

Independent Rates Oversight Committee (IROC)

February 18, 2014

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1. **Roll call**

Chairwoman Welch called to order the regular meeting of the IROC at 9:37 a.m. Monica Foster conducted roll call, and a quorum was declared. Attendance is reflected below:

<b>Members:</b>	<b>Present</b>	<b>Absent</b>
Gail Welch, Chair	X	
Don Billings, Vice Chair	X	
Craig Chapman	X	
Christopher Dull	X	
Gordon Hess	X	
Jeff Justus	X	
Jack Kubota	X	
Tiffany Mittal	X	
Jim Peugh	X	
Irene Stallard-Rodriguez	X	
<b>Ex-Officio Members:</b>		
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 January 21, 2014**

**ACTION:** Upon motion by Member Peugh to approve the Draft Minutes of January 21, 2014, and seconded by Member Kubota, motion passed with 7 (in favor) - 0 (opposed). – 3 (abstained: Hess, Mittal, Chapman).

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

- Welcome new member Tiffany Mittal who was not present last IROC meeting.
  - Member Mittal gave a brief background indicating she has multi-family background experience, and her family is owner/operator of 2,500 apartment units in southern California; she also works for a sub-metering company which services the multi-family industry. It was suggested she join IROC from the president of the San Diego Apartment Association, and she is glad to be involved with IROC.
- FY13 Annual Report will be presented to the City Council’s Committee of the Environment on March 5, members are welcome to attend.
- FY15 Work Plan responses to the survey emailed out to IROC recently, are due this Thursday, February 20. Please reply to John Gavares as soon as possible. The 2-hour Work Plan Workshop will take place on March 10 at 10:00 a.m.

5. **City Staff updates** - *Director Halla Razak*

- Concluded the second meeting on the Branding effort for the Department. IROC Members Billings and Peugh participated. The purpose of Branding is to help the

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Department in its totality to step-up to handle and meet the forthcoming challenges. The working session went very well, next steps will be shared.

- Drought continues in California, and SDCWA declared Phase I of the water conservation (volunteer level). She is in the process of briefing each Council Member, and getting their feedback on the water supply situation. They request the Department present at the Committee of the Environment on March 5 to address the Department's proposals. The Mayor's Office will also be providing a Report Card on the success of our conservation efforts.

Member Kubota indicated he would like to see that the different agencies work together to put out the same message for the drought levels, and conservation for example, as it seems each agency explains it differently. Director Razak concurred.

Member Peugh asked for an update on the condition of the Pt. Loma Outfall. Guann Hwang, Deputy Director, indicated there is a declared emergency for the effluent channel. The section has been identified and will be evaluated and repaired.

Member Hess asked if an update can be provided soon as to what the impact would be to the drought, to fill the San Vicente Reservoir as planned, and what the storage level is. Director Razak indicated she would bring back information at the next IROC meeting.

6. **Mayor and Council Staff comments**

None.

7. **City 10 – San Diego County Water Authority (SDCWA) update** – *Ex-officio Ken Williams*

- SDCWA unanimously voted to move to Stage 1 in the current drought situation. She noted that local agencies may still consider Stage 2 (mandatory) if they wish. Discussion that took place at the Board meeting prior to this vote, members thanked the rate payers for their conservation. There is actually less water usage now, with more population than in 2007.
- Snow pack is 12% of average, and water content of the snow is even less than this.
- Colorado is in better shape than California, but they still have low storage levels.
- Bay Delta Plan continues to move forward. Comments on the Plan are due from SDCWA and other parties, by April.

8. **Pure Water Project update** - *Director Halla Razak*

Director Razak reviewed San Diego's water challenges, indicating that in the last 5 years, the average amount of water we have gotten from imported sources has been 77% of the water we use in the city. This is costly, we have no control, and the reliability is questionable. Also, the Pt. Loma Permit (Waiver) poses a challenge. With regulatory constraints, droughts, limited supplies, etc. affecting our water supply we need to look at alternative solutions.

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Director Razak then gave a brief review of the Pt. Loma Wastewater Treatment Plant, noting the Pt. Loma Modified Permit options which are applying for a waiver again, converting the Pt. Loma Wastewater Treatment Plant to secondary treatment, which is very costly, or the preferred option, which is the implementation of Pure Water and modifying the law to allow secondary equivalence.

She indicated that San Diego has one of two options; one is to convert to secondary treatment and continue to purchase imported water supplies, which keeps us dependent upon this, and vulnerable to rising costs, etc., the second is Pure Water, which would allow us to have local control, economical independence, and creates a sustainable new water supply. She added that treatment facilities would need to be enlarged and/or built. She stated the savings would be substantial in this choice. She then reviewed the Pure Water program elements.

Director Razak indicated the goal of Pure Water is the production of 83 mgd of new water supply, but starting with the initial phase of 15 mgd by 2025 (7% - 8% of our local supply) and it is the purest form of raw water, reliable, locally controlled, drought proof, and many more benefits. She noted that Pure Water supports the Permit renewal. She then reviewed a map of three planned phases, which includes a new Harbor Drive Treatment Facility in Phase 3.

She noted that if we are able to get Direct Potable Reuse implemented, it will be substantially less expensive than the Indirect Potable Reuse.

Last, she reviewed some of the next steps, which are to request from Council a Resolution to solidify the Council's concurrence with the Pure Water, and to use the resolution in discussions and negotiations with the EPA; invest in outreach education for aggressive conservation; prepare the waiver application; and work with elected officials, regulators, and stakeholders to secure approvals; and more. Member Kubota asked if the Metro JPA is on board with this plan. Director Razak indicated definitely yes, and they are helping to lead the effort.

Member Justus asked, in relation to Indirect Potable Reuse, Direct Potable Reuse, Pure Water, etc., if we have 40% in-house water, how does it affect the cost of the imported water received from the SDCWA and MWD, and how this will affect the overall rates. Director Razak indicated the SDCWA and MWD are looking at fiscal sustainability, and how the water supply portfolio is changing. She believes this will impact the cost of imported water, but cannot predict how since there are so many scenarios at this time.

Vice Chair Billings commented that it needs to be communicated through State Legislation or other mechanisms, the opportunities and benefits captured that this investment provides other agencies, to our rate payers.

Ex-officio Williams complimented Director Razak on a thorough presentation. He also addressed Vice Chair Billings' comment of benefiting other water agencies, and indicated another point of view is called "rolling off". The concern to other agencies would be in the position to now "roll off" and not buy as much water that they have in the past, and

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not supporting, which leads to the identification of fixed costs, and getting other agencies to pay for these fixed costs.

Ex-officio Williams asked if there is a price per ac/ft for Pure Water established. Director Razak indicated the range is approximately \$1,700 - \$2,000 at this time, and includes wastewater savings, etc. However, at the next SDCWA Board meeting, there will be a table provided, comparing different costs for different efforts. Pure Water will be included in this table.

**9. Approve transfer of funds to Water Group Job 787**

Chairwoman Welch reminded the IROC that a memo was provided ahead of time, asking for the approval of a transfer of funds in the amount of \$250,000 from the Miramar Contract A Roof System Redesign to Water Group Job 787 for final Change Order. Funds were de-appropriated in FY 2013 to support on-going CIP projects.

Member Peugh asked if moving the funds from the current project will pose a problem, or are the funds excess. Guann Hwang, Deputy Director, commented it is excess funds and would be moved to the Dedicated Reserve for Efficiencies & Savings (D.R.E.S.) account.

Tom Zeleny, Deputy City Attorney, commented that Member Dull will abstain from participating in this item as well as Items 8 and 11. Member Dull's employer is or could be doing work on these projects.

**ACTION:** Upon motion by Member Justus to transfer funds in the amount of \$250,000 to Water Group Job 787, seconded by Member Peugh, motion passed 9-0-1 (abstain: Dull).

**10. Protection of personal customer information**

Mike Vogl, Deputy Director of Customer Support, provided this update in response to some questions from the last IROC meeting related to the protection of personal customer information.

He explained that two types of information are captured from customers, one being identity type (i.e. social security, date of birth, driver license information); second being financial information (i.e. bank account). He added all information is carefully handled and encrypted within the system when captured. He assured that the data will never be provided over the phone. He added identification data is not available to all users of the customer information and billing system, it is only available to those needing required access such as customer service representatives, and a select group in the City Treasurer's Office for delinquent collections.

Mr. Vogl indicated that financial information, when using online payments or subscription to direct debit process for instance, is controlled strictly, and it is not available to even customer service representatives. This information is stored securely and eventually destroyed. When check payments are processed, they are imaged, encrypted, and only available to select people with necessary access. Credit cards are

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only accepted over the counter and swiped through Bank of America terminal; copies are not kept nor recorded. Once credit cards are accepted on the on-line portal, this will be done through a third party, seamlessly transferred to their website; thus reducing City risk.

He stated with the new system CCS, any time a customer's account is accessed for any reason, it is immediately captured and recorded.

Vice Chair Billings asked if there is any intrusion testing performed on the online customer portal. Mr. Vogl indicated not at this time; however the City does have a security team that manages all aspects and security of the system. In addition, the City has a City-wide security team that manages and finds intrusion attempts into the network. Security measures are taken at all times.

**11. Advanced Metering Infrastructure (AMI) update**

Mike Vogl introduced Arwa Sayed, Project Manager, who presented the AMI project. Ms. Sayed gave an overview of the status of the AMI system implementation. She indicated this project was adapted for its benefits for customer service, billing, and remote water meter reading. She indicated this is a City-wide fixed network to receive the signals through radio frequency enhancing most accurate real-time information.

Ms. Sayed reviewed the actions to date, noting that Itron, Inc. was selected and approved as the vendor for this system. She noted that the Notice to Proceed was issued in February 2013 and since, the project preparation and system design workshops have been completed as well as meter readiness assessment. An as-needed implementation consultant was selected this month and the project Control Manual has been completed and approved.

She listed the work in progress with target completion dates, showing the final endpoint deployment date being approximately at the end of July, with a final system acceptance by end of September of this year. Post-implementation includes analysis of the performance and benefits of the system.

Mr. Vogl added that the return on investment is very strong. Gathering the data at the end of the project is a key factor so accurate predictions can be made about what AMI will do as it is rolled out further.

Member Hess indicated that this program is exciting. He asked if the meters are spread throughout the City. Mr. Vogl concurred, and a City-wide fixed network will be installed. Member Hess asked if any customer can request AMI once it goes live. Mr. Vogl stated that once data is gathered, it will be determined what the associated costs are and what the possibilities are. Member Hess indicated this will most likely be a desired option by many.

Member Mittal asked if the impact on the City and the customer has been determined, by installing these new meters and the rate of capture they were getting before. She also asked if the cost of investment of meter replacement installation has been considered,

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once they need to be replaced. Mr. Vogl indicated the revenue benefits have been separated out, and only those resulting from the implementation of AMI itself built into the business case for AMI. This revenue benefit comes from better management on non-performing meters. Analytics will show what meters will need to be replaced, and can be done earlier than usually planned if needed.

Vice Chair Billings asked what type of information is fed back to the customer. Mr. Vogl stated there will be an online portal where customers can look at granular information about their hourly usage and consumption. He added customers can be alerted earlier about anomalous situations in their consumption patterns, which can help customers reduce their bill.

Vice Chair Billings asked if the assets are leased or owned. Mr. Vogl indicated all of the assets are owned through Master Lease Purchase Agreement with low rates; however the software system is licensed and hosted by the vendor. Vice Chair Billings commented that he is impressed with this project.

Member Mittal commented that one way to get other uses from this type of network would be to sell the use of the network infrastructure to apartment owners to capture data from privately owned sub-meters to avoid them having to purchase the network separately. In other words, they could leverage off of the City's network which could save the apartment owners money, as well as bring in additional revenue to the City. Mr. Vogl indicated this is a great idea.

**12. Special Workshop/Ad Hoc Committee for FY15 Work-Plan development**

Chairwoman Welch reminded members that the responses to the questionnaire sent out recently by John Gavares are due Thursday, February 20. The Special Meeting of the IROC is on March 10 at 10:00 am – 12:00 noon. The Infrastructure & Operations as well as the Outreach and Communications Subcommittee meetings that morning will be shortened to accommodate this meeting. If another meeting is necessary, it will be held on April 14; however this would be if absolutely necessary. Member Dull recommended keeping the document short with Appendices attached. Chairwoman Welch concurred.

**ACTION:** Upon motion by Member Stallard-Rodriguez, seconded by Member Kubota, to hold a Special Workshop to develop the FY15 Work-Plan, motion passed 10-0.

**13. IROC Outreach and Communications Subcommittee nominations and appointments**

Tom Zeleny, Deputy City Attorney, clarified that all nominations need a second; Ex-officio members are eligible to serve on all subcommittees as full voting members; and that the IROC Chair and Vice Chair are already ex-officio members of all subcommittees that they are not a full member of.

**ACTION:** Upon separate nominations, motions were made to appoint Outreach and Communications Subcommittee members as follows: Irene Stallard-Rodriguez, Chair; Christopher Dull; Jack Kubota; and Luis Natividad. All were approved by 10-0 votes.

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14. **IROC Infrastructure and Operations Subcommittee nominations and appointments**

**ACTION:** Upon separate nominations, motions were made to appoint Infrastructure and Operations Subcommittee members as follows: Jim Peugh, Chair; Craig Chapman; Jeff Justus; Jack Kubota, and, Gail Welch. All were approved by 10-0 votes.

15. **IROC Finance Subcommittee nominations and appointments**

**ACTION:** Upon separate nominations, motions were made to appoint Finance Subcommittee members as follows: Gordon Hess, Chair; Don Billings; Tiffany Mittal; and Ken Williams. All were approved by 10-0 votes.

16. **IROC participants for the FY15 Strategic Plan development**

Chairwoman Welch indicated the Department is looking for 2 IROC representatives to participate in the Strategic Plan. Tom Crane, Assistant Director, added there will be 3 workshops off-site from 8:30 a.m. to 1:30 p.m. on May 2, May 30, and June 20. Mr. Crane gave a brief description of what to expect at the structured meetings. He offered a briefing to the two participants.

**ACTION:** Member Hess nominated himself to participate. Upon motion by Member Hess, and seconded by Chairwoman Welch, motion passed 10-0.

**ACTION:** Member Justus nominated himself to participate. Upon motion by Member Justus, seconded by Vice Chair Billings, motion passed 10-0.

17. **Subcommittee Reports**

**a. Finance – Chairwoman Welch - Alternate**

- Updates from Lee Anne Jones-Santos
  - San Diego County Water Authority's Study
  - Recycled Water Pricing Study
  - Industrial Waste Project
  - Proposed Budget for FY15, she offered to present after April 15
- Update from Jennifer Casamassima on the funding of the Recycled Water Project
- Discussed the FY15 Work-Plan with John Gavares

**b. Infrastructure and Operations – Jim Peugh, Chair**

- Update on the Back-up Generator (BUG). Generators are now in place at the various stations and functioning
- Discussed the CIP Crosswalk
- Discussed Rate Case by categories of resources
- Discussed the FY15 Work-Plan with John Gavares

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

- Update from Michael Vogl on AMI
- Discussed enhanced conservation messaging
- Discussed the FY15 Work-Plan with John Gavares

18. **Metro/PA – Report Out**

None.

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19. **Proposed Agenda Items for next/future IROC meeting**

- San Vicente Dam fill's impact to the drought.
- Member Hess asked for an update on the Retrofit on resale for toilets. Tom Crane indicated this subject is part of the Water Policy Task Force's effort. Mr. Zeleny indicated he believes this may be on hold, and not moving forward to full Council yet. Member Hess would like a status update at the next **Finance Subcommittee**.
- Vice Chair Billings would like to stay current to any Performance or Financial Audits, and this was prompted by a request of the Office of the City Auditor. Mr. Crane indicated the Reserve Performance Audit is currently underway, and the Overhead Audit will begin soon. A Risk Analysis is underway for the entire City, which the Department will be included. There should be a briefing to IROC before the end of the fiscal year, and will look forward to IROC's input.

Chairwoman Welch indicated to have the items to her or David Bryant by February 25.

20. **IROC Members' Comments**

Member Peugh shared knowledge he learned about a deficiency of skilled utility workers. A local college is talking about setting up a program just for this.

Member Peugh asked if there is any systematic reporting within the Department regarding turnover rates and ability to hire skilled people. Mr. Crane indicated the Department's total vacancy rates have been high. Director Razak has asked for briefing back from the Assistant Directors on how vacancies are coming along, and if there are any obstacles. The number of vacancies is coming down. With questions regarding the technical or skill levels, perhaps staff from the Water Quality Branch can give an update.

Member Peugh also indicated that he is interested in knowing statistics such as how many applicants there are for these positions, and how many accept the City's offer over another entity. Mr. Crane will look into obtaining records and get back to the full IROC.

Member Kubota asked if Tom Crane can provide IROC with an updated Department Org Chart.

Meeting adjourned at 12:13

Minutes submitted by:           Monica Foster