints. Ms. Lamb indicated the service provider should be held responsible for providing good customer service as always. Committee Member Billings requested customer complaints go independently outside of this function, to the Department. Mr. Ruiz indicated may be captured.

Chairperson Peugh shared his uncertainty of the risk of going through with this process of transitioning to a new provider before the software implementation is stable and upgrades and efficiencies in the software are assessed. Ms. Lamb commented the schedule for this procurement does not result in the cut over to a new provider or a retooled City provider until January, 2013, which is quite sometime after the go-live date of Customer Care Solutions. She added it is one of the SOW team's tasks to make sure all risks are identified and addressed.

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Committee Member Kubota asked if it is stipulated that any outside service provider cannot outsource any portions outside the country. Ms. Lamb indicated it must only be domestic providers.

Mr. Ruiz commented he has met with the Business Office and realizes it will be a challenge. However, he feels it is a challenge we can meet. He added naturally there are risks, and he has made it clear that the main focus is to ensure we are billing accurately. If there are any issues, it will be brought before IROC. Chairperson Peugh reiterated he does not believe the water and sewer emergency repair services should not be in managed competition at all. He then asked for a motion.

Action (1): Committee Member Dull made a motion to support the Preliminary SOW for the Public Utilities Customer Service functions. Committee Member Webster seconded the motion. With Committee Members Hollingworth, Murray and Welch absent, no others were in favor. **Motion failed.**

Action (2): Chairperson Peugh made a motion to recommend that water and sewer emergency repair reporting services not be included in the Managed Competition and that Managed Competition be delayed until SAP software is fully integrated and all tweaks, interfaces and inefficiencies are resolved. Committee Member Billings seconded the motion. With Committee Members Hollingworth, Murray and Welch absent, no others were in favor. **Motion failed.**

Action (3): Chairperson Peugh then made a motion to only recommend that water and sewer emergency repair reporting services not be included in Managed Competition. Committee Member Webster seconded.

Committee Member Dull commented it would be beneficial to have the awarded service provider take this responsibility, so the constituents can call to report problems. In turn the service provider would relay the message to the correct party for repair. Mr. Ruiz indicated there is a specified number for emergency calls, and would refer them to the field operations. We can require the service provider to forward these calls to the correct party. This may be integrated within the call center operation if needed.

Committee Member Billings added that the risks involved are if it is an outside service provider, the City will be only one of their many clients, they are not familiar with the areas due to being located in other states most likely, and may not be notified timely and accurately. Committee Member Dull concurred, and perhaps there can be a metric in place that if a customer service agent receives an emergency call, there would be defined rules of how quickly it should be relayed to the utility. Ms. Lamb indicated it is anticipated that all non-City proposers shall provide a performance bond. Chairperson Peugh asked if it is possible to have an element in the SOW that must relay the information within a certain amount of time. Ms. Lamb agreed.

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With Committee Members Hollingworth, Murray and Welch absent, all others were in favor of the later recommendation by Chairperson Peugh (Action 3).

7. **2010 Urban Water Management Plan**

Marsi Steirer, Deputy Director, Long Range Planning & Water Resources, indicated a presentation will be given to the Natural Resources & Culture Committee on Wednesday. This document is also available on their website, and will be taking public comments. She added if any members other than those who already responded would like to volunteer for the Long Range Water Resources Plan to let her know.

Mr. Glanville, Project Manager, referred to a provided presentation, and gave background on the Urban Water Management Plan (UWMP). He indicated the UWMP Act (est. 1983) is required by law every 5 years for suppliers with more than 3000 customers, or deliver more than 3,000 acre-feet per year. It is also required for funding or drought assistance from the state and includes detailed information on future supply development, and coordinates with other agencies.

He then listed the UWMP Objectives and the new requirements. He described the computer water demand model to forecast the City's water demands from SANDAG. He noted other data used in the water demand forecast include the marginal price of water and sewer, weather data, historic water use data, and conservation parameters. Based on the City's long term water demand forecast which counts for savings from water conservation programs, the City is on track to be in compliance with the 2015 and the 2020 targets.

Mr. Glanville then reviewed the 2010 UWMP schedule of activities showing accomplishments and milestone dates. He noted we anticipate seeking adoption of the 2010 UWMP at City Council in late June. Ms. Steirer added this Plan is on their website and part of the process is a series of hearings and outreach.

Action: Chairperson Peugh asked for a motion. Committee Member Dull moved to support the 2010 UWMP, Committee Member Stallard-Rodriguez seconded, with Committee Members Hollingworth, Murray and Welch absent, all others were in favor of support of the 2010 UWMP.

8. **Comprehensive Policy for a Sustainable Water Supply in San Diego**

This item was heard out of order, following Item 5. Councilmember Lightner indicated she is asking for IROC's support of the draft Policy, which was presented to IROC in February and to the IROC Environmental & Technical Sub-committee in April. She noted that it was supported in concept at the full IROC meeting.

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Councilmember Lightner referred to, and explained a strike out version of the new Draft indicating all section addition/deletions as well as word changes that were not modifying the original intent of the Policy. She is open to suggestions proposed by IROC. She then asked for comments/recommendations from IROC members. The following is a summary of comments:

Committee Chair Peugh: Page 4, Item 13 of the strike-out version, recommended adding the City of San Diego’s “...and distribution system”, along with the transportation, treatment, and storage systems. Councilmember Lightner concurred.

Committee Member Peugh: Page 5, Item 6 of the strike-out version, recommended adding words to reflect, “... in ways that do not degrade our natural environment or surface water quality”, for instance. Councilmember Lightner concurred to acknowledge this in some way, along the lines of best management practices.

Committee Member Peugh: Page 6, Item 14 of the strike-out version, recommended the addition of “sustainable” to the sentence “improve the sustainable yield”. Councilmember Lightner concurred.

Committee Member Peugh suggested including an additional item on page 7 of 7 in the Policy to read something similar to, “7. Advocate for County, State, and Federal Policy, regulations, research, and investment that will help advance the efficient implementation of this Policy”. Councilmember Lightner took note.

Committee Member Webster: Item D, number 4 of the strike-out version, asked if in regard to the section on Local and Regional Supply, the word “successful” can be removed and replaced with another term. Mr. Bailey indicated he will be happy to work with Councilmember Lightner to tighten up this language.

Action: Chairperson Peugh asked for a motion. Committee Member Dull moved to support to the proposed document with the request to adopt the comments of the IROC at Councilmember Lightner’s discretion. Committee Member Stallard-Rodriguez seconded the motion. With Committee Members Hollingworth, Murray, and Welch absent, all others were in favor.

9. **Sub-committee Reports:**

- a. **Finance**
None.
- b. **Environmental & Technical**
None.
- c. **Public Outreach, Education & Customer Service**
None.

10. **Metro/JPA – Report Out**

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- Held bi-annual Strategic Planning meeting, will share the results when complete, as well as the Strategic Plan update when complete.

11. FY2012 Proposed Budget for the Public Utilities Department – Including most current FY11 Actual Expenditure projections.

Lee Ann Jones-Santos, Interim Deputy Director, mentioned she had sent a 17 page presentation prior to this meeting for IROC to review. She asked for questions and comments.

Committee Member Billings asked, regarding Page 3 and 13 showing Water Revenues and Water Expenditures that are budgeted and projected, for more information on why the revenue on reclaimed water continues to decline. Ms. Jones-Santos indicated customers are actually conserving reclaimed water also, and this rate has not been adjusted for years.

Committee Member Billings, in reference to Page 3, wanted to state for the record that personnel costs have declined 1% year over year, and this is commendable.

He then asked about the cost of water purchases on the Water side increasing by 35.9M, but revenues of water sales increasing only 24.1M. Ms. Jones-Santos indicated in the FY12 Budget, estimates are used from County Water Authority (CWA) to calculate the expenditure projections for water, on the expenditure side, we are incorporating the potential pass-through scheduled for January 2012, but are not including the rate increase on the revenue side at this time.

Committee Member Billings moved to support the Proposed Budget for the Public Utilities Department for FY2012 as presented. Committee Member Dull seconded the motion, with Committee Members Hollingworth, Murray, and Welch absent, all others were in favor.

12. Adoption of FY2011 IROC Annual Report

Chairperson Peugh commented all members have reviewed the Report except for the Finance section. He asked for comments.

Committee Member Stallard-Rodriguez pointed out Don Billings' name was not listed in the Report. Chairperson Peugh indicated and stated this will be corrected.

Committee Member Billings indicated the Report looked good, however needs to see the Finance section to adopt the Report. He recommended IROC amend the By-Laws to state it is IROC's goal to publish the Annual Report within 180 days of each fiscal year-end going forward. Tom Zeleny indicated this should be a future Agenda item.

Chairperson Peugh indicated staff has made comments on the submitted Finance portion, and he has not yet received Vice Chair Hollingworth's reply. He added, however, Vice

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Chair Hollingworth would like to have a special Finance Sub-committee meeting to discuss the Finance portion. The main primary items needing discussion are transparency and reporting, Capital Improvement Program, and rates, revenues, expenses and assets which include reserves.

Chairperson Peugh asked if it is appropriate to distribute Vice Chair Hollingworth's Finance portion to the full IROC in advance of the special meeting. Tom Zeleny indicated whatever results stem from the special Finance Sub-committee meeting, this can then be distributed to all of the IROC members in anticipation of the full IROC taking up those issues.

13. **Accepting nominations for the election of a new member to the Finance Sub-committee:**

IROC members nominated Committee Member Murray. Due to Committee Member Murray's absence today, they will await his comments at next meeting.

14. **Proposed Agenda Items for future IROC meetings**

- Annual Report
- EIR Mitigation Plan

15. **IROC Member's Comments**

Committee Member Billings expressed his gratitude for being appointed for a second term, which is quite the contrary of Councilmember DeMaio's public comment at the past Council Meeting, of him [Committee Member Billings] "having no interest in fulfilling the mandate of IROC".

The meeting was adjourned at approximately 12:04.