



Independent Rates Oversight Committee (IROC)

November 17, 2014

MINUTES

1. Roll call

Chairwoman Stallard-Rodriguez called to order the regular meeting of the IROC at 9:30 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 October 20, 2014

Chairwoman Stallard-Rodriguez asked for a motion to approve the Draft Minutes of October 20.

ACTION: Upon motion by Member Peugh and seconded by Member Hess, motion passed 7 (in favor) -0 (opposed).

4. Chair updates– Chairwoman Stallard-Rodriguez

- Members Billings, Peugh, and Welch were thanked for a great job presenting the Annual Report to the Committee of the Environment last week. It was well presented, and all went smoothly.

5. City Staff updates – Halla Razak, Director

- Pure Water’s work group met last week for finalizing recommendations to the City. The Mayor held a press conference and it was confirmed that this item would be before City Council tomorrow.
- On July 1st, Level 1 - Voluntary Drought restrictions began, and Nov 1st, Level II – Drought Alert Conditions began. Outreach has been ramped up with the City as well as with San Diego County Water Authority (SDCWA) and the State. The State has been monitoring the City’s water production numbers on a monthly

Independent Rates Oversight Committee (IROC)

November 17, 2014

MINUTES

basis since August. The numbers up to September were lower compared to last year, but unfortunately the numbers for October were slightly higher than last year. However, the temperatures were on average 5% higher per day than last year for October, and it seems temperatures will remain high in the coming months. She will remain in continuous contact with the State. Meanwhile, the newly formed drought Task Force is busy looking at a variety of items, including next steps for the City.

- Pump Storage Project: Department is starting a new effort to partner with the SDCWA moving forward with the project. Meetings are underway.
- Marie Wright-Travis, Assistant Public Utilities Director, and Marsi Steirer, Deputy Director, have been gathering information on the different properties the Department has, and she will work with the new Real Estate Director to brainstorm ideas to professionally handle the properties for potential creation of new leases and revenue as Pure Water moves forward.
- Energy projects and production are in need of attention, and she has brought in Dave Schlesinger, provisionally who will be working on this effort with plans to revamp and save the tax payers money.

Member Peugh shared information he learned on a news channel recently, a feature of ground water depletion that can be measured from satellites that was very convincing and suggested this link be provided on the IROC's website. Director Razak concurred.

6. Mayor and Council Staff comments

None.

7. City 10 – County Water Authority update – Ken Williams

- Drought update: At the recent Board meeting a presentation was given from the National Weather Service. He shared a few quotes related to the drought conditions: “California’s record setting drought will likely persist or intensify in large parts of the state”, “Complete drought recovery in California this winter is highly unlikely”, and “While we are predicting a 2 in 3 chance that winter precipitation will be near or above normal throughout the state, with such widespread extreme deficits, recovery will be slow”.
- Imperial Irrigation District (IID) update: He provided a graph of the QSA (Quantification Settlement Agreement) water supply from 2003-2021, and a pie chart showing the increasing of San Diego County’s water supply reliability through supply diversification. This displayed transferred water from all three sources: IID water, and water from the lining of the All American & Coachella canals. He indicated the two canal lining projects account for 80,000 ac/ft and the cost is very inexpensive. As the IID water transfer ramps up, there will be over 250,000 ac/ft by 2021. The QSA water supply is an integral part of the supply diversification strategy that the SDCWA has been pursuing. Currently, it is somewhat more expensive to purchase the IID water, however over time the IID water will be much less expensive than buying it from MWD.

Independent Rates Oversight Committee (IROC)

November 17, 2014

MINUTES

Member Kubota asked in regard to the QSA water portion, he understands this production comes from the Strategic Conservation Plan who is responsible for many improvements in order to generate the water. He asked for the status of this construction and generation.

Member Director Razak commented that when the negotiations began with IID and the ramp-up of the transfer started, IID was not able to produce efficiency water quickly enough. Therefore it was agreed there would be some fallowing of land to create this water and as time goes on, this technique would discontinue. They are on their way in the right direction, but at a slower progress than desired.

She added that the largest challenge is the Salton Sea. While the SDCWA and other partners of the QSA have fulfilled their full obligations under the agreements, the factor remains that the Salton Sea is shrinking, there are impacts to the water quality due to the high temperatures, climate change, diverted water, farming changes, etc, and this challenge will remain an obstacle for SDCWA.

8. **Olivenhain Municipal Water District Drought Rates**

Ms. Rainy Selamat of Olivenhain Municipal Water District (OMWD) presented the goals and objectives of the OMWD drought rates (2008) which include reduction of the amount of water that customers (28,000 connections) use, maintain an adequate amount of revenue to continue operations, cover fixed costs when less water is sold, and be revenue neutral to customers. She added that if customers conserve the required amount of water, then there should be no increase in their water bill, and this is effective.

Ms. Selamat reviewed the rate process that took place, and noted that drought rates are necessary due to the continued drought in our region and that public outreach is very important. She then listed the considerations and assumptions for the developed tiers of rates for all class groups (Residential, Agricultural, Commercial/Irrigations B and C) using a price elasticity method, assuming voluntary cutbacks.

Lastly, Ms. Selamat reviewed provided tables, explaining the water supply shortage levels increases from Level 1 to Level 4, as customers use more water than expected; she also reviewed the Prop 218 Notice of September 2009 showing current and proposed rates for commodity charges for the four levels. This was sent out and is published with all levels and amounts visible in order to cut down staff time and future mailing costs associated with notifying customers of rate changes.

Ex-officio Member Natividad asked if staff reductions have/will occur if the reduction of water is met and there is less revenue. Ms. Selamat indicated after the drought rate was implemented one year ago, a program was implemented to freeze approximately 9 positions. He also asked if she could provide the cost savings of this. She concurred.

Member Hess asked if there have been any rate increases since they were approved in 2009. Ms. Selamat indicated yes, there has been the pass-through of CWA's wholesale cost increase, as well as San Diego's CPI.

Independent Rates Oversight Committee (IROC)

November 17, 2014

MINUTES

Ex-officio member Williams asked if savings or more revenue was collected, what this money would be utilized for. She indicated it would be used for conservation programs and to fund their capital improvement projects that will promote local water supply. For example, more money was collected in 2009-10 and it was used for the conservation program and to develop a local water supply project. The following year there was less money collected, so money from the Rate Stabilization Fund was used to cover the shortfall as well as freeze positions.

Chairwoman Stallard-Rodriguez asked for information on the outreach efforts. Ms. Selamat indicated she is not in charge of outreach however, they send out “Watching Water” which is a quarterly publication to educate customers, some staff members go out to different communities to visit HOA’s, golf courses, etc. to educate them. Member Welch asked what kind of local supplies are being considered to be established. Ms. Selamat stated one potential consideration is the brackish plan, ground water.

9. FY2015 1st Quarter Capital Improvement Program Update

Rania Amen, Public Utilities Deputy Director, and Angela Colton, Public Works Interim Deputy Director, provided a progress update for the 1st quarter. Ms. Colton reviewed the dashboard information and CIP project highlights for July-September for Water. She noted that the information provided in the packet for slide 5, Otay 1st PL University Heights total cost was actually \$4.9M, opposed to a typo which stated \$8,540,000. She also reviewed graphs showing progress on miles of pipeline awarded for Water. No miles were awarded, as most of the progress will happen after the ramp up in November which will show on the next quarterly report. She then reviewed the Water planned vs. actual expenditures as displayed in the handouts.

Ms. Colton then reviewed the Wastewater CIP project highlights, regulatory project update graph, and the Wastewater planned vs. actual expenditures. She brought attention to a CIP Process Improvement, which was some of the benchmarking data with other California agencies. Since October 2001, the Public Works Department has been comparing data with other agencies about cost of project delivery among all of the different organizations. Methods and procedural improvements are also able to be shared.

Last, she included three sets of charts for Financial, Scheduling, and Change Order data updates. She noted there were 6 projects having change orders this quarter, 3 reflecting project savings and 3 which had cost increases, one of which is emergency related.

Member Welch commented that the Infrastructure & Operations Subcommittee reviews this report regularly, and suggested the data be put together in a manner of ease to understand the updated information at a glance such as the magnitude, the main items over budget, or delayed, etc. and understands this is being worked on, and she appreciates it. Ms. Colton indicated that Public Utilities and Public Works have been partnering over the past few months to brainstorm improvements, and this is one of the items being discussed. She will provide an update when this is ready.

Independent Rates Oversight Committee (IROC)

November 17, 2014

MINUTES

Member Kubota made comments that some of the projects such as a stand pipe in the Pt. Loma area, listed as “emergency storage demands”, and the Distribution System Pumping System, provide emergency fire protection. He would like the message that the fire protection is a silent partner of the Department, to be known to the customers.

Member Peugh asked for details on stand pipes, such as how long they last, what they are made of, do they corrode, etc. Director Razak indicated she would provide information on this at future meeting. She added that once the Asset Management System is complete, it can capture all of this type of information.

10. Public Utilities Human Resources Update

Margaret Wyatt, Human Resources Manager, presented a human resources update which included retirement eligibility, DROP information, succession planning and knowledge transfer, turnover in the Department, vacancy rates and how they compare to other agencies, and recruitment plans.

Ms. Wyatt provided and followed detailed handouts. She broke down retirement eligibility, as well as those in the DROP program by the upper, middle, and lower classification levels, noting the largest risk of vacancy due to those leaving from the DROP program shows to be in the year 2017 assuming those stayed in the DROP program all five years. She indicated that information shows that most stay in the program just over 3 years.

She indicated that some ways of succession planning and knowledge transfer are to overlap outgoing and incoming incumbents, require exiting employees to document practices in a manual, work applicants in and out of class capacity while filling the position, mentor, rotate jobs, and internship, etc.

Ms. Wyatt then reviewed turnover percentages for FY2014 and vacancy trends compared to other similar agencies. There are several reasons for turnover such as promotion, moving to another department, retirement, etc. She noted that it seems the vacancy rate is driven by how difficult it is to fill vacancies due to the Civil Service procedures that must be followed, not being able to request to fill a position until the incumbent is gone.

Last, she added the Department is working with Personnel on recruitment practices and have made some progress with being able to open positions at the desired level without having to under fill. She indicated it is difficult to get a good pool of candidates due to low pay, inability to join our retirement system, and dependent on Prop B – no pensionable pay-raises until after June 30, 2018.

Member Kubota asked if exit interviews are offered to those who are retiring or leaving the organization. Ms. Wyatt indicated yes it is currently being developed, it is offered voluntarily online and it is an anonymous as possible.

Member Kubota asked if there are any programs that those employees retiring, can participate in to ease their transition, as well as assist in training others before they leave. Director Razak indicated that some provisional opportunities are available, and can work

Independent Rates Oversight Committee (IROC)

November 17, 2014

MINUTES

part time. Mr. Kubota added that this is a beneficial plan for the individual as well as the Department, and those coming up to retirement could also benefit from having the opportunity to go half-time before hand. Ms. Wyatt concurred.

Member Peugh asked if the Department has savings to hire 100% of the vacancies currently. Director Razak indicated the Department budgets 100% for the vacancies and that filling vacancies has been a priority, but there are challenges. She added that the real concern is the number of current retirees, now that we are embarking on the Pure Water Program which requires employees with high knowledge and expertise. With having the lowest salary in the region as well as in California and a unique retirement situation, this poses a challenge to keep/hire high knowledgeable employees.

Chairwoman Stallard-Rodriguez asked who sets the salary, the City or the Department. Ms. Wyatt stated that City employees are on a “step” system which is determined by the City of San Diego, not the Department.

11. Subcommittee Reports

a. Finance – Gordon Hess, Chair

- Reviewed the 1st Quarter Financial Summary and discussed how the projected expenditures and revenues change over time.
- Discussed the miles of pipeline awarded, and the fluctuation of the graph. He understands there are some issues, and the Department is partnering with the Public Works Department to study this to identify the issues.
- Received a report on the Water Policy Implementation Committee progress, which were recommendations brought to and approved by the City Council about a year ago. He is pleased the Department is making great progress on implementing the recommendations, as well as the Phase 2 and 3 recommendations that have not yet been approved.

Member Peugh would like to have the Report of the Water Policy Implementation Committee at the full IROC.

b. Infrastructure and Operations – Jim Peugh, Chair

- Presentation on the Capital Improvement Program in detail.
- Presentation on the 3-year Valve Maintenance Program, a positive note is that this information can determine priority valves
- Discussed the Report to the Environment Committee

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

- Presentation by Brent Eidson and reviewed current water conservation
- She would like metrics on the Pure Water for San Diego outreach
- Pt. Loma Wastewater Treatment Plant and the Environmental Monitoring and Technical Services tours coming up

Independent Rates Oversight Committee (IROC)

November 17, 2014

MINUTES

12. **Metro/JPA Report Out**

None.

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

- Report of the Water Policy Implementation Committee
- Outreach Efforts for Pure Water
- Update on the miles of pipe replacement, and issues related to the progress to meet the infrastructure progression. Director Razak added that she looks at the Department and the Public Works as a system, together. The partnering going on has given the opportunity to recognize challenges on both sides. She indicated that she feels positive about the progress, and the results of this will be shared with IROC in the near future.

14. **IROC Members' Comments**

Member Hess commented that he saw in the media recently that Sea World is installing saltwater bathroom which will save 1.2 million gallons of water. He asked if this poses a problem for the Pure Water Program, since this seawater will be going into the sewer system. Director Razak indicated this is a challenge, as well as the current seawater Sea World uses in its tanks as it is recalculating. There are also issues related to golf courses using brine, etc. so there are some hurdles moving forward.

Meeting adjourned at 12:06 p.m.

Minutes submitted by: Monica Foster