

Independent Rates Oversight Committee (IROC)

September 17, 2012

MINUTES

1. **Roll call**

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

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

*City representatives present: Roger Bailey, Director; Tom Crane, Assistant Director; and Tom Zeleny, Deputy City Attorney*

2. **Non-Agenda public comment**

Mr. John Stump, a member of the public, expressed his appreciation for IROC. He commented on a high water bill he received. He has a granny flat on his property which classifies it as a “Multi-Family” residence. He asked to meet with a staff person to review his bill, and would like the Department to consider a minor alteration to the billing process that makes transparent to the customers what rate they are being billed..

3. **Approval of Draft Minutes from July 16, 2012**

**Action:** Chairwoman Welch asked for a motion to approve the Minutes. Member Kubota noted two corrections: (1) page 2, Item 5, 4<sup>th</sup> line, reads in part: “we build them for...” should read: “we **bill** them for...” (2) last page, Item 17, 2<sup>nd</sup> bullet, reads in part: “there will be a majority on the board...” should read: “there **may** be a majority on the board...” Member Kubota moved to approve with said corrections, Member Peugh seconded. Motion passed 7 (in favor) - 0 (opposed).

4. **Chair updates – Chairwoman Welch**

- During the IROC presentation of the IROC Ordinance changes at the June NR&C meeting, it was requested IROC work with the San Diego Taxpayers Association

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to try to agree to one version. On July 23, they met and developed one version which a draft is in today's packet. She indicated she is looking for a Yes or No vote.

5. **City Staff updates**

*Roger Bailey, Director of Public Utilities*

- Announced a recent decision has been made that the City will absorb the next County Water Authority water rate increase for January 1, FY2013.
- Announced Jim Fisher will be leaving the City of San Diego to pursue an opportunity with the County Water Authority. Members of the IROC thanked Jim Fisher for his excellent service to the Department.
- Brent Eidson introduced Robyn Bullard who is the new Wastewater Senior Public Information Officer.

*Stan Griffith, Deputy Director, Wastewater Collections*

- Sanitary sewer overflows update: Calendar year to date: 31 opposed to 24 same time last year. He noted to date there have been no public water spills, opposed to 7 the same time last year.

*Jim Fisher, Assistant Director, Water Branch*

- Water main breaks: Calendar year to date: 63 opposed to 62 same time last year. He noted cast iron breaks continue to drop. There have been 20 this year compared to 23 last year, and the main replacement program is very effective.

6. **Mayor and Council Staff Comments**

None.

7. **Public Utilities Department Asset Management Plan**

Susan Bowman, Asset Management Program Manager, along with Jane Arnold, Project Manager presented an update of the Enterprise Asset Management (EAM) Plan, currently under final review with the Department. Ms. Bowman referred to handouts and indicated this plan is intended to bring together all of the Department activities regarding Asset Management. She added this is a unified approach to managing assets, all aspects of those within the Department, and bringing them together under one plan (Plan) with the effort of informing the public of all of the various activities that happen in the Department, and where we are.

Ms. Bowman listed and described the various points in the Plan which included: Inventory Management; Lifecycle Optimization; Renewal and Replacement Management; Future Objectives; SAP EAM Timeline, which she described in detail while referring to a spreadsheet that was provided in the packet; and City-wide Initiatives. She noted once this Plan is finalized, copies will be provided to IROC. Last, she indicated this Asset Management Plan was completed in accordance with both the CIP Audit of the Department, as well as the FY12 Strategic Plan.

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Ms. Arnold reviewed the status of the SAP EAM implementation. She reiterated the update is in regard to the Audit Recommendation #3 (to develop a schedule for the implementation for the SAP EAM platform) and to provide IROC updates to the progress made to date. She indicated as a part of moving forward with the City-wide SAP EAM platform, we need to look internally within Public Utilities and consolidate 3 computerized maintenance management systems. At a high level glance, we need to look at our business needs, existing business needs, and moving forward longer term, what do we want to have for future capabilities.

Ms. Arnold referred to the presentation and described the future objectives related to SAP EAM implementation. This includes the development of expert consultation Request for Proposals for FY13. She also described the 4 Statement of Works (SOW's).

Last, she reviewed a chart outlining the SAP EAM Timeline. She indicated we will work internally with the Purchasing and Contracts Department, as well as other departments. She showed the 4 major SOW's displayed on the provided chart, with a 5<sup>th</sup> being the consolidation of our GIS platforms (independent of the 4). For FY2014, we are hoping to have all SOW's released and the consultants on board working with us CY2013, to start the system implementer in FY2014.

Chairwoman Welch asked what the City Auditor comments were with regard to the Asset Management System. Ms. Bowman indicated the CIP Audit was released 1 year ago, and recommendation #6 was to complete a consolidated Asset Management Plan and ensure it is in line with best practices, including a schedule for implementation with a combination of short, mid, and long range initiatives to ensure that funds and staff availability are not barriers to a successful implementation. The City has partial agreement with the recommendation and agreed to complete the Enterprise Asset Management Plan by June 30, 2012.

Member Hollingworth asked in regard to the Lifecycle Optimization slide, listing Preventive Maintenance and Predictive Maintenance Programs, and how this will improve the deferred maintenance program. Ms. Bowman indicated there are complete maintenance programs on all assets which require it, and all preventive and predictive maintenance requirements are met, and we do follow a prescribed scheduled frequency.

Member Peugh asked how the Asset Management Plan fits in with the other Renewal and Replacement Management processes, and is it meant to replace any of these efforts. Ms. Bowman indicated it is not meant to replace these long standing efforts being followed. The Asset Management Plan is an attempt to document, in a single location, all of those efforts so it is very clear, what activities are being done. She added an important goal with moving forward with the SAP implementation, is to arrive at one source of information so it may be used for analysis and help produce a look-ahead that can be routinely be updated with ease. Currently with the various systems, it is not as immediate to get the information out. This is indicated in the Asset Management Plan.

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Mr. Crane added a lot of work has been done on SAP EAM, other departments are being briefed in the City, and this effort will be ongoing for the next several years.

Chairwoman Welch suggested an update at a future meeting. Member Peugh asked for a follow up with regard to the Lifecycle Optimization and the Renewal and Replacement subjects particularly at the subcommittee level. Mr. Crane concurred.

How does this help address the water main breaks in regard to the preventive maintenance portion of this Plan? Mr. Bailey indicated with a system like this, it will provide detailed information to allow a trend analysis. Corrections and improvements can be identified ahead of time. Ms. Arnold added this will provide a single repository for decision making, and the analytic information will help with reporting and predicting operations, to allow for efficiency. The consolidation of all of the data into one system is the key.

**8. Public Utilities Department FY13 Strategic Initiatives**

John Gavares, Strategic Support Services Manager, and Nancy Rosenfeld, Organizational Effectiveness Specialist III, presented an update to the FY13 Strategic Plan, which is year two of the 5-year Plan. Mr. Gavares noted they have used the Effective Utility Management attributes as a framework. Handouts were provided including a mapping of the 27 initiatives that pertain to the IROC's 3 subcommittees.

Mr. Gavares referred to handouts, and listed the 4 Strategic Goals as: 1) Safe, reliable, and efficient water, wastewater, and recycled water services; 2) A fiscally-sound and effective public utility; 3) Sustainable growth and economic viability; and 4) Responsive, safe, committed, and innovative workforce. Ms. Rosenfeld briefly described Strategic Goals #1 and #3 along with listing the FY13 Objectives and Initiatives for these goals. Mr. Gavares did the same for Goals #2 and #4.

Mr. Gavares pointed out and briefly reviewed a handout titled FY13 Public Utilities Strategic Initiatives Quarterly Tracker, which lays out the milestones and deliverables for Quarter 1-4; as well as the Strategic Plan Performance Metrics.

Chairwoman Welch added, in reference to the mapping handout in the packet, this will assist the IROC when developing the FY13 work agendas for each subcommittee. She asked the Subcommittees to determine the value in looking at the Department initiatives as the subcommittee agendas are developed for the next year. Member Peugh asked if this can be reviewed at the Infrastructure and Operations subcommittee next month. Mr. Gavares concurred.

**9. Fourth Quarter of FY12 – Public Utilities Department Capital Improvement Program (CIP) Update**

Guann Hwang, Deputy Director, along with Darren Greenhalgh, Engineering & Capital Projects Department, presented an update of the FY12 CIP Report. Mr. Hwang referred

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to handouts and reviewed dash board information for Water and Wastewater. He then reviewed the Water regulatory project updates, and listed FY12 awarded Water mains, and Completed Sewer Miles with planned vs. actual expenditures.

Some of the highlights mentioned were: the Miramar Water Treatment Plant upgrade and expansion construction began in June 2012 with an anticipated completion in February 2013; Pacific Highway Trunk Sewer which began in August 2011 and completed in June 2012 – two months ahead of EPA Consent Decree deadline. Also mentioned were the Pt. Loma Wastewater Treatment Plant Grit Processing, MBC access road drainage improvements, and the Pump Station 64 force main repair, which this scheduled to be complete this December. He then reviewed the Wastewater regulatory project updates.

Mr. Hwang briefly reviewed line items on a detailed handout of the Forecast vs. Actual Expenditures. Last, he reviewed the listed Change Orders. He asked for questions.

Member Webster asked for more information related to the 80% execution on the Water side, he asked what makes up the gap that was not executed in FY12. Mr. Greenhalgh indicated it is related to delayed projects, upgrades to security systems, savings related to lower bids or changes in the scope of work, and contractor issues, etc.

Mr. Kubota asked for an update to the MAC projects (Multiple Award Contracts). Mr. Greenhalgh indicated 5 design/build teams were selected. This item goes to Rules Committee this week and to Council in October. This will give authorization to spend up to \$100M on Water and Sewer tasks. Mr. Kubota requested this item come the Infrastructure and Operations Subcommittee next year with an update.

Member Hollingworth noted he would like to know the dollar amount in the Water and Sewer program contingency currently. He would like this included. Mr. Greenhalgh indicated the new SAP system will not allow this anymore; however they are all built into the projects now. Member Hollingworth confirmed the baseline does not change. Mr. Hwang concurred, and if it changes in the future, he will bring this to IROC.

**10. Awarding of Otay Water Treatment Plant Concrete Work Design Build (Otay Basins Coating Project)**

Iraj Asgharzadeh, Senior Civil Engineer, described facility upgrades in 2007-2011 at the Otay Water Treatment Plant which serves the southern San Diego area. Subsequent to the upgrades, it was determined that the protective concrete coatings needed replacing. He requested IROC's support to transfer \$766,431 from the Dedicated Reserve for Efficiencies and Savings (DRES).

Member Hollingworth asked if this money can be reallocated from the Water program savings account, rather than transferring from the DRES.

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Lee Ann Jones-Santos, replied that City Council approval is required to increase the CIP budget. Part of the purpose of the DRES is to supplement CIP projects. The current City policy is to use DRES first for any additional CIP costs.

Member Peugh asked how many bidders there were there were for this project. Mr. Asgharzadeh noted there were 2 bidders, but one was disqualified. After review of the bid and the original estimate, it would not be cost effective to re-advertise.

Member Kubota asked what the timeline is on coating these particular concrete pipes. Mr. Asgharzadeh indicated the lifecycles are approximately 15-20 years depending on the types of coagulants used at each plant. Chairwoman Welch asked how long ago the listed estimate was prepared. He stated approximately 1-2 years ago. He added we also do not often perform this type of coating project.

Member Justus asked if there is money left over at the end of the project, what will happen to the money. Ms. Jones-Santos stated that financials are reviewed with Engineering to make sure there is an adequate balance. She stated if there are excess funds at the end of the project, the funds would be de-appropriated and transferred back to the DRES.

**ACTION:** Chairwoman Welch asked for a motion. Mr. Kubota supports the request to move \$766,431 from the DRES to complete funding for this project. Ms. Stallard-Rodriguez seconded. Motion passed 6 (approve), 1 (oppose – Hollingworth), 0 (abstain).

**11. Application for low interest State loans to fund: MBC Chemical Systems Improvement – Phase II, MBC Storage Silos and MBC Odor control Facility Upgrades projects; and the University Avenue Pipeline Replacement Project**

Jeanne Cole, Program Manager of Rates & Finance, presented an update on the State loans. She indicated there have been 3 Clean Water State Revolving fund loan applications totaling \$19.3M and are projects for the Metropolitan Biosolids Center. With an interest rate of 2.2% which is very good. The savings are estimated over 30 years to be approximately \$15.3M. She noted construction schedules, described work to be performed and costs associated.

She indicated it is planned to go to Council on September 18 to introduce the Ordinance, and an adoption will be heard on October 2. She commented we most likely will be impacted by Prop. A.

Wilson Kennedy, Supervising Management Analyst, Grants & Loans Section, indicated the Department will be submitting a California Department of Public Health (CDPH) State Revolving Fund loan application for the University Avenue pipeline replacement project (\$15.3M project) scheduled to start construction in June, 2014 with an estimated completion date of August, 2016. This has a low interest rate of 2.0933% rate, and the savings are estimated over 30 years to be approximately \$12.4M. He noted there are 6 other outstanding SRF loans on the Wastewater side, with a total outstanding Water debt

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of \$884M. He mentioned the City's continuing effort to replace all cast iron pipelines within the City is in accordance with the CDPH compliance order. He added this CIP project will replace existing cast iron water mains (4.4 miles) and update transmission and distribution systems to better suit current and future needs. This will be going before NR&C September 19 and will go to Council October 2 to introduce the Ordinance.

**ACTION:** Chairwoman Welch asked for a motion to approve the Timeline Schedule and format procedures for the next Annual Report. Member Stallard-Rodriguez moved to approve, Member Kubota seconded. Motion passed 7-0.

12. **Subcommittee Reports:**

a. **Finance – Andy Hollingworth**

- Discussed FY12 Actual vs. Budget reports
- Discussed the 2012 IROC Annual Report preparation

b. **Infrastructure and Operations – Todd Webster**

- Presentation by Jim Fisher regarding leak detection
- Discussed the Wastewater CIP update, which is updated every 5 years
- Discussed the 2012 IROC Annual Report preparation

c. **Outreach and Communications – Gail Welch**

No meeting last month; however will meet October 8 to discuss the Customer Care Solutions Program

13. **Metro/JPA – Report out – Luis Natividad**

No meeting last month.

14. **Approval of revised Municipal Code language regarding the mission and responsibilities of the Independent Rates Oversight Committee**

Chairwoman Welch mentioned the review of IROC's approved language at their meeting of July 23 with NR&C, San Diego County Taxpayers Association, and the Deputy City Attorney. She described, and referred to the revised document, the modifications and additions. Mr. Zeleny added the clarification that the changes reflected in the handout, are the changes to the version that was last approved by IROC. These are not changes to the existing Ordinance. Chairwoman Welch concurred.

**ACTION:** Chairwoman Welch called for a motion to approve these changes. Member Hollingworth moved to approve, Member Justus seconded the motion. Motion passed 7-0.

Member Peugh added he has a concern with the Coordination with Audit Committee (§26.2004) indicating "fully coordinated" which he believes has an issue of IROC's independence. Mr. Zeleny stated this language is acceptable and does not diminish the independence of IROC.

**15. Selection of IROC Subcommittee members for Infrastructure and Operations; and Outreach and Communication**

Mr. Zeleny reminded the members that there cannot be a quorum of the full IROC on any standing committee, thus it becoming a full IROC meeting. The maximum allowed on a standing Subcommittee would be 5 members. He noted that the Chair and Vice Chair of the full IROC operate as Ex-officio members of each Subcommittee meeting. They may attend and/or step in to create a quorum as necessary. He added that Ex-officios of the full IROC may be voting members of the standing Subcommittees.

**ACTION:** Chairwoman Welch nominated Member Justus to join the Infrastructure and Operations Subcommittee. Member Justus accepted. Member Peugh moved to approve, Member Webster seconded. Motion passed 7-0.

**ACTION:** Chairwoman Welch nominated Ex-officio Member Natividad to join the Outreach and Communication Subcommittee. Ex-officio Member Natividad accepted. Member Stallard-Rodriguez moved to approve, Member Hollingworth seconded. Motion passed 7-0.

**16. FY2012 IROC Annual Preparation Plan**

Chairwoman Welch referred to a provided attachment listing the 19 priorities IROC identified in the Direction Setting Workshop in June. She noted the handout did not reflect changes suggested by Member Peugh in a July 16 IROC meeting, which was to combine Item #6 and #17 for the Outreach & Communications. Also, with respect to Item #9, (Capital Program Oversight) there is relevance for not only the Infrastructure & Operations Subcommittee, but the Finance Subcommittee as well. Last, she noted in regard to Member Peugh's suggestion of Item #6, the issue statement in part currently reads, "Strengthen IROC's public *profile*..." should be changed to, "Strengthen IROC's public *capability*..."

Chairwoman Welch asked the Subcommittee members to keep in mind these priorities set in the June Workshop and these may be incorporated into the FY13 recommendations as the Annual Report is being drafted. She added between now and October 15, she asked all Subcommittees to draft issues, recommendations, and observations consistent to the way they have been reported in the past, including format. She also asked that at the next IROC meeting of October 15, the IROC Ad-Hoc Annual Report Committee be convened and begin to assemble the overall Report. She noted traditionally this would consist of the Chairs to all Subcommittees as well as herself, Chairwoman of the full IROC.

She referred to a Timeline Calendar noting November 5-19 the Draft of the overall Annual Report can be focused upon. At that time, a Draft can be provided for City staff to review and provide any technical corrections and feedback. The goal is to have the final feedback submitted to her by the November 19 IROC meeting. Through December 7, all final comments can be considered for inclusion into the Report, and submitted to Ernie Linares, IROC Liaison, by December 7. This can then be on track to submit to the Mayor and City Council no later than the end of December, 2012.



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ACTION: Chairperson Welch asked for a motion to approve the schedule and format procedures for the next Annual Report. Member Stallard Rodriguez moved to approve, Member Kubota seconded. Motion passed 7-0.

**17. Proposed Agenda items for next IROC meeting**

- Member Peugh asked to get information on how the Pass Through will be absorbed.
- Member Kubota asked for an update on the Desalination project with Poseidon.
- Roger Bailey would like to invite Black and Veatch to do a Workshop at the next IROC meeting.

**18. IROC Member's Comments**

Member Hollingworth commented in regard to the revised IROC language, it indicates Project to Date Expenditures. The current reports are based on a calendar year basis, and this could require a programming change to the software in order to comply with the language.

Chairwoman Welch adjourned the meeting 11:57 p.m.

Minutes submitted by: Monica Foster, Administrative Aide I