

Independent Rates Oversight Committee – IROC

April 16, 2012

MINUTES

1. **Roll call**

Chairperson Peugh called to order the regular meeting of the IROC at 9:30 a.m. Monica Foster conducted a roll call and a quorum was declared. Attendance is reflected below:

Member	Present	Absent
Jim Peugh, Chair	X	
Don Billings	X	
Christopher Dull	X	
Andy Hollingworth		X
Jeff Justus	X	
Jack Kubota	X	
Michael Ross	X	
Irene Stallard-Rodriguez	X	
Todd Webster	X	
Gail Welch	X	
Ex-Officios		
Luis Natividad, Metro JPA	X	
Ken Williams, City 10	X	

Department representatives present: Roger Bailey, Director; Alex Ruiz, Assistant Director; Tom Crane, Assistant Director, and Mark Mercer, Deputy City Attorney

2. **Non-Agenda public comment**

None.

3. **Approval of Draft Minutes from March 19, 2012**

Action: Chairperson Peugh asked for a motion to approve the Minutes as submitted. Ex-Officio Member Williams noted he was marked absent from the March meeting, but was present. Member Welch moved to approve with said correction, Member Stallard-Rodriguez seconded. Members Dull and Webster abstained. The motion passed 7-0.

4. **Approval of Draft Minutes from March 26, 2012**

Action: Chairperson Peugh asked for a motion to approve the Minutes as submitted. Member Welch moved to approve, Member Stallard-Rodriguez seconded. Members Dull and Webster abstained. The motion passed 7-0.

5. **Chair updates** – *Chairperson Peugh*

- Member Welch’s pre-planning meeting for the Planning Session is today, if there are any suggestions please let Members Welch, Stallard-Rodriguez, or Williams know.
- Member Luis Natividad was introduced as IROC’s Ex-Officio member representing the Metro JPA, replacing Augie Caires who recently retired.

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6. **City Staff updates**

Alex Ruiz

- Metropolitan Water District (MWD) took action on their rate increase last Monday. The City will discuss the impact of that increase with the County Water Authority (CWA) over the next couple of months, and will report back to IROC.

Member Billings asked if there are alternatives to purchasing or obtaining water. Roger Bailey, Director, explained several options are being looked at by the CWA and these issues are very complex and costly. As things progress, IROC will be briefed.

- Noted the Mayor will be issuing the 2013 Budget proposal today, an electronic copy will be provided. An updated presentation will be forthcoming in May.
- Tom Haynes, Program Manager of Budget & Finance, was introduced. He comes to us from the Independent Budget Analyst office (IBA) and has experience overseeing our budget while with the IBA.

Jim Fisher

- Update on water main breaks YTD: 27 vs. 33 last year. Overall, doing well. He noted there is an interesting increase of breaks in AC pipes compared to cast iron. Recent breaks:
 - A 12” cast iron main failure at I-805/Palm Avenue area: This connection is to the California American Water Agency which provides water to Coronado. This was a brief impact. It was determined a premature failure due to an improper installation. There will be an emergency project developed to replace all cast iron pipes in that area.
 - An 8” water main failure on April 4, at I-163/Hotel Circle area: SDGE’s contractor exposed a thrust block, causing a blowout. It was capped off, and SDGE will be responsible for the costs.

Ann Sasaki

- Update on sewer spills YTD: 15 vs. 16 last year. Mainly, the spills are related to the usual roots, and grease build up. The maintenance program remains diligent. She noted there is a dedicated crew to inspect manholes as well.

7. **Bay Delta Solution**

Dennis Cushman, Assistant General Manager of San Diego County Water Authority (CWA), provided handouts and presented an update and review on the Bay Delta. He referred to diagrams showing San Diego’s imported water sources, including the Colorado River Supplies and the State Water Project/Bay-Delta Water Supplies. He noted that the water the County uses generated from the Bay Delta varies from year to year; however, approximately 15-30%, with some years much less.

He noted the CWA is a strong proponent and leading advocate for fixing the Bay Delta, which successful implementation rests on viable financing, and a commitment to pay. He

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then listed the most recent developments such as the Delta Stewardship Council release of a 5th draft EIR; the Natural Resources Agency release of a draft of Bay Delta Conservation Plan (BDCP); National Academy of Sciences Report; Governor Brown's reorganization plan proposal; as well as the BDCP Chapter 8 Finance released.

Mr. Cushman then provided a cost breakdown for the Delta Fix (\$13B+). It was noted that 50% - Federal Central Valley Project Contractors and 50% - State Water Project Contractors (SWPC). He indicated once costs are broken way down, MWD's portion would be divided up, where CWA would pay approximately 25% of MWD's portion. Therefore, the City's portion would be approximately 40% of MWD's portion, which has the biggest stake in the CWA.

He added before the MWD makes a multi-billion dollar promise to the State, they are in need of a firm financial commitment, and its Agencies must commit to pay for current and future State Water Project fixed costs. So far the member agencies prefer it the way it is, they have opted not to make firm commitments. He then reviewed the 2012 impact of misallocated rates on MWD member agencies. It outlined 25 member agencies that are undercharged, leaving the CWA overcharged by \$40.4M.

Mr. Cushman explained there is a strong disconnect between MWD's spending decisions and paying. He indicated there are critical issues for our region as CWA strives to provide reliable water supply for the region, at an affordable and equitable cost. MWD's rate structure has a fatal flaw in the assumptions about who will pay for the Bay Delta Fix.

He closed with reiterating that the CWA supports a realistic and affordable Bay Delta Fix, backed up with firm, long-term contracts to pay fixed costs. He listed numerous links to contact the CWA with any questions, concerns, or comments.

Ex-Officio Member Williams inquired about the \$5B listed on slide 9 for species recovery cost, and who will pay this additional cost? Mr. Cushman indicated that is unanswered at this time. Member Billings asked if there what other protective species there are upstream. Mr. Cushman added Salmon is the biggest issue.

Chairperson Peugh asked in regard to any problems with the Environmental Impact Report. Mr. Cushman indicated there are significant fundamental concerns with the Draft EIR, and there is a formal letter that was submitted and he can make that available to IROC.

8. Support of the existing IROC ordinance versus the San Diego County Taxpayer's Association's (SDCTA) proposed IROC Ordinance, or other alternatives

This item was heard out of order, after Item 9. Chairperson Peugh presented a letter to the Mayor and City Council that he and Member Welch drafted. He asked for comments on the letter. Member Kubota indicated the word "law" should be added to the list of the professional backgrounds for IROC Members. Member Webster stated that it is

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important to have diversity of professional disciplines on IROC. **ACTION:** Member Webster moved to support the draft letter as written, with a slight modification to add the profession “law” in the 5th paragraph. Motion passed 9-0.

Chairperson Peugh asked if members would like to set up an Ad Hoc Committee so that IROC can review the IROC Municipal Code section for improvements and clarity of mission and duties. Member Billings suggested Tom Zeleny, Deputy City Attorney participate, as he indicated in the March IROC meeting that he would prepare a Draft replacement ordinance for IROC to build upon.

ACTION: Member Billings motioned to request the City Attorney’s Office to draft a proposed revision to the Ordinance to reflect the content intent of its letter dated April 16, 2012. Member Stallard-Rodriguez seconded. Motion passed 9-0.

ACTION: Member Billings moved to establish an Ad-Hoc Committee to work with the City Attorney’s Office to develop the revised Ordinance language and to present this to the full IROC at its May meeting. This Ad-Hoc Committee shall be composed of 4 members. Volunteers were Members Peugh(Chair), Welch, and Stallard-Rodriguez; suggested was Member Hollingworth (not present). Member Billings indicated he will be alternate to Member Hollingworth should he not be able to participate. Member Kubota seconded. Motion passed 9-0.

Ex-Officio Member Natividad commented that there seems to be other elements involved that are gone unsaid related to this subject. He indicated in order to effectively accomplish the mission of the Committee, there needs to be forthright transparency. Member Welch stated there has been awkwardness over the past couple of months and she is hoping there can be more frank open discussions with stakeholders and others of concern going forward.

9. **Renewal of 5-year contract with IBWC for Ocean Monitoring Programs**

This item was heard out of order, after Item 7. Steve Meyer, Deputy Director, Environmental Monitoring & Technical Services, indicated this item is the successor Agreement with the International Boundary Water Commission (IBWC), for the 5-year contract for ocean monitoring at the South Bay Ocean Outfall. He noted the Agreement is not completed at this time, due to administrative failures on part of the Federal Government. The current promise is to see a Draft Agreement tomorrow. He anticipates getting it retroactive to April 1 to minimize interruption and service, maximizing the reimbursement rate to the City. The usual monitoring will continue, however, the reporting to the IBWC will not be delivered, until an agreement is in place. He indicated once there is an Agreement in place, it will be shared with IROC.

10. Renewal of the JPA Agreement for the Southern California Coastal Water Research Partnership (SCCWRP)

Steve Meyer, Deputy Director, Environmental Monitoring & Technical Services, provided materials and reviewed SCCWRP. He noted it is a Southern California research project partnership. Joint Powers Agency (JPA) was founded in 1969 and was initiated to address regional monitoring and research needs. He is presenting to seek approval to recommend the Agreement.

Mr. Meyer reviewed the summary of changes, referring to a strike-out version of the Agreement. He then mentioned the SCCWRP Commission which the governing Board includes one representative from each member agency, and meets quarterly with an interface between science and management.

He indicated SCCWRP helps establish research priorities as proposed by the Executive Director of SCCWRP and gave a brief overview of the various areas currently on the high priority list of research. Mr. Meyer then gave a brief overview of the budget of the JPA (~10M), noting about 1/3 of the budget goes to subcontractors.

Last, he indicated this is a 4-year agreement to ratify the JPA Agreement. Member Billings asked what the City of San Diego's share as a JPA member is. Mr. Meyer indicated \$400K per year. He then asked to what extent is the impact of treated wastewater measured of untreated urban run-off. Mr. Meyer indicated this was part of the motivation for having the Storm Water agencies become part of this organization, referring to earlier research. A vast amount of the pollution comes from urban run-off.

ACTION: Member Billings moved to support the action. Member Kubota seconded. The motion passed 9-0.

11. Update on the Cost Estimate of Backup Generators

Ann Sasaki, Assistant Director, recapped the January presentation given in January, to purchase backup generators for the large pump stations, in response to the black-out last September. She indicated the generator locations were identified and a cost estimate was provided (\$11.1M).

Since, a hard bid has been received from the National Joint Powers Alliance Agency, as well as we have met with the Air Pollution Control District in relation to the permit requirements. Additional funds are needed with the strict permit requirements, to cover the costs of equipment needed to be added onto the generators. Also, a health risk assessment is being conducted to determine which generators will need the additional equipment. In short, an additional \$3.7M has been added as a contingency that may or not be used, so it is approved with City Council in advance. The new cost estimate is \$17.7M. She noted it is anticipated to go to City Council on April 24 for approval to purchase the generators, for a June delivery timeframe.

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Member Kubota asked if there has been any public concern of the location or look of the generators. Ms. Sasaki indicated only one specific request was made, and location of the generator at Pump Station 1 will be screened from public view. As part of the project and being a good neighbor, this will be done and the cost is included in the estimate.

Member Billings asked what criteria was used to select these 5 identified sites. Ms. Sasaki indicated after the review, the smaller and municipal pump stations already have backup generators or are able to be shut down.

12. Subcommittee Reports:

a. Finance

No meeting was held. Nothing is to report at this time.

Member Hollingworth was not present. Staff member Lee Ann Jones-Santos indicated there are two items that would be anticipated to come to the next Finance Subcommittee meeting which are 1) current year monitoring/quarterly financial report out, and 2) FY13 report out. If there is no Finance Subcommittee meeting held, it can be brought to full IROC.

b. Environmental & Technical

No meeting was held. Nothing is to report at this time.

c. Public Outreach, Education & Customer Service

No meeting was held. Nothing is to report at this time.

13. Metro/JPA – Report out – Luis Natividad

Informational items only.

14. Response to the FY2011 IROC Annual Report

Tom Crane, Assistant Director, provided a Memo from Roger Bailey, Director, in response to the FY2011 IROC Annual Report.

He then provided a presentation and reviewed all 8 Key Recommendations including the Department's responses. The 8 Key Recommendations are: 1) Water Conservation, Public Outreach; 2) Advanced Water Purification Demonstration Project, Public Outreach; 3) Investments in Utilities Infrastructure and Operations; 4) Managed Competition; 5) Performance Audits; 6) Gray Water Reuse; 7) CIP Planning; and 8) Cash Flow Analysis. The Department agrees with all of the Recommendations.

Ex-Officio Natividad commented in regard to Recommendation #3, there is a lot of electronic public outreach, but would like to see other means of communication for the community members who do not have access to a computer, such as a booth at community events, etc.

Mr. Crane indicated this is a very valid concern and it is in the works. As part of the Cost of Service Study, many avenues will be taken to reach those community members in

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various ways. The technology being referred to in the recommendation is used for immediate response in the media and such. He added we will start engaging in a different way of communicating. He mentioned there is a 19 minute video of an expert proposal on how to achieve public acceptance, and he can share this with IROC.

Action: Member Kubota moved to accept the Report. Member Welch seconded. Motion passed 9-0.

15. Update on Public Utilities Efficiency Studies

Mr. Crane provided an update on the Public Utilities Efficiency Studies. He noted he and Mr. Bailey are presenting this to NR&C on April 25. This is a summary of initiatives the Department has been taking in efficiencies.

He referred to handouts, and briefly discussed the FY2007-2012 FTE reductions that have taken place with the consolidation and streamlining of operations. Next, he reviewed the FY2010 efficiency initiatives which included Water and Wastewater Bond refinancing savings, Recycled Water incentive credits, and the elimination of sewer root foaming contacts. In FY2011, we continue to pursue SRF loans, which bring substantial savings, as well as other savings in Digester Gas, Peroxide regenerated iron for sulfide, confined space, and other initiatives.

Mr. Crane indicated there are continuous improvements and many more on the horizon. He added he took this opportunity to share that we are active and pursuing a lot of efficiencies. Member Billings indicated he is impressed by the culture of the organization and the desire to save money and have such efficiencies. Ex-Officio member Natividad commented that it is very important to get this information out the general public in order to enlighten them on the procedures involved in the Public Utilities, and how their money is put to work.

16. Proposed Agenda items for next IROC meeting

No discussion at this time.

17. IROC Member's Comments

- Member Welch invited anyone interested in attending Qualcomm's birthday fair on Wednesday, April 18, at 5775 Morehouse Drive. There will be 35 booths from the City, SDGE, the Zoo, activities, etc.
- Member Kubota mentioned he met with Public Utilities Department on the Leadership and Development Program.

Chairperson Peugh adjourned the meeting 12:08 p.m.

Minutes submitted by: Monica Foster, Administrative Aide I