



Independent Rates Oversight Committee (IROC)

September 15, 2014

MINUTES

1. **Roll call**

Vice Chair Billings called to order the regular meeting of the IROC at 9:31 a.m. Monica Foster conducted roll and a quorum was declared. Attendance is reflected below:

Members:	Present	Absent
Irene Stallard-Rodriguez, 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	
Gail Welch		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 July 21, 2014**

Vice Chair Billings asked for a motion to approve the Draft Minutes.

ACTION: Upon motion by Member Peugh and seconded by Member Kubota, motion passed 6 (in favor) -0 (opposed) -1 (abstention - Kubota).

4. **Chair updates** – Vice Chair Billings

None.

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

- Department’s Management team is fully staffed. Introduction of Isam Hireish, the new Deputy Director of Water Construction & Operations, and Rania Amen, Deputy Director, who will replace Guann Hwang, Deputy Director of Engineering & Program Management, on October 17.
- Last week Director Razak and Brent Eidson, Program Manager of External Affairs, represented the Department in Washington DC with Mayor Faulconer and will discuss later today during Items 9 and 10.
- Recent large main break details will be discussed in Item 8.
- Presented an update on the Branding effort and the effect on Employees. She described what the Department is committed to for all of San Diego, every day and reviewed the creation of the Brand and the Brand events taken place over the

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past couple of months. She then shared current examples of living the Brand, and shared strategic FY15 plans going on for launching externally.

Director Razak displayed the metrics of employee satisfaction for the Branding, and summarized the internal Branding as 1. Bridge between strategy and execution; 2. Employee pride and alertness to new culture = happier employees, improved service; 3. Factors: Recognition, Empowerment, Expectation, Celebration; and 4. Leaders and Managers walk-the-talk and are accountable. Last, she shared a great poem written by Brand Champion Doris Woods' daughter.

- Water Main Break Update: *Stan Griffith, Assistant Director; Isam Hireish, Deputy Director*

Mr. Hireish displayed a presentation regarding the recent main break on Meadow Lark Drive/Hummingbird Lane on September 3. He indicated it was an 18" cast iron cement line installed in 1950. Crews arrived on site at 8:00 p.m., repairs were completed the next morning at 4:45 a.m., and water was restored at 7:10 a.m. Impacts included Rady Children's Hospital, San Diego Juvenile Hall, and sections of Nightingale Way and Meadow Lark Drive. He noted that garages were flooded at an 8-unit condominium complex. Pictures of the break were shared.

Ex-Officio Member Natividad asked about the timing of replacement of this line. Stan Griffith, Assistant Director, indicated that a team is being put together to accelerate the replacement of this particular line.

Member Chapman asked if the length of time (2 hrs) it took to get the water back restored is typical. He also asked how much water was lost. Mr. Hireish indicated because this was a transmission line, this time lapse is typical. He indicated the calculation of water loss was approximately .7 million gallons.

Director Razak added there was urgency with this break, due to several factors including Children's Hospital being involved. There was close communication with the staff people, district manager, and Manager of Operations of the hospital. Stan Griffith and Isam Hireish kept everything under control with the crews, water pressure, etc. She added during the effort, plans were set in place to deploy water to the cooling towers in the event this was needed. Everyone worked closely together to respond properly, safely, and quickly.

- Attention had been set on replacing the smaller diameter cast iron pipes, and will be scheduled to complete all lower than 16" by the end of 2017. The challenge is, there are many large cast iron pipes that some are over 110 years old. She indicated a team is being put together currently under direction of Stan Griffith, to plan for the best practice of replacing pipes, and reacting quickly to unforeseen emergencies. She will update IROC as this develops.

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Vice Chair Billings asked what can be done in advance, to educate the media of the procedures and the reality of these types of emergencies before they broadcast their interpretation of the news coverage. Director Razak commented that they are working on the best way to handle the media, so the facts are represented correctly and not dramatized as they often are to the public. She indicated with the mechanics of what happened with this break, it really went quite well. However, the news does not show this, unfortunately. Vice Chair Billings added he hopes the news, the rate payers, the elected officials become more educated and have them engaged regularly with tours and events.

6. **Mayor and Council Staff comments**

None.

7. **Public Utilities Platinum Award**

Peter Vroom, Deputy Director, Environmental Monitoring & Technical Services, noted that Cheryl Lester could not present today. Mr. Vroom indicated there are 2 types of awards given from the National Association of Clean Water Agencies (NACWA). The first being the Platinum Award given to facilities that have been in 100% compliance of National Pollutant Discharge Elimination System Permits for at least 5 years, and the second is a Golden award for being in compliance for the past calendar year. He noted that if a facility receives 5 Golden awards, it automatically is converted into a Platinum Award.

Mr. Vroom commented that getting these awards takes a lot of team work and dedication. The Public Utilities has received 3 awards this year, and he introduced some of the key employees amongst the divisions. He introduced Ernie Molas, David Huntamer, Brent Bowman, Dan Silvaggio, Tim Stebbins, and Neil Tran. He then presented a Gold Award for North City Water Reclamation Plant for being 100% in compliance for the past calendar year (3rd year in a row), two more years and they will it be Platinum; second, he presented a Platinum Award to SBWRP and has been in compliance for the past 11 years. The third award was presented for the Point Loma Wastewater Treatment Plant, for being 100% in compliance for the past 20 years!

Director Razak added that the employees selected to receive the awards are exemplary employees and she appreciates their dedication, as well as appreciates the dedications and work from all of the employees at the Plants. Members Billings and Kubota commended the fine work as well, and hopes the media can capture this type of information to educate the public of the exemplary work that goes on in the Department. Ex-officio Member Natividad added that he has a lot of experience in the public sector and he recognizes the loyalty within the City's employees, and it is very inspiring.

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8. Capital Improvement Program update

Guann Hwang, Deputy Director, Engineering & Program Management, along with Darren Greenhalgh, Deputy Director, Public Works, reviewed detailed materials for the 4th Quarterly FY2014 CIP Report. Mr. Greenhalgh pointed out an APWA Honor Award received for the Balboa Terrace Trunk Sewer. He then reviewed the dashboard information and CIP project highlights for Water and Wastewater.

He reviewed graphs showing the FY14 awarded cast iron water mains, with the compliance order requiring 10 miles to be replaced per fiscal year, as of June 30, a total of 35.80 miles have been awarded, and 26.90 miles are cast iron. For the Wastewater side, he reviewed graphs outlining FY14 completed sewer miles, where the goal is 45 sewer miles in FY14, and as of June 30, 2014, 44.55 miles were completed. He then reviewed the planned vs. actual expenditures. He noted that next Infrastructure & Operations Subcommittee meeting, he will discuss the detailed breakdown, lessons learned, and what can be taken forward into the next Cost of Service Study (COSS).

Mr. Greenhalgh provided a detailed FY14 Change Order log which includes reduction change orders that occurred in the last quarter; schedule of COSS vs. Actuals for Water and Wastewater projects; and draft Total Water CIP Project Expenditure Execution, and Goal graphs.

Rania Amen, transitioning Deputy Director for Guann Hwang, introduced herself and indicated she is excited to have her new role and looks forward to working together with IROC.

9. Point Loma Permit Application

Tom Zeleny, Deputy City Attorney, indicated that Members Kubota, Dull, and Justus are affiliated with firms who are bidding on the Project Manager contract. He recommended the 3 members abstain from discussion and a vote, if there is one.

Ann Sasaki, Assistant Director, gave an update on this subject, noting that the permit must be submitted to the EPA early next year. She presented background of the Metropolitan Sewerage System. She gave a description of the Pt. Loma Wastewater Treatment Plant, indicating that monitoring has not identified any negative impact to marine organisms surrounding the outfall, and added that the current permit expires on July 31, 2015.

Ms. Sasaki indicated a recycled water study performed in 2012 identified the feasibility of creating up to 83 mgd per day of new water by building plants upstream of Pt. Loma. This diverts flow upstream of Pt. Loma, resulting in less ocean discharge. As a result of the study, the City came up with the Pure Water Program, a 20 year program to provide safe, reliable, local drinking water using proven water purification technology. It is a cost effective solution and eliminates the expensive upgrades to the Pt. Loma Wastewater Treatment Plant. She then described a graph showing the cost benefits of the Pure Water project.

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She reviewed the Pure Water program schedule, and listed and described the 3 Options available for Pt Loma. Option A: Convert the Pt. Loma Wastewater Treatment Plant to secondary treatment (very costly, has site constraints, and will not create new water – not recommended); Option B: Apply only for a modified permit (not recommended); and Option C: Apply for a modified permit, commit to Pure Water, and seek secondary equivalency (Recommended. Creates locally controlled, drought-proof source of water, environmental community support, resolves uncertainty surrounding future Pt. Loma permits). This solution is the most cost effective.

Ms. Sasaki reviewed the commitment to Pure Water, what the permit application would include and the goals to produce potable water. She noted that each permit application is for a 5 year period. She stated that included in the permit application, the City is pursuing Secondary Equivalency which would resolve all future uncertainties with permit for the Pt. Loma plant. The benefits of Option C are that it will meet all regulatory requirements, and provide a local, sustainable drought-proof supply of high-quality drinking water for San Diego. It also reduces ocean discharges and sets a cap on mass emissions from the Pt. Loma Wastewater Treatment Plant.

She then reviewed the schedule, indicating that it is proposed to go before City Council on October 28, and Permit Application will be submitted on January 30, 2015 and hoping to have Secondary Equivalency approval by the end of next year. Lastly, she added that on this strategy, the City has been working with the environmental community, the Surfrider Association, Coastkeepers, Coastal Environmental Rights Foundation (CERF), the Audubon Society, as well as the Participating Agencies and they all support moving forward with the recommended plan.

Vice Chair Billings asked if the commitments for Purple Pipe would be impacted. Ms. Sasaki indicated as the Pure Water Program moves forward, the Purple Pipe customer commitments will be honored. He also asked, in respect to secondary equivalency, with the current standards effectively per unit of discharge, it is the 30/30 requirement being requested to be modified so it will not be per unit of discharge, but rather by “total discharge”. Ms. Sasaki concurred, as long as the discharge stays under 9,942 metric tons per year it should be deemed equivalent to secondary.

Member Peugh asked if the price of imported water inflates, are there ways to expand the plants in the future. Ms. Sasaki indicated that in the 2012 Recycled Water Study, which is the basis for the planning, the North City Plant is still being looked at for expansion, as well as some of the Participating Agencies are looking in to having their own facilities. Director Razak added the teams are working together make this process as robust as possible to make sure the plan has all of the built in flexibility needed so that no options are precluded as moving forward.

Vice Chair Billings asked if the environmental community is committing to do outreach in educating the rest of the environmental community. Director Razak indicated yes, they are and the City is being as helpful as possible for the outreach that needs to be done, and everyone is on the same page. Vice Chair Billings indicated the biggest risk to him is not

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scientific, it is educational. He hopes the outreach can continue to educate the public on the benefits of this.

Director Razak gave a brief summary of the recent trip she and Brent Eidson took to Washington D.C. along with the Mayor, his Chief of Staff, and the Director of Policy to solicit support for the Secondary equivalency and the Amendment to the Clean Water Act. They met with Congressmen, Senators, as well as with the EPA. She stated that she is in hopes that the EPA will find a legal way to allow us to proceed and provide assurance that we will never have to go into secondary treatment under an administrative contract. It was shared that the Department is going above and beyond, surpassing the secondary standards and hopes to become a model community for the rest of the nation. They were very impressed with the Department's efforts and asked great questions. Alan Langworthy is developing some of the answers at this time.

Vice Chair Billings asked for a motion of support for Option C. Member Peugh moved to support Option C as well as secondary equivalency and Pure Water Program and to move forward as expeditiously as possible. Member Hess seconded. Motion Passed 4-0-3 (abstained – Justus, Kubota, Dull)

10. Pure Water San Diego's effect on rates

Lee Ann Jones-Santos began with an update on the financial component of the Pure Water Program based on the preliminary planning. She reviewed a breakdown of the capital costs and additional treatment costs aligned with the imported water costs, finding that Pure Water is the right cost effective choice. She showed graphs the small Water and Wastewater rate projections assuming San Diego receives grant and State Revolving Funding loans. She noted a new Cost of Service Study (COSS) for 2016 will be started in September which will look at what the rate impact would be for the CIP Program separate from Pure Water, the impact of imported water including the Desal component, and the Pure Water Program.

Ms. Jones-Santos reviewed the average typical household monthly cost increases for the Pure Water Program ranging from zero cost in 2014 with the peak increase being approximately \$3.88 in 2020. She showed the real value received in the product delivered to homes vs. a variety of other essentials (i.e. coffee, soda, milk, etc.), showing that San Diego tap water would average only about \$0.008 delivered. She added that she concurs with Vice Chair Billings, that there cannot be a monetary value put on the reliability that this would provide to the rate payers.

The proposed rate increase timeline shows that the COSS has started; internal approval of the COSS and proposed rates in April 2015; Council briefings in May 2015; Environment Committee in June 2015; Outreach will begin June 2015 – January 2016; notices mailed in August 2015; Council hearing in October 2015; and rate increases be effective January 1, 2016.

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Vice Chair Billings commented that the public needs to understand what they are getting for their money, and that the reliability is priceless, Member Peugh concurred.

11. Discussion: FY2014 Annual Report

Member Hess, a member of the current Ad Hoc Committee, provided a brief update and indicated that while they have met twice, an additional meeting is still needed. He indicated that each subcommittee section of the Report is approximately 80% complete. Jim raised a question regarding sharing each section's draft Report with all of IROC for comment.

Deputy City Attorney Zeleny advised that to avoid a meeting of the entire body creating a quorum of the full IROC, it was best to have the distribution of the Annual Report kept amongst the Ad Hoc Committee versus sending to each IROC member for comment. Mr. Zeleny clarified that the IROC members could get a copy of the Report for preparation of the next meeting as long as any changes made are available to the public for input and the comments are attributable to the members who made them. Vice Chair Billings indicated that the Ad Hoc committee should aim for having a final version of the Annual Report for the next full IROC meeting, with the goal of making a motion to approve publication.

12. Subcommittee Reports

a. Finance – Gordon Hess, Chair

- None. Last meeting was cancelled.

b. Infrastructure and Operations – Jim Peugh, Chair

- Discussed CIP update;
- Presentations of Pt. Loma Waiver and the Pure Water Program;
- Discussion of recent main break;
- Discussion of the system-wide asbestos concrete water main replacement and the replacement for cast iron pipes
- Discussion of the subcommittee portion of the IROC Annual Report

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

- None.

13. Metro/JPA Report Out

Member Kubota indicated he attended the last meeting in the audience, and the Commission voted in favor of the Pt. Loma Waiver program and its' entirety.

14. Proposed Agenda Items for next/future IROC meeting

Vice Chair Billings indicated that he has been in discussions with Olivenhain Municipal Water District to see if they would be interested in presenting to the IROC their rate structure in particular their drought rates. They expressed an interest in committing to this in the near future with approval of their Board.

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Director Razak indicated there will be more discussion related to the drought prior to the next IROC meeting. She stated in July water use was up in the City of San Diego compared to July 2013 by approximately 1%. Water use for August in comparison to last year same time, is down by approximately 4%. The Mayor is carefully watching the water use situation. She indicated she has discussed with the Mayor that a new educational campaign has started about lowering water use and conserving water. July 1 began Stage 1, and she and the San Diego County Water Authority are discussing next steps. She added that the Metropolitan Water District believes that unless the State has an allocation of 40% or better from the Bay Delta for next year, then they will have to go to allocation.

Member Hess indicated that the State Legislature passed a ballot initiative for a water bond that will come up in November, and he would like to hear about opportunities there may be for the San Diego region to take advantage of this if it does pass. Director Razak concurred.

15. IROC Members' Comments

Member Peugh noted that Coastkeeper went public on Voice of San Diego this morning, criticizing the City of San Diego for not having mandatory requirements.

Meeting adjourned at 12:10 p.m.

Minutes submitted by: Monica Foster