

Independent Rates Oversight Committee (IROC)

December 16, 2013

MINUTES

1. **Roll call**

Chairwoman Welch’s 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:

| Members: | 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 | |
| Irene Stallard-Rodriguez | X | |
| Ex-Officio Members: | | |
| Luis Natividad, Metro JPA | X | |
| Ken Williams, City 10 | X | |

City representatives present at dais: Halla Razak, Director; Tom Crane, Assistant Director; Tom Zeleny, Deputy City Attorney

2. **Non-Agenda public comment**

None.

3. **Approval of Draft Minutes of November 18, 2013**

Chairwoman Welch asked for a motion to approve the minutes of November 18, 2013.

ACTION: Vice Chair Billings moved to approve as submitted, Member Stallard-Rodriguez seconded. Motion passed 6 (in favor) - 0 (opposed) – 2 (abstained: Hollingworth/Dull)

4. **Chair updates** – *Chairwoman Welch*

- November 21, 2013, the Department presented the water rate increases to City Council. She and Vice Chair Billings made supportive comments.
- Suggested that the Department assist IROC with a Strategic Planning session, to discuss and vote on priority projects to be reviewed for the FY2015 annual Work-Plan which needs to be complete before May 1.

5. **City Staff updates:** *Halla Razak, Director*

- Commended IROC for helping to prepare a very robust Cost of Service Study for the Rate Increase hearing in November. This effort assisted in helping the Council members and the public understand the need for the increase. Council voted 8-1, and was a great vote of confidence in the work being done and will continue to do.
- Met with the Interim Mayor, and the top 3 priorities for the Department were discussed and he concurred. They include, not in any particular priority order:

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- The Point Loma Waiver and Indirect Potable Reuse (IPR). Ann Sasaki, Assistant Director, will be heading this effort. Four different points of concentration will be data collection, outreach, cost allocation and financing, and engineering studies. Additional consultant services will be needed, and a scope of work is underway.
- Cost of Service Study for Desalination. She has been working closely with Lee Ann Jones-Santos, Deputy Director, along with staff from the San Diego Water Authority and other member agencies. The City's option is still on the table.
- Department reach-out. This effort will help determine what is needed amongst the employees, groups, and divisions to get us to where we need to go. She has met with several work groups, and will concentrate heavily on succession planning.

Member Hollingworth commented that he agrees with the priorities in order to move ahead.

- IROC is invited to join the Department on some of the offered educational tours sponsored by the Metropolitan Water District, through the San Diego County Water Authority. This would be a phenomenal opportunity to be educated and enlightened. Three upcoming tours are: Colorado River Tour – January 11-12; State Water Project and Bay Delta Tour – February 22-23, as well as March 8-9. If interested in attending these 2-day tours, please contact her directly.

Member Peugh asked for an update on a 22,000 gallon spill that recently occurred. Agnes Generoso, Deputy Director, and Terrell Powell, General Water Utility Supervisor, commented. Ms. Generoso clarified the spill which occurred on December 1, on I-15 South/Friars Road. She indicated it was a 21,500 spill caused by roots in the manhole. It spilled over into the San Diego River. The Department of Public Health mandated posting in South Mission Beach and Dog Beach, as well as Riverwalk Golf Course and sampling was conducted beginning December 2. After tests showed negative results for two consecutive days, the posting was removed on December 4 on all of the locations.

Member Peugh asked about scheduled maintenance. Ms. Generoso indicated that this location is on a 2-year inspection cycle, and unfortunately the roots caused enough damage to cause the spill before the scheduled inspection. This site will be inspected again in 6 months. In addition, a special 3-person manhole inspection crew has been created to go over the backlog of manhole inspections, while striving to keep up with the planned monthly maintenance and cleaning. If some of these manholes are found to be in need of cleaning upon inspection, they will be cleaned at that time.

Vice Chair Billings asked for the gallons per minute on this spill. Ms. Generoso indicated she believes it was approximately 150 gallons per minute, running for 141 minutes.

6. Mayor and Council Staff Comments

None.

7. **City 10 – County Water Authority Update**

- Metropolitan Water District (MWD) lawsuit trial begins next week, likely to be an appeal.
- MWD rate increase of 5% increase effective January 1, this increase has been strongly protested by delegates.
- Water outlook: still very early, Mammoth has snow but not off to a strong start.
- San Vicente dam raise: has problem with one large valve which needs to be replaced. This will delay the Project completion by a few months.
- Bay Delta Conservation Plan: San Diego County Water Authority has had a series of educational meetings on this effort. Had a presentation by Tim Quinn, Executive Director of the Association of California Water Agencies. His estimate is approximately \$50 billion, and many hurdles to reach a solution.
- MWD Tours are strongly encouraged, and the best way to get a clear idea of where our water comes from. He suggests the Bay Delta Tour if only one can be attended.
- Water usage for County Water Authority: this past year, water sold was 546,000 acre feet. In 2007, the water sold was 721,000 acre feet. This is a 24% decrease over the past 6 years.

8. **International Association for Continuing Education and Training Award/Training Section Update**

Dan Stone, Program Manager for Safety, Security, and Training introduced Will Curcio, Trainer and serving as OCA for the vacant Training Manager position. Mr. Curcio presented an overview of the International Association of Continuing Education and Training Accreditation (IACET), the benefits of being an authorized IACET provider, and an overview of the Training Section.

Mr. Curcio noted the mission is to promote and enhance quality in continuing education and training through research, education and the development of principles and standards. Some of the benefits to the City and ratepayers are saving the Department over \$400,000 annually; allows the Department to offer specialized training and education courses minimizing the demand for seeking training externally; and allows customization of training opportunities.

He then reviewed the Training Section production which shows there 40+ successful Water Academy graduates, 400 annual Spring Training attendees, 500 annual Fall Classic attendees, and 70+ employees in the Financial Management Training Program. In addition, he noted that the focus is making sure that these events assist in maintaining professional certifications and contact hours. In doing so, the cost benefits are extraordinary for the City of San Diego and the rate payers. He indicated that the Training Section was only the second utility agency to become an Authorized Provider of the IACET courses in 2001. Out of the approximate 600 Authorized Providers worldwide, less than 10 of them are Utilities.

Mr. Curcio indicated that the Training Section was honored with the Exemplar Internal Training Award – Honorable Mention, as well as the Exemplar Award in 2003. He added that to date, no other public sector entity has received this award. Mr. Stone

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reiterated the value of the training opportunities to the Department. Member Stallard-Rodriguez indicated that this presentation was given at the Outreach & Communications Subcommittee and agrees it is a phenomenal program.

Ex-officio Member Natividad asked if other agencies come to trainings, since the Training Section is an Authorized Provider. Mr. Curcio indicated the main network is within the City of San Diego. A better network is currently being achieved for internal courses, with Cuyamaca College for instance. Tom Crane, Assistant Director, added that if an entity is interested in more information Mr. Stone can forward the types of trainings available, to see what type of interest there is. However, Mr. Stone reiterated that these trainings are internal, and not open for the public at this time.

Member Peugh asked if there is testing at the trainings associated to verify the candidate's performance, and is there an organization that reviews the results of the testing to compare with any national standards. Mr. Curcio stated yes, there is a requirement to have a pre-assessment and post-assessment at the trainings and is a key factor in the accreditation renewal process. Furthermore, the Trainers or Safety Representatives may visit sites periodically to conduct a further analysis on the effectiveness and impact of the Training Program. IACET is also able to ask for the pre and post tests as well as curriculum, rosters, instructor feedback forms, etc. at any given time. Mr. Stone added the level of training is equal or greater to the collegiate level of training and that IACET is similar to the collegiate awarding of accreditations for universities and programs, such as business and engineering.

Member Kubota commented that the Metro/JPA Committee may be interested in having this program partner with them, and asked if this could be considered at a public agency level. Director Razak noted that Public Utilities Training Section is not capable or chartered to serve as a regional schoolhouse for the local governments, but would assist in professional and technical expertise in helping to assist in establishing programs.

Mr. Stone followed up that the Training Section has, on occasion, offered to assist in a "Train the Trainer" capacity for other local municipalities Vice Chair Billings asked if online training is offered as well. Mr. Stone indicated it depends on the group of students, and if they have the opportunity to utilize the computer for a long period of time. Usually it is hands on training. Mr. Billings concurred that hands on training is much more effective. Chairwoman Welch commented that she is impressed with the level of training, safety, and money savings involved, and commends the Department for the effort.

9. Asset Management Council Policy 800-16 and SAP Enterprise Asset Management Project Update

Susan Bowman, Asset Management Program Manager, and Jane Arnold, Public Utilities SAP Project Manager, presented. Ms. Bowman provided copies of the City-wide Council Policy 800-16, adopted on November 20, 2013. She noted that the Policy is intended to state the principles of asset management and establishes the overall guidelines and plan steps for Enterprise Asset Management (EAM) to follow. Ms. Bowman referred

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to and described the Policy in more detail. She noted that any Department that puts an Asset Management Plan together is expected to follow this Policy, which outlines 10-Steps.

Member Peugh commented that after reviewing the Policy, it does not make sense that maintenance is not mentioned, and asked for clarification. Ms. Bowman indicated that operation and maintenance investment is addressed in Step 7 of the Policy. It is also addressed in other sections such as under Item 3, Purpose.

Next, Ms. Bowman gave an update on the SAP EAM Project that has been shared with IROC in the past. She indicated the SAP Enterprise Asset Management Software Solution for the City is underway, and the goal is to replace the three Public Utilities' maintenance management systems with a fully integrated system that integrates with the City-wide SAP solution to operate assets as effectively as possible. She referred to diagrams and described the Project scope and vision.

Member Hollingworth asked if the new system will have the capability to account for costs and revenues over multiple years as well as multiple funding sources. Lee Ann Jones-Santos, Deputy Director of Finance, indicated that this component is separate from EAM and is in the current CIP module. It is outside the EAM Project.

Vice Chair Billings asked if other departments will be able to utilize this information in order to avoid redundancy (i.e. digging up streets). Ms. Bowman clarified that this Project will be able to be utilized throughout City departments for efficiency. When all information is accessible in the Program, those departments that use the system will be able to view day to day work order activity for that area/asset in order to correlate work with the departments using the system, for example.

Ms. Bowman indicated the converged Project vision is a unified system that integrates data and business processes to support the management of assets, which enhances investment and resource decision-making. She added it is a valuable Project and optimizes equipment productivity providing condition assessment integration.

Ms. Arnold noted that success factors were looked at, as the City has gone through several SAP implementations taking a phased approach. She added there is an inclusive blended team that has participated in past projects and understand how to implement this large complex effort. She then listed the success factors in the SAP EAM, and reiterated the importance of the cooperation and participation of all stakeholders, so the Department can successfully lead this effort.

Ms. Arnold concluded by describing the Project timeline, noting the five phases spanning over a 3-4 year period. This includes Phase I: Project preparation; Phase II: Business blueprinting; Phase III: Realization; Phase IV: Final preparation; and Phase V: Go-live and stabilization. Last, she reviewed the Project costs which estimates approximately \$38M that include City staff, professional consulting services, hardware/software and other. This is funding is budgeted from Public Utilities and the Department of IT CIP Projects.

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Vice Chair Billings commented he believes this is a terrific initiative and he is very supportive of it. Chairwoman Welch asked if this was in the Rate Case for FY14-17. Ms. Arnold concurred. Member Hollingworth asked if the Business Processes will be changed to be able to feed data properly. Mr. Crane indicated that an update will come forward to IROC in approximately 6 months.

10. FY2013 Annual Report

Chairwoman Welch indicated the Ad-hoc Committee has met and pulled together all of the efforts of the three Subcommittees. She indicated that the Recommendations and Observations section has been moved to the front of the Report this year. She noted she would like to make a more focused effort to get the next Annual Report finalized earlier. She opened discussion. After collaboration, the following comments/recommendations were offered:

- Member Peugh: Provided updated text (which was revised during discussion) for the Infrastructure and Operations section under Capacity to Implement the CIP to replace the very last sentence, as well as replace Item#5 under IROC's Key Recommendations section.

During discussion of this topic, Director Razak additionally recommended the Department present to the Committee in February, with a study of past efforts, some of the impediments, and future plans.

- Lee Ann Jones-Santos, Deputy Director of Finance, to confirm the Asbestos Cement Pipeline Replacement completion date in the Infrastructure and Operations section under the Asbestos Cement Pipeline Replacement section.
- Chairwoman Welch: Add bullets 6, 7, and 8 as well as add, "IROC participated in the contractor selection panel" to items 4 and 5 under the Other Related Activities section.
- Authorization to David Bryant to make non-substantive grammatical error adjustments to the Report as necessary.

ACTION: Vice Chair Billings moved to approve the Report as amended. Member Dull seconded. Motion passed 8-0.

11. Subcommittee Reports

a. Finance – Andy Hollingworth, Chair

- Discussion on the four major studies and COSS currently underway and will follow very closely.

b. Infrastructure and Operations – Jim Peugh, Chair

- Presentation on the Miramar Clearwells Project
- Presentation on the Department's efforts to clarify what will be funded under the new Rate Case, as well as clarification of the funding
- Presentation on water production and treatment for the City and Participating Agencies

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- Discussion regarding the effects or impacts of water shortages/conservation on the Department itself

c. Outreach and Communications – *Irene Stallard-Rodriguez, Chair*

- None.

12. Metro/PA – Report Out

- Discussed the Long Range Regional Water Reuse Plan and Secondary equivalency for Pt. Loma
- Discussed Potable Reuse Project

13. Proposed Agenda Items for next IROC meeting

Member Hollingworth requested someone speak on a recently learned topic regarding the Metropolitan Water District's revenues and reserves exceeding their budget, for the full IROC or the Finance Subcommittee.

14. IROC Members' Comments

Member Kubota asked for an update on the new IROC Members. Tom Zeleny, Deputy City Attorney, indicated that nominations have been made, and this item will go to Council soon.

Meeting adjourned at 12:00

Minutes submitted by: Monica Foster