

CITY OF SAN DIEGO

INDEPENDENT RATES

OVERSIGHT COMMITTEE

FISCAL YEAR - 2019
ANNUAL REPORT

ISSUED:
JANUARY 21, 2020

OFFICIAL ADVISORY BODY TO THE MAYOR AND CITY COUNCIL ON
POLICY ISSUES RELATING TO THE OVERSIGHT OF THE
CITY OF SAN DIEGO'S PUBLIC UTILITIES DEPARTMENT OPERATIONS



Independent Rates Oversight Committee

January 21 2020

Honorable Mayor Kevin Faulconer and
Members of the City Council

In accordance with Section 26.2003(a) (9) of the San Diego Municipal Code, I am pleased to transmit the eleventh annual report of the Independent Rates Oversight Committee (IROC).

The report summarizes IROC's work for the fiscal year ending June 30, 2019, and includes observations and recommendations with respect to the operations, investments, and planning activities of the Public Utilities Department. It also includes issues we plan to address, or continue to address in FY 2020. We welcome input from the Mayor, City Council, staff, stakeholders, and the public.

On behalf of my IROC colleagues, I want to express our appreciation for the opportunity to serve the ratepayers. We hope this report will contribute to a respectful dialogue on the continuing challenges we face as a region in ensuring a safe and reliable water supply, sound environmental management, reasonable rates, wise investments, efficient operations, and a knowledgeable public. We hope this will lead to cost effective and sustainable water and wastewater systems.

Next year and beyond, a host of critically important issues are expected to be addressed at IROC, including Cost of Service Study which may include alternative rate structures, Advanced Metering Infrastructure (AMI), Pure Water and continual Department organizational reforms. We look forward to providing input to the Mayor's Office, City Council, and PUD on these, and other issues. IROC appreciates the cooperation, patience, and professionalism of the Public Utilities Department in its ongoing relationship with IROC.

Respectfully submitted,

Tiffany Mittal, Chair
Independent Rates Oversight Committee

TABLE OF CONTENTS

1. Foreword	4
2. IROC Membership	5
3. IROC's 2019 Key Recommendations	6
4. IROC Subcommittee Reports	13
5. Looking Ahead: FY 2020 Annual Work Plan	22
6. Attachments to the FY 2019 IROC Annual Report	26

Attachment A – IROC Ordinance to Amend the Municipal Code

Attachment B – IROC Members Listing

Attachment C – IROC Agenda Topics for FY 2019

IMPORTANT NOTES TO READERS OF THIS REPORT:

The information, recommendations, and conclusions stated in this Report are the opinion of IROC as an independent advisory committee and should not be construed as an audit, formal financial review, or as the official position of the City of San Diego.

It should be noted that even though this report covers the period of July 1, 2018 through June 30, 2019, some of IROC's statements in this report may include information that came to light after the end of the reporting period.

All recommendations are listed in the front of the report regardless of which subcommittee(s) addressed the issue that generated the recommendation. All recommendations were reviewed and approved by full IROC.

IROC Annual Report
Fiscal Year 2019
Foreword

Fiscal year (FY) 2019 was a year full of significant changes for the Department, including new leadership, updates to its organizational structure, updates to its management controls and accountability, and improvements in its ongoing relationship with IROC. The changes benefited the Department, its employees, and the ratepayers of San Diego in numerous ways reviewed below.

In August 2018, Matt Vespi became the new Interim Director of PUD and throughout FY 2019 implemented much needed and wide-spread organizational changes to the Department. His updates included staff changes, organizational structure, and key processes which provided the Department the necessary means to lead PUD into the future while establishing the transformations needed to ensure ratepayers receive the best possible service. His relationship with IROC and its members helped reaffirm the cooperative efforts between the Department and IROC in an effort to ensure staff and processes are in place that support a customer-focused, mission-driven utility while restoring stability and confidence in PUD. The improvements in the relationship between the two have set a new standard going forward and have continued with the newly hired Director of Public Utilities, Shauna Lorange, in August 2019.

Additional FY 2019 accomplishments that IROC played a significant role included; 1) First-ever 'Five-Year Financial Outlook' presented to IROC in advance of the City's annual budget review process which acted as a vehicle for the Committee to provide proper financial oversight, ask additional questions, and challenge assumptions ahead of the annual budget process. 2) First-ever 'Review of Funds' readout presented to IROC which highlighted key assumptions that were incorrect resulting in a decrease in the previously approved rate increase in July 2019, from a planned increase of 7.0% to an actual increase of 4.82%. 3) First-ever water/wastewater consultant to aid IROC in reviewing and providing feedback for the upcoming COSS and rate designs. We look forward to working with the consultant and the Department in this effort.

In FY 2018, IROC had 13 Key Recommendations from which eight were adopted from the Department. Although key improvements were made, the recommendations that were not adopted from the Department are again recommended in the forthcoming FY 2019 Recommendations listed below. Most notably, the recommendation to provide IROC a comprehensive AMI project plan for review, and the recommendation for the Department to develop and track a public-facing Key Performance Indicators Dashboard relevant to its Water Billing Operations to provide transparency to the public on the Department's operational improvements being made.

Next year and beyond, a host of critically important issues are expected to be addressed at IROC, including a Cost of Service Study which includes potential Alternative Rate Structures, Advanced Metering Infrastructure, Pure Water and continual Department organizational reforms. We look forward to providing input to the Mayor's Office, City Council, and PUD on these, and other issues.

IROC Membership, 2018-2019

Established in 2007, the Independent Rates Oversight Committee (IROC, or the Committee) serves as an official advisory body to the Mayor and City Council on policy issues relating to the oversight of the City of San Diego Public Utilities Departments' (PUD, or the Department) operations, including, but not limited to, resource management, planned expenditures, service delivery methods, public awareness, outreach efforts, and high quality and affordable services. In addition, the Committee assists the City in tracking and reviewing the use of rate proceeds to advance the capital improvements related to the rate packages and work programs adopted by the City Council.

IROC Members and Officers

- | | |
|---|--|
| 1. Tiffany Mittal, Chair ⁽¹⁾ | Multi-Family Residential Ratepayer Representative |
| 2. Robert Weichelt, Vice Chair ⁽²⁾ | Finance Professional Representative |
| 3. David Akin | Single-Family Ratepayer Representative |
| 4. Christopher Dull | Construction Management Professional Rep. |
| 5. Gordon Hess | Temporary Irrigation & Construction Ratepayer Rep. |
| 6. Jack Kubota | Engineering Professional Representative |
| 7. Luis Osuna | General /Law Professional Representative |
| 8. Jim Peugh | Environmental Professional Representative |
| 9. Linh Quach | Commercial & Industrial Ratepayer Representative |
| 10. Jeff Justus | Environmental Science Professional Representative |
| 11. Vacant | Construction Management Professional Rep. |

Ex-Officio Members:

- | | |
|--------------------------------|--|
| Jerry Jones | Metro Wastewater JPA Representative |
| Jim Peasley | Metro Wastewater JPA Representative, Alternate |
| Lois Fong-Sakai ⁽³⁾ | SDCWA City-10 Representative |
| Tony Heinrichs ⁽⁴⁾ | SDCWA City-10 Representative |

Attachment B contains more detailed information on IROC Member appointment dates, term expiration dates and Council District/Community representation.

Notes:

- (1) Tiffany Mittal reappointed as IROC Chair, May 2019
- (2) Robert Weichelt appointed as Vice Chair, May 2019
- (3) Lois Fong-Sakai stepped down, December 2018
- (4) Tony Heinrichs appointed as SDCWA City-10 Representative, January 2019

IROC's 2019 Key Recommendations

In FY 2019, IROC's recommendations are broken down into three categories;

- 1) Immediate Recommendations to be addressed by PUD and Audit Recommendations
- 2) Ongoing Efforts to be Continued by PUD
- 3) Notable Projects that Require City Council and Mayor's Ongoing Attention

Immediate Recommendations to be addressed by PUD

1) **Cost of Service Studies (COSS): Review Report with IROC including Alternative Rate Structures**

Cost of Service components and the upcoming COSS report preparation were reviewed both by the Finance Subcommittee and full IROC. This is one of the most significant issues that IROC focuses on, and all IROC members must be fully informed on the upcoming studies. IROC discussed and endorsed the City Council's action to have the Office of the Independent Budget Analyst retain a consultant to assist IROC and City Council in the review of the COSS. In June 2019, PUD staff reviewed previous assumptions that were used in the current COSS, and assumptions that were being considered for the future COSS. This is an ongoing issue and several more presentations are planned by PUD staff to fully prepare IROC and others to review the new COSS expected in the winter/spring timeframe of 2020.

Alternative Rate Structures: In IROC's FY 2018 Annual Report, we recommended that PUD ensure the general public and interested stakeholders' input were duly considered by making the comments of the groups be made public and briefly responded to by PUD along with how the stakeholders' comments/suggestions were (or were not) incorporated into the alternative rates considered for the upcoming COSS. In FY 2018, several public outreach meetings were held, along with two workshops sponsored by the Water Reliability Coalition and Regional Chamber of Commerce. These workshops should have provided valuable feedback to assist PUD as it brings forth rate alternatives. IROC has yet to be provided such information and is concerned that no additional stakeholder input was requested (to its knowledge in FY 2019) from the Department. Due to the timing of the upcoming COSS, IROC reiterates its concern that PUD has not sought enough stakeholder input with regards to reviewing additional rate structures as requested from IROC nor provided IROC with stakeholder comments from previous meetings.

- a) **Going forward, IROC recommends the Department work with IROC members to ensure COSS feedback from IROC members, IROC and City Council's independent consultant, and additional stakeholders' inputs are duly considered for the final COSS Report.**
- b) **IROC reiterates its FY 2018 recommendation to ensure the general public and interested stakeholders' input were duly considered, that PUD make public the mechanism that it uses to track comments received at each meeting and produce a short response as to how each comment or suggestion was (or was**

not) incorporated into the rate alternatives that will ultimately be presented and recommended.

2) PUD Staffing Issues:

The Department has continually suffered staffing losses and struggles to retain quality employees causing additional deterioration in the Department's service and project planning. PUD staffing issues are minimized when bundled with all other City departments in the 2018 Citywide Human Capital Fact Book which reported PUD as ranking in the lower third of employee satisfaction throughout the City's departments. Due to the size of the Department, IROC reiterates many of the FY 2018 recommendations as they relate to PUD's ongoing staffing issues and key vacancies as a reason to review PUD's HR policies and procedures separate from the City:

- a) IROC recommends the Department do a separate and thorough review of its management structure, internal controls, written policies & procedures, processes and protocols, salary and benefits, employee training programs, oversight, and accountability controls to determine where improvements can be made.**
- b) IROC recommends the Department consider hiring an outside consulting firm with experience in attracting great talent, accelerating cultural improvements in water utilities that can provide the necessary guidance to the Department on retaining and attracting qualified talent.**

3) Strategic Plan: Develop and Implement a Comprehensive Strategic Plan

IROC recommended in its FY 2018 Annual Report that the Department provide an update to the Committee regarding its Strategic Plan. PUD reported to IROC that due to the significant changes and numerous performance audits the Department has not focused on the prior year's recommendation regarding the development of a more detailed Strategic Plan including focused departmental key performance indicators (KPIs) to drive performance visibility and improvements. IROC reiterates recommendations from FY 2018 Annual Report for the FY 2019 report which includes:

- a) IROC recommends that PUD develop a Strategic Plan with detailed goals and objectives for each major Departmental program, including KPIs to provide PUD with clear objectives and timelines to measure success. This Strategic Plan including its goals, objectives, and KPIs should be made available to IROC and the public to provide more visibility of PUD operations and help to regain public trust in the Department and ensure compliance with Standard Operating Procedures (SOPs).**

4) FY 2019 Audit Recommendation:

- a) The City's recent Citywide Human Capital Fact Book suggests that the current salary, benefits, hiring, and retention problems are probably reducing the level of experience and institutional memory of PUD employees. This has a negative impact on all aspects of PUD, especially its operations of the water and wastewater system. This impact is, to some degree offset by the reduced costs to the City from reduced salaries and retirement costs. IROC urges that an audit be performed to see if these intended cost reductions are a benefit to the ratepayers, or if the lack of experience, overtime costs, additional recruitment and training costs, etc., cost more than the savings.

Ongoing Efforts to be Continued by PUD

1) Recommendations from City Auditor: Provide Quarterly Progress Updates to IROC

Continue monitoring and provide IROC quarterly updates for PUD's progress on the City Auditor's recommendations resulting from the following audits:

- a) Performance Audit of the Public Utilities Department's Customer Support Division Customer Service Office (Call Center)
- b) Performance Audit of the Public Utilities Department's Water Billing Operations
- c) Performance Audit of the Public Utilities Department's Water Meter Cover Replacement Program
- d) Performance Audit of the Public Utilities Department's Industrial Wastewater Control Program
- e) Performance Audit of the Public Utilities Department's Valve Maintenance Program
- f) Performance Audit of the Public Utilities Department's Advanced Metering Infrastructure (AMI) Implementation

2) San Diego Pure Water Program: Continue Tracking Financials Separately in its Budget Document

IROC has noted its continued support for the Pure Water Program and belief that continued aggressive implementation of the program will provide both local and regional benefits in terms of reliability and local control of the City's water resources. In April 2019, for the first time, IROC was given a presentation on the potential customer rate impacts of the Pure Water Program by PUD staff. IROC members had been asking for such information for some time and were pleased that the information finally came forward for IROC and public review.

While the impacts are still considered preliminary due to ongoing efforts to obtain outside grants, loans, and subsidies, IROC feels that this can serve as a benchmark to begin further monitoring and evaluation of rate impacts that will be included in the upcoming COSS.

- a) IROC recommends that the Department continue to track and show all Pure Water expenditures separately in its budget document along with how the costs are split between Water and Wastewater and include Pure Water as one of its key objectives in the departmental strategic plan (see Strategic Plan, above).

3) 5-year Financial Outlook: Continue Providing Yearly in Advance of the Budget

- a) IROC recommends that the Department continue to provide IROC a Five-Year Financial Outlook yearly in advance of their standard budget cycle whereas IROC can review and provide feedback regarding the financial assumptions and projections for the Department's funding and financial goals that are the inputs to the annual budget.

4) Review of Funds: Continue to Provide an Annual Informal Review of Funds

In FY 2018, IROC requested its first 'Review of Assumptions' with regards to the previous COSS and the assumptions used in its calculations. The Committee sought insight into how the assumptions impacted the previous COSS and rate case versus actual performance. The Committee also sought to understand the relevancy of the assumptions built into the COSS and to ensure oversight into the assumptions to be included in the upcoming COSS. It was through the newly sought Review of Assumptions, the Committee focused on the necessity of the already-approved proposed rate increases. The Review concluded that some of the assumptions regarding the Department's revenue in the previous COSS did not anticipate the City drawing on its local storage of water in the initial years, which was not in line with what occurred. Going forward, the Department will include a draw from local water storage as part of the upcoming COSS. Additionally, assumptions used to calculate the Department's operations and maintenance (O&M) expenses in the COSS were consistently higher than actual performance. Use of local supplies in FYs 2016-2019 beyond COSS assumptions allowed for water purchase expenditures below COSS projections and lower than anticipated CWA Pass-Through amounts also impact FYs 2019 and 2020 Expenditure Projections. These miscalculations confirm IROC's support in asking the Department to continue providing an annual informal Review of Funds to assess the current year's COSS assumptions versus actual performance to determine if rate adjustments are needed.

- a) IROC recommends that the Department continue to undertake an annual informal Review of Funds throughout the upcoming COSS period to assess and compare assumptions made in the COSS versus actual financial performance to date.

5) Pipeline and Facility Condition Assessments and Aging Infrastructure: Continue Providing Reports to IROC for Review and Include Additional Details

The Department's on-going Condition Assessment Program coupled with the Capital Improvements Program (CIP) provides the core Assessment Management of the enterprise. There are three active condition assessment contracts underway; major potable water transmission mains, dam and outlet towers, and major trunk sewers. The water and sewer projects will be completed in 2020 and the third in 2021. IROC received a presentation on the condition assessment for Dams and Outlet Tower in March 2019.

- a) PUD performs regular condition assessments of pipelines and facilities in order to prioritize the replacement of aging infrastructure. IROC recommends that funding for the replacement of the aging portions of the water distribution system continues to be a priority as guided by the condition assessments.
- b) The Infrastructure & Operations (I&O) Committee strongly recommends that the system condition program receive a greater emphasis so it can provide a coherent and informed basis for planning for infrastructure investments. Additionally, IROC recommends that they be provided more information on the system condition program including the selection of projects to be studied, interim results, final results, movement through the prioritization process, and inclusion into the CIP. It is very important that the entire process be clear and defensible so that essential projects will be funded and implemented by the time they are needed.

6) Water Sales and Purchases: Continue Providing Reports to IROC for Review

- a) The Department should continue to provide regular (minimum bi-monthly) updates to full IROC as it does at the subcommittee level on Water Sales and Purchases. Updates to full IROC can be information items only, discussed upon request.

7) IROC Inspection Tours of Facilities: Continue to make tours available for IROC Members

To increase IROC member's awareness of Department operations, successes, and challenges, the Department has organized tours of its facilities for IROC members. Previous PUD tours have included the Miramar Water Treatment Plant (MWTP), Metropolitan Operations Complex (MOC), Point Loma Wastewater Treatment Plant and the Billing and Call Center. Suggested tours could include San Vicente Reservoir and Chollas Operations Center.

- a) IROC recommends that staff continue to organize inspection tours for members of IROC of City facilities to increase awareness of Department operations, successes, and challenges.

Notable Projects that Require City Council and Mayor's Ongoing Attention

1) Closely Monitor Large Project Delays: Pure Water and AMI

IROC recommends that both the City Council and the Mayor's office closely monitor the following items listed below as they can play a significant role in the success of ongoing PUD initiatives.

- a) **Pure Water Program Delays:** Pure Water is the largest capital project in San Diego's history with an ever-increasing budget which now tops \$4 billion from its original projections of \$2 billion. The enormity of the project will provide San Diego with one-third of its water supply. Some important events to be aware of that have impacted the project including the budget and its projected completion timeline:

- **June 20, 2018:** In a letter from Chief Deputy City Attorney Tom Zeleny to SDG&E, the City affirmed that, under the Franchise Agreement, SDG&E was required to relocate all SDG&E facilities, within the public-right-of-way, that conflict with Pure Water facilities at the sole burden and expense of SDG&E.
 - *It is important to monitor who will ultimately be responsible for paying for the utility relocation costs.*
- **August 2018:** Draft Title 22 Engineering Report for the Phase 1 projects is submitted to the Division of Drinking Water and three public hearings are held to provide the public with information about the purified water that will supplement water supplies.
- **November 2018:** Pure Water Program receives \$614 million in low-interest loans from the U.S. Environmental Protection Agency's Water Infrastructure Finance and Innovation Act (WIFIA) program and the City Council approved the first, \$1.4 billion phase of the project.
 - *It is important to monitor the project delays relating to Pure Water and its impact on the currently awarded grants and loans associated with estimated completion dates.*
- **December 2018:** Design of key Phase 1 projects reached 100% completion.
 - *Key Milestone for the Department*
- **June 2019:** Defendants/Respondents City of San Diego; City of San Diego Public Utilities Department, and Kevin L. Faulconer are enjoined and restrained from requiring those bidding contractors for the North City Pure Water Facility project use apprentices registered in Joint Labor-Management Apprentice Programs. They are further enjoined and restrained from closing or completing the bidding process for the North City Pure Water Facility or awarding a contract for the North City Pure Water Facility, based on a requirement that bidders use apprentices registered in Joint Labor-Management Apprentice Programs. The injunction, which San Diego

officials estimate is costing them \$4 million a month, was prompted by a city compromise that requires union workers on some Pure Water projects and allows union and non-union workers on others.

- *It is important to monitor the project delays due to this legal battle as the project has been put on hold since June 2019 until a settlement can be reached. This may have a significant impact to projected costs, future rates, and project funding from already-awarded grants and/or loans.*

- b) **AMI Phase II Delays of Citywide Deployment of AMI:** IROC recommended in the FY 2018 Annual Report that the Department provide a comprehensive project plan to complete the installation of the remaining meters for the Phase II citywide deployment of AMI. The City Auditor has since published its audit siting ‘Insufficient Project Planning and Management Caused Major Delays and May Lead to Cost Overruns.’ In a reiteration of the FY 2018 IROC Annual Report; IROC recommended the Department provide a comprehensive project plan to complete the installation of the remaining meters for the Phase II citywide deployment of AMI. IROC firmly recommended in its FY 2018 Report that the Department retain an outside contractor to complete the Phase II AMI project so to enable the Department to focus on the meter shop backlogs as well as focus on operational improvements needed within the same division.

- i) *IROC has been informed from PUD that the Department’s plan includes retaining an outside contractor to complete Phase II, but as of December 2019, IROC has not been provided a project plan for the Phase II Citywide Deployment of AMI implementation for proper oversight.*

IROC Subcommittee Reports

IROC's three subcommittees meet regularly to discuss their respective areas of focus assigned in the Annual Work Plan. In some instances, issues may overlap among the subcommittees and are discussed at both the subcommittee level and full IROC, or at full IROC only. Following are subcommittee reports that address each of their respective areas of focus:

Finance Subcommittee

For FY 2019, the Finance Subcommittee planned to address five issue areas. The Subcommittee met nine times during the year. Our activity for each of those issues is as follows:

1. COSS

Cost of Service components and the upcoming COSS report preparation were reviewed both by the Finance Subcommittee and full IROC. This is one of the most significant issues that IROC focuses on, so all IROC members must be fully informed on the upcoming studies. IROC discussed and endorsed the City Council's action to have the Office of the Independent Budget Analyst retain a consultant to assist IROC and City Council in the review of the COSS. In June 2019, PUD staff reviewed previous assumptions that were used in the current COSS, and assumptions that were being considered for the future COSS. This is an ongoing issue and several more presentations are planned by PUD staff to fully prepare IROC and others to review the new COSS expected in the winter/spring timeframe of 2020.

2. City Council Water Policy Implementation Task Force Recommendations

In previous years the Finance Subcommittee and full IROC have reviewed PUD's progress in achieving the 2013 Water Policy Implementation Task Force recommendations. Refer to previous IROC annual reports for the status and list of the recommendations. IROC believes all recommendations were substantially completed in past years and that no further actions were needed during the fiscal year.

3. Water Fund Sustainability and Affordability

In April 2019, for the first time, IROC was given a presentation on the potential customer rate impacts of the Pure Water Program by PUD staff. IROC members had been asking for such information for some time and were pleased that the information finally came forward for IROC and public review. While the impacts are still considered preliminary due to ongoing efforts to obtain outside grants, loans, and subsidies, IROC feels that this can serve as a benchmark to begin further monitoring and evaluation of rate impacts that will be included in the upcoming COSS. One issue IROC is concerned about is the current delay of construction awards due to legal issues, as this delay could increase the cost of the project and impact completion dates and milestones related to wastewater permitting and loans, grants and subsidies. IROC will continue to monitor these issues.

4. Budget Review, Performance Audits, and Financial Reporting Improvements

In February 2019, full IROC reviewed a ‘Five-Year Financial Outlook’ prepared by PUD staff for the Department in advance of the City’s annual budget review process which acted as a vehicle for the Committee to ask additional questions and challenge assumptions ahead of the annual budget process. This outlook will help provide the basis of PUD proposed budget for the upcoming year, along with critical revenue and spending projections in future years. This was the first time such information was presented to IROC and it was well-received. In previous years, the Committee was only able to see the Department’s annual budget only after it was presented to the Mayor and City Council. This defeated the effort to utilize IROC’s oversight capacity to highlight and advise the Mayor and Council of items of relevance within the budget. Preliminary rate increase percentages were included in the presentation as well as Pure Water and other major initiatives such as AMI for both the water and wastewater systems.

In April 2019, the Finance Subcommittee reviewed in depth the proposed PUD budget for FYs 2019-2020. A detailed review of revenues, operating budget and expenditures and overall increases in construction and capital improvements, and personnel requirements were reviewed and discussed. The departmental reorganization plan and how it affects the budget was also discussed. In April 2019, full IROC was presented with a similar budget presentation by PUD staff. The following month, the May budget revisions were presented to the Finance Subcommittee.

5. Water Use and Sales

The Subcommittee received a regular report from PUD staff regarding water sales and storage levels within the City’s reservoir system. Water sales are trending upwards from those during the period of drought restrictions (a substantial decrease from the average in recent years) and are higher than sales estimates used in the current 5-year COSS. Additionally, local supplies were improved from both the drought years and COSS assumption, reducing expenses for the purchase of imported water supplies. These two factors, and others, combined to allow a decrease in the previously approved rate increase, from a planned increase of 7.0% to an actual increase of 4.82%.

Outreach & Communications Subcommittee

For FY 2019, the Outreach & Communications Subcommittee planned to address the issues set forth. We held six Subcommittee meetings throughout the year and intend to accomplish more in the on-going fiscal year. As provided below, each substantive activity is highlighted below for the last fiscal year and on-going fiscal year to date:

1. Monitor the on-going efforts of the Wellness Program

The Subcommittee received a presentation from Rashida Jackson on the Wellness Program in August 2018. The City provided an overview of the implementation and progress of the Wellness Program which is designed to enhance the quality of life of the Public Utilities employees and families by providing information, workshops, events and other opportunities. The City's Wellness Program is strategically being offered at various times to target various employees and with an array of activities to ensure participation.

Based on the update provided, the City's on-going effort on this Wellness Program is a benefit that employees are utilizing which includes but is not limited to, Monthly Sharp Passport to Health Workshops, Monthly Financial Lunch & Learn Workshops, Weekly Strive onsite fitness classes, Monthly Mindfulness Meditation Workshops, and Monthly Wellness Newsletter.

At the Annual Employee Wellness Fair, the 4-year average attendance is approximately 900 employees. Further, an annual survey is conducted to capture the participant's needs and wants for this Program. The Subcommittee intends to continue to monitor and collaborate with the City to ensure the implementation is successful, the City is providing measurable results, and the workshops and such events are offered that employees can benefit.

2. Evaluate and monitor the Human Resources Metrics

The Subcommittee received a presentation from Sue LaNier on the Human Resources Metrics Update in August 2018. The Subcommittee intends to continue its focus on the Human Resources Metrics which includes: (i) High 5 Awards by Division; (ii) DLBs Awards by Division; (iii) Overtime Budget by Division; (iv) Vacancies; and (v) Employee of the Year nominees. Based on the High 5 statistics, there are awards budgeted as well as nominations considered and given. The Discretionary Leave Bucks are provided with the supervisor's approval with a certain number of hours awarded per budgeted year based on the Department which reflects the chain of managerial approval. The presentation also included a brief overview of the overtime by division with four divisions (WCM, ESQA, WWTD, and WSO) with over 100% spent YTD. The monthly vacancy percentages presented reflected "Long Range Planning & Water Resource" as the highest vacancies with 21.05%. On average there appears to be 10.82% monthly vacancies across 13 divisions. The City is working towards filling such vacancies.

The Subcommittee intends to continue obtaining visibility and understanding in this area, assess improvements as changes occur in the budget, and ensure the City is providing measurable results to show improvement and transparency.

3. Monitor the City's Pure Water Program: Community Working Groups

The Subcommittee received a presentation on the Pure Water Working Group Meetings Update in September 2018. The presentation included a Pure Water Program Implementation Update

with several Community Working Groups established. The Community Working Groups includes such areas as Clairemont, Bay Park/Morena, Scripps Ranch/Miramar, and University City with meeting schedules established. The topics for these Community Working Groups cover construction schedule, dust and traffic control, updates and notifications to residents, street restoration, operations, and points of contact.

The collaboration between the Community Working Groups and City shows that public input is being received and considered as part of the City's Pure Water Program. The Subcommittee intends to continue to collaborate with the City on the Pure Water Program: Community Working Groups to ensure that the public has a venue for input and considered with measurable results for review.

4. Evaluate and Monitor the Communications Department's Goals and Service Level Agreement between PUD and Communications Department

The Subcommittee received a presentation from the Communications Department in November 2019. The fully-executed Service Level Agreement between the Communications Department and Public Utilities Department was shared with the Subcommittee. The discussions include the duration of the agreement, scope of work, and program-specific information. Some of the program-specific information covered included Pure Water San Diego, Water Conservation, Wastewater Treatment and Disposal, Food Establishment Waste Disposal, Customer Support, Finance, Water Construction and Maintenance, Renewable Energy, Water Quality, Water Operations, Website Updates and Redesign, and Social Media.

The Subcommittee will continue to monitor the Communications Department's Goals and agreement with PUD to ensure that performance is measured, and the work defined is met.

5. Monitor the Department's Call Center

The Subcommittee received a presentation from the Customer Support Division (CDS) in June 2019. They discussed the background and overall process of how certain communications are implemented with a primary focus on customer service and call center updates. The presentation highlighted customer care as it relates to the call center service levels including the total calls offered, the percentage of calls abandoned, and customer surveys taken. As of May 2019, approximately 8.2% of customer service calls were abandoned in comparison to over 23% of calls for February 2018.

Further, in May 2019 – approximately 1,900 surveys were received, and the Subcommittee would like to continue to understand how the City will process feedback for improvement. CSD also highlighted MyWaterSD which launched in June 2018, with approximately 17,000 customers registered, the name change, and how credits are accepted online, both pre and post-login. Additional efforts are underway with the Call System Software Review and the Utility Account Management Policy Manual. The Subcommittee intends to continue to monitor this

and understand how current efforts underway will provide measurable metrics to highlight improvement.

6. Monitor and Evaluate the Strategic Plan for the Communications Department

The Subcommittee intends to continue to focus on collaborating with the Communications Department to understand the overall Strategic Plan. The Subcommittee would like to understand the impact of the internal employees and external surveys with measurable metrics. Specifically, the Subcommittee would like to understand the Communications Department's initiative for alignment and efforts provided in response to the water main ruptures. The Subcommittee intends to continue to collaborate with the Communications Department for updates on the process and ensure timely responses are successfully provided to its customers.

7. Continue to review "Water: Getting More Local" in collaboration with External Affairs

The Subcommittee intends to continue its focus on the "Water: Getting More Local" with External Affairs. With the overall goal of alignment in communications which is to achieve an agreement that water reliability is a worthwhile endeavor. The Subcommittee will continue to work with the Department on the messaging, testing, meanings, visual language, and how the information is provided on the customer bill, social media, fact sheets, staff e-blasts, Department posters, video testimonials, signage, and websites. The Subcommittee intends to continue to collaborate to ensure visibility and alignment on this effort.

8. Monitor and Obtain Updates on the Waste No Water Campaign and other MWD, and SDCWA Programs

The Subcommittee anticipates obtaining a presentation on the "Waste No Water" campaign in the upcoming fiscal year as well as a briefing on the MWD and SDCWA programs. The Subcommittee intends to continue to collaborate to assess the updates and improvements in each issue with measurable metrics to ensure transparency and alignment.

Infrastructure & Operations Subcommittee

For FY 2019, the Infrastructure & Operations Subcommittee planned to address six issue areas. Six Subcommittee meetings were held over the year. Our activity for each of those issues is as follows:

1. Review upcoming system condition studies and analyses to gauge the current infrastructure needs

The Department's on-going Condition Assessment Program coupled with the CIP provides the core Assessment Management of the enterprise. There are three active condition assessment contracts underway; major potable water transmission mains, dam and outlet towers, and major

trunk sewers. The water and sewer projects will be completed in 2020 and the third in 2021. IROC received a presentation on the condition assessment for Dams and Outlet Tower in March 2019.

- This year the system condition studies have identified several specific needs for which information/action plans are proceeding. The most notable project that the Department is focusing on now is the remedial work for Lake Hodges. This facility was constructed in 1918 so it needs immediate attention! In fact, because of safety concerns, the State Division of Safety of Dams has implemented restrictions to lower the water level. These limits will be in place until the completion of the full assessment and the repairs/rehabilitation are complete. The report is expected in about one year from now. This may be an expensive and lengthy upgrade project. We anticipate that the costs will be shared by PUD, the County Water Authority, and other water districts. We urge the City plan ahead so it will be able to fund its portion of the needed upgrades without crippling other important needed PUD projects.
- The I&O Committee urges that the system condition program receive a greater emphasis so it can provide a coherent and informed basis for planning for infrastructure investments. We also request that IROC receive more information on the system condition program including the selection of projects to be studied, interim results, final results, movement through the prioritization process, and inclusion into the CIP. It is very important that this entire process be clear and defensible so that essential projects will be funded and implemented by the time they are needed.

2. Monitor the implementation of the on-going infrastructure replacement plans, including the CIP, and its budget and timing

We received quarterly reports on the CIP and several other related presentations during the year such as presentations on the progress of the implementation of the Pure Water Program and AMI.

- In September 2018 we received a year-end presentation on the 2018 CIP. For wastewater projects, 22 miles of contracts were awarded, and 40 miles of pipes were replaced. The pipeline replacement is projected to be 223 miles between FY 2016 to FY 2020, which will exceed the goal of the Sewer Pipeline Replacement Program by 8 miles. The FY 2018 CIP expenditures were \$95 million and exceeded the goal for the year by 15%. It appears that the procurement capacity problems of a few years ago have been resolved. Details of the more significant sewer and water CIP projects were provided, and questions were answered.
- For water projects, the FY 2018 CIP presentation indicated that contracts were awarded for 35 miles of pipe and 12 miles were put in service. The projection for the FY 2016 to FY 2020 Water Pipeline program is that its goal will be exceeded by 12 miles. The water CIP expenditures were \$158 million, 5% above the goal for the year.

- A number of important Process-Streamlining improvements were made during FY 2018 and the citywide Infrastructure Asset Management software was put in place. It is anticipated that these will result in substantial improvements in the procurement process in the future.
- We also received a second-quarter update on the 2019 CIP in March. It covers up to December 31, 2018. Up to that point, 14 miles of sewer pipe had been completed out of a goal of 20 miles. Also, contracts were awarded for 23 miles with a goal to that time of 15 miles. The sewer CIP program had expended \$45 million, slightly above the goal of \$44 million.
- When considering these CIP numbers, it is important to keep in mind that the City installed an average of 50 miles a year of water pipe between the years of 1950 and 1980. Much of that pipe will need to be replaced in the next few decades. The need for more capacity to accommodate infill development also increases the need for replacement. PUD's current goal is replacement of 35 miles per year, which is about 1% of the pipes in the ground. There are recommendations that replacement rates should be between 1% and 1.6%, so we are on the very bottom of that range. That could result in the need to increase the replacement rate in the future or an increase in pipe breaks and the associated emergency repair costs.

3. Evaluate City's planning efforts for a sustainable long-term water supply

Full IROC received a presentation on the reliability of the regional water supply in October 2018. The presentation indicated that both the amplitude and the diversity of our region's water sources should provide an adequate and sustainable water supply for our region.

- We received a presentation on the Sustainable Groundwater Management Plan which will provide a modest long-term water supply.
- The Pure Water Program will play a major role in providing a sustainable supply of water for the City in the future. Other Cities in the region are also moving forward with potable reuse projects which will also help provide for a sustainable long-term water supply for our region. IROC is concerned that the ongoing legal threats to Pure Water may further delay the project, interfere with coordination with related infrastructure, put at risk some of the favorable financing and meeting regulatory deadlines, and substantially increase its cost. The fact that this is occurring during changes in project management adds to the concerns.
- The Department has started work on its Urban Water Management Plan and plans to submit it to the State in 2022. IROC requests that we are given an early presentation on the goals of the planning effort and be included as an active stakeholder in its development.

4. Recommend targeted audits relating to infrastructure and operations

Based on the information we have received from PUD, IROC has recommended several audits that have provided information that has had significant value to the Council, the Administration, PUD, and the ratepayers of the City. Some examples are audits on the water distribution system valves, implementation of the advanced metering system, and replacement of water meter boxes and lids.

- During the reporting period, IROC received the results of the audit on water meter lids and boxes. The Auditor's Office assessed the history of the implementation and its problems, made 11 specific recommendations, and tested the recommendations. It is anticipated that the results of the Auditor's report will improve management, accountability, efficiency, adequate staffing, identification of needed replacements, worker productivity, and will reduce cost and the risk of liability for personal injury.
- It is difficult to know when and where investment in PUD is adequate and when it is not. We urge that either the Auditor or a contractor be assigned to develop and maintain a set of numerical indicators (KPIs) that would use the System Condition Studies and other data to assess and identify the adequacy of the various aspects of PUD's infrastructure and operations. That entity would also indicate how often such an assessment should reoccur and provide guidance for making the periodic adjustments. The American Water Works Association provides guidelines for doing such assessments. The assessments and KPIs should be understandable for political leaders, the general public, and the media and cover all the main asset types of PUD. The entity would also evaluate whether returning to benchmarking against other comparable agencies would help make this periodic assessment more usable and credible or not.
- The City's recent Citywide Human Capital Fact Book suggests that the current salary, benefits, hiring, and retention problems are probably reducing the level of experience and institutional memory of PUD employees. This has to have a negative impact on all aspects of PUD, especially the operations of the water and wastewater system. This impact is, to some degree offset by the reduced costs to the City from reduced salaries and retirement costs. IROC urges that an audit be performed to see if these intended cost reductions are a benefit to the ratepayers, or if the lack of experience, overtime costs, additional recruitment and training costs, etc., cost more than the savings.

5. Review operations of the Water and Wastewater systems that have the greatest impact on system performance, infrastructure sustainability and rates

IROC received the results of the Performance Audit of PUD's Water Meter Cover Replacement Program and PUD's implementation of the recommendations that were made in that report. We look forward to hearing more in the future about whether the needed rates of installation and use are achieved.

- Throughout FY 2019, the Subcommittee and full IROC received multiple presentations providing updates on water main breaks and sanitary sewer overflows, which included the causes, location, pipe material being replaced, type of pipe material replacing old pipes, etc. The water main breaks appear to be stable over the last few years and 61 occurred during the reporting period, well below the average for North American. The wastewater breaks and spills occurred 50 times during the reporting period, slightly above the average of 36 per year over the last few years. The system has maintained the dramatic reductions that were made during the decade from about 2000 to 2009. Only two spills got to receiving waters during the reporting period, which is about average for recent years.

6. Monitor the Department's energy management efforts

As in the previous FY, the Subcommittee intended to monitor the Department's energy management efforts; however, with the exception of some aspects of the Pure Water Project presentations, the Subcommittee did not monitor such efforts in a substantive way. Monitoring energy management efforts should be an area of increased focus for the Subcommittee during FY 2020 to better assess the Department's compliance with the City's Climate Action Plan and any additional relevant State and Federal Climate Change standards.

<p style="text-align: center;">Independent Rates Oversight Committee Looking Ahead: FY 2020 Annual Work Plan As Issued on February 19, 2019</p>
--

As required by City Code Section 26.2003, the Independent Rates Oversight Committee (IROC) has adopted this Work Plan for FY 2020. The plan contains three areas of focus, including Finance, Infrastructure & Operations, and Outreach & Communications corresponding to the three subcommittees of IROC. While each subcommittee has its areas of focus in the plan, overall responsibility for the work plan rests with full IROC and many of the individual tasks in the areas of focus can and will be addressed by full IROC in conjunction with the individual subcommittees.

I. Finance Areas of Focus

1. Cost of Service Studies (COSS), Alternative Rate Structures, and Review of Funds (§26.2003(a)(3)(5) and (8)):

- a. As applicable, review analysis performed by independent consultant retained by Department to examine Department's financial condition and whether scheduled water or wastewater rate increases should be adjusted given variabilities in actual sales, local supplies, and other factors from assumptions used in the five-year COSS.
- b. Through the Department's annual informal Review of Funds and Five-Year Financial Outlook, examine overall financial trends of Water and Wastewater Funds to determine whether rates are at appropriate levels, and whether the utilities are operating in a cost-effective manner.
- c. Participate with Department in ongoing process to review alternative rate structures for customer classes. This will include the multi-family rate class to determine whether an alternative rate structure can be developed.

2. Pure Water San Diego Program ((§26.2001(a), §26.2003(a)(3) and (8)):

Monitor progress (in conjunction with the Infrastructure & Operations Subcommittee) of the Pure Water San Diego Program by:

- a. Receiving quarterly progress updates on schedule and budget.
- b. Reviewing the Department's progress in applying for and receiving grants and loans to help finance the project.
- c. Reviewing the impact of the program on future water and wastewater rates.

3. **Water Fund Sustainability and Affordability** (§26.2003(a)(3) and (8)):
 - a. Monitor and review Metropolitan Water District and San Diego County Water Authority (SDCWA) recommendations for changes to water rates and long-term projections of water rates and charges and its impact to City of San Diego (City) ratepayers.
 - b. Review and consider the affordability and sustainability of the Water Fund given future increased costs of water resulting from the Metropolitan Water District, SDCWA and development of the Pure Water San Diego Program.
4. **Budget Review, Performance Audits, and Financial Reporting Improvements** (§26.2003(a)(3) and (7)):
 - a. Monitor at least quarterly key metrics such as water sales, imported and local water supply purchases and availability, and other annual and capital spending and compare with FY 2020 budget assumptions.
 - b. Review FY 2020-21 Departmental budget and provide input to Department staff, City Council and Mayors office.
 - c. Review all performance audits and formulate recommendations for follow-up action, and recommend subjects for the annual performance audit.
 - d. Review Office of the City Auditor audits related to Finance (e.g., reserves, overhead expenses, etc.).
 - e. Recommend various financial reporting improvements to promote transparency for effective oversight.
5. **Water Use and Sales** (§26.2003(a)(3) and (8)):

Monitor monthly water sales to determine impact of ongoing water use patterns and allocation of supplies on the Department budget and plans. Develop recommendations as appropriate.
6. **Advanced Metering Infrastructure (AMI) Project** (§26.2003(a)(3)(7) and (8)):

Monitor the progress of the AMI Project and associated audit reports.

II. Infrastructure & Operations Areas of Focus

1. **Review upcoming system condition studies and analyses to gauge the current infrastructure needs** (§26.2003(a)(8)):

IROC will continue to review progress of ongoing assessment projects and will seek to verify the available results are reflected in the development of subsequent replacement plans and Capital Improvement Projects (CIPs). IROC will also continue to review metrics such as age of components, frequency of breaks and systems failures, and damage resulting from those failures for this purpose.

2. Monitor the implementation of the on-going infrastructure replacement plans, including the CIP, and its budget and timing (§26.2003(a)(2)(A) and (4)):

IROC will monitor and identify projects and asset classes that are behind schedule, or over budget. Of particular interest will be whether or not schedule slippage is leading to cost increases and whether it will delay other improvements. Public Utilities and Public Works-Engineering have developed an updated reporting format to enable the Committee to better assess the CIP Program as a whole. This will provide management level reporting and enable IROC to more effectively review execution of the CIP Program.

3. Evaluate City planning efforts for a sustainable long-term water supply

§26.2003(a)(8)):

IROC will receive presentations and comment on the City's planning and actions for maintaining a sustainable supply of water long into the future. IROC will seek an analysis of what level of conservation is feasible for San Diego and what measures could be considered to keep the Department sustainable in the face of reduced revenue due to deep and/or extended periods of conservation and/or restricted supply.

4. Participate in Oversight Committee for Water Supply Plan (§26.2003(a)(8)):

IROC will participate, as applicable, in the oversight committee to review development of the Department's update of its long range water supply plan.

5. Recommend targeted audits relating to infrastructure and operations

(§26.2003(a)(3)(7) and (8)):

IROC will continue to recommend various performance audits to identify efficiencies and savings and improve operations, as needed.

6. Review operations of the Water and Wastewater systems that have the most impact on system performance, infrastructure sustainability and rates

(§26.2003(a)(8)):

The subcommittee has focused heavily on infrastructure during the reporting period. IROC anticipates increasing our review of the efficiency and effectiveness of the operation of the system. Information from the Department's Operations Optimization Study will provide information that will be helpful for this review.

7. Monitor the Department's Energy Management Efforts (§26.2003(a)(8)):

IROC will monitor the Department's efforts to reduce energy use, energy costs, and its Greenhouse Gas emissions. This will include updates on progress of the proposed San Vicente Project as well as monitoring the Department's compliance with the City's Climate Action Plan and relevant State and Federal Climate Change guidelines, standards, and regulations.

III. Outreach & Communications Areas of Focus:

1. **Department Branding Effort** (§26.2001(a) and §26.2003(a)(8)):
Monitor the Department's efforts to the Branding initiative that encompasses its entire product/servicing offering, brand commitments, and internal and external implementation.
2. **Pure Water San Diego Program Outreach** (§26.2001(a) and §26.2003(a)(8)):
Review and seek analysis of the outreach effort and associated communications related to potable reuse and the Point Loma permit.
3. **External Affairs Activities** (§26.2003(a)(8)):
 - a. Monitor and review of all "External Affairs" outreach activities of the Department. IROC has a multitude of specific areas such as water conservation, water rates, potable reuse, and industrial waste. Some of the activities have "outsourced" consultants and maintain different lists of stakeholders for messaging.
 - b. Examine the current staffing on all divisions that are doing "outreach" activities and look to integration/augmentation of personnel.
4. **Engage Elected Officials** (§26.2001(a) and (b)):
Initiate contact/dialogue with the Mayor and City Council so that they get to know IROC better. Also target the several special Council committees beyond our reporting group "Environment Committee."
5. **Customer Care Solutions** (§26.2001(a) and §26.2003(a)(8)):
Continue to monitor and review the Customer Care Solutions System for customer service quality improvements.
6. **Water Use Efficiency** (§26.2001(a) and §26.2003(a)(8)):
Continue to monitor the City's efforts to use water efficiently.
7. **Human Resources (HR)** (§26.2001(a) and §26.2003(a)(8)):
Monitor the Departments ability to hire and retain proper staffing for effective operation of current and emerging efforts.
8. **Facility Tours** (§26.2001(a) and §26.2003(a)(8)):
Assist the Department in identifying and planning one or more IROC inspection tours of facilities to increase awareness of Department operations, successes, and challenges.

ATTACHMENTS TO THE FY 2019 IROC ANNUAL REPORT:

Attachment A – IROC Ordinance to Amend the Municipal Code

Attachment B – IROC Members Listing

Attachment C – IROC Agenda Topics for FY 2019

ATTACHMENT A

**IROC ORDINANCE TO AMEND
THE MUNICIPAL CODE**

(O-2013-39)

ORDINANCE NUMBER O- 20233 (NEW SERIES)

DATE OF FINAL PASSAGE JAN 23 2013

AN ORDINANCE AMENDING CHAPTER 2, ARTICLE 6,
DIVISION 20 OF THE SAN DIEGO MUNICIPAL CODE
BY AMENDING SECTIONS 26.2001, 26.2002, AND 26.2003,
AND BY ADDING NEW SECTION 26.2004, ALL RELATING
TO THE INDEPENDENT RATES OVERSIGHT COMMITTEE.

WHEREAS, on April 18, 2007, the Independent Rates Oversight Committee (IROC)
was established pursuant to Ordinance No. O-19607 to oversee water and wastewater services
provided by the City; and

WHEREAS, on June 27, 2012 and October 10, 2012, the Natural Resources and Culture
Committee discussed the role and responsibilities of IROC and heard from various stakeholders;
and

WHEREAS, on October 10, 2012, the Natural Resources and Culture Committee
approved amending the Municipal Code to clarify the role and responsibilities of IROC
consistent with this proposed ordinance; and

WHEREAS, the City Council desires to clarify the role and responsibilities of IROC;
NOW, THEREFORE,

BE IT ORDAINED, by the Council of the City of San Diego, as follows:

Section 1. That Chapter 2, Article 6, Division 20, of the San Diego Municipal Code
is amended by amending sections 26.2001, 26.2002, and 26.2003, and by adding new section
26.2004, to read as follows:

Division 20: City of San Diego Independent Rates Oversight Committee

§26.2001 Purpose and Intent

- (a) It is the purpose and intent of the City Council to establish the Independent Rates Oversight Committee (IROC) to serve as an official advisory body to the Mayor and City Council on issues relating to the oversight of the City of San Diego's water and wastewater services. IROC will assist the City in tracking and reviewing the use of rate proceeds to advance the capital improvements related to the rate packages and work programs adopted by the City Council. IROC will also oversee and advise on planning and operations including, but not limited to, resource management, cost effectiveness, planned expenditures, service delivery methods, public awareness and outreach efforts, and the City's efforts to provide high quality and affordable services. It is the vision of the City of San Diego that a high level of public confidence in the City of San Diego's utility services be maintained in the most cost effective and environmentally sensitive way. IROC is formed in support of this vision.
- (b) IROC will independently evaluate information and conduct its work in a manner which considers and balances the interests of both the public utilities department and the ratepayers. IROC will diversify its information sources to promote objectivity and independence, and will solicit information from other City departments and outside sources to supplement public utilities department information in conducting its work.

§26.2002 Independent Rates Oversight Committee Established

- (a) IROC shall consist of eleven members, the majority of whom shall be residents of the City of San Diego, who shall serve without compensation. The members shall be appointed by the Mayor and confirmed by the City Council. The four ratepayer classes of single family residential, multifamily residential, commercial and industrial, and temporary irrigation and construction will each have one representative on IROC. In addition to the eleven members, IROC shall also include two ex-officio members, one representing and appointed by the Metropolitan Wastewater Joint Powers Authority, and one representing and appointed by the ten-member City representatives to the San Diego County Water Authority. A majority of the members of IROC shall possess expertise in one or more of the following areas: accounting, auditing, engineering, biology or environmental science, finance or municipal finance, law, and construction management.
- (b) Members shall serve four year terms, and each member shall serve until a successor is duly appointed and confirmed. In accordance with City Charter section 43, members are limited to a maximum of eight consecutive years, and an interval of four years must pass before such persons can be reappointed. Initial members shall be appointed such that the terms of not more than six members shall expire in any one year so as to allow the terms to be staggered. Initial appointments which are less than the full term of four years will be allowed to serve two full terms. The

expiration date of all terms shall be May 1. Any vacancy shall be filled for the remainder of the unexpired term. Vacancy appointment recommendations will come from the original recommending body. Any vacancy replacements will be eligible to serve the remaining term of the vacant position and two full terms.

- (c) On or after May 1, IROC shall select a Chair from among its members. The Chair will serve a one year term with the option of reappointment for one additional one year term, with a one year interval between consecutive terms as Chair.
- (d) IROC may adopt rules consistent with the law for the governing of its business and procedures.
- (e) A conflict of interest code shall be adopted for IROC, subject to City Council approval. The members of IROC shall be required to complete and file statements of economic interests in accordance with the conflict of interest code.

§26.2003 Duties and Functions

- (a) IROC shall:
 - (1) Meet at least every other month with additional meetings convened as necessary and as determined by the Chair, and set an attendance policy for IROC members to help ensure a quorum of members is present for all meetings.
 - (2) Present an annual IROC work plan to the Natural Resources and Culture Committee by May 1 of each year for discussion and

comment, but not for approval. IROC may change its work plan to incorporate comments and feedback received from the Natural Resources and Culture Committee. The work plan shall describe the activities and tasks IROC anticipates performing in the coming year. The work plan shall include, as a priority, the following components:

- (A) A quarterly review of the current schedule versus the original schedule for each capital improvement project and project to date expenditures versus the budget for each project funded by the water and wastewater enterprise funds.
- (B) Any duties delegated to IROC by resolution of the City Council.
- (3) Review factors, drivers, and cost structures of any proposed changes to City water or wastewater rates.
- (4) In conjunction with any proposals by the City to increase water or wastewater rates, other than proposed increases attributable solely to increases in the wholesale cost of water, conduct a cumulative review of the project schedules and budgets set forth in Section 26.2003(a)(2)(A) for capital improvement projects initiated or completed since the last City water or wastewater rate increase was implemented.

- (5) Review cost allocation models that may be included in cost of service studies of the water and wastewater systems.
- (6) Oversee departmental savings efforts and deposits to, and withdrawals from, the “Dedicated Reserve from Efficiency and Savings (DRES)” fund.
- (7) Advise on the priority and scope of performance audits of the water and wastewater systems, and review any resulting performance audit reports.
- (8) Provide advice and review of policy and proposals as sought by department leaders and other City staff related, but not limited to budget and finance, environmental issues, technology innovations, system viability, water supply, and public outreach and education efforts.
- (9) Provide an annual public report to the Mayor and City Council discussing the activities, conclusions and recommendations of IROC and addressing the duties and functions of IROC set forth in this Section. The report shall include a discussion of all the components of the work plan, or an explanation as to why any components of the work plan are not included or incomplete. IROC shall present its annual reports at meetings of the Natural Resources and Culture Committee.

- (b) IROC may also provide correspondence, interim reports, and appear at meetings of the City Council and Council Committees, as IROC deems necessary in the performance of its duties and functions.

§26.2004 Coordination with Audit Committee

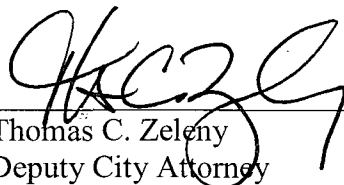
Any duties or functions of IROC that fall within the oversight responsibilities of the Audit Committee should be fully coordinated with and reported to the Audit Committee. IROC shall recommend at least one performance audit of the water or wastewater system each year for consideration by the City Auditor in time for inclusion in the City's audit plan.

Section 2. That a full reading of this ordinance is dispensed with prior to its passage, a written or printed copy having been made available to the City Council and the public prior to the day of its passage.

Section 3. That this ordinance shall take effect and be in force on the thirtieth day from and after its final passage.

APPROVED: JAN I. GOLDSMITH, City Attorney

By



Thomas C. Zeleny
Deputy City Attorney

TCZ:mb
10/25/12
Or.Dept:NR&C
Doc No:461824

I hereby certify that the foregoing Ordinance was passed by the Council of the City of San Diego,
at its meeting of JAN 8 2013.

ELIZABETH S. MALAND, City Clerk

By

Deputy City Clerk

Approved:

(date)

BOB FILNER, Mayor

Vetoed:

(date)

BOB FILNER, Mayor

ATTACHMENT B

IROC MEMBERS LISTING



Independent Rates Oversight Committee (IROC)

Committee Member	Category	Appointment Date	Term Expiration Date
Tiffany Mittal Point Loma, District 2	Multi-Family Resident Ratepayer Class Rep.	6/14/2018 1/30/2014	5/1/2021 5/1/2017
VACANT (Craig Chapman)* Carlsbad	Construction Management Professional Rep.	1/30/2014	5/1/2017
Jack Kubota Carlsbad	Engineering Professional	1/30/2014 6/2/2009 10/18/2007	5/1/2017 5/1/2013 5/1/2009
Robert Weichelt San Carlos, District 7	Finance Professional	6/14/2018	5/1/2019
Jeff Justus Pacific Beach, District 2	Environmental Science Professional Rep.	1/30/2014 1/23/2012	5/1/2017 5/1/2013
Christopher Dull Escondido	Construction Management	5/16/2011 10/9/2008	5/1/2015 5/1/2011
Luis Osuna Golden Hill, District 3	General Representative	8/4/2016	5/1/2019
Gordon Hess Golden Hill, Mission Hills, District 3	Temporary Irrigations & Construction Representative	6/14/2018 1/30/2014	5/1/2021 5/1/2017
James Peugh Point Loma, District 2	Environmental Rep.	5/16/2011 10/18/2007	5/1/2015 5/1/2011
David Akin Bay Ho, District 2	Single-Family Residential Ratepayer Representative	8/4/2016	5/1/2019
Linh Quach Bonita	Commercial and Industrial Ratepayer Representative	8/4/2016	5/1/2019

11 Members, 4 Year Term

Appointed by Mayor, Confirmed by Council

San Diego Municipal Code 26.2001 – 26.2003

[Members are required to file Statements of Economic Interests](#)

Most Recent Council Action 6/14/2018 R-311793

Register Revised 06/25/2018

ATTACHMENT C

IROC AGENDA TOPICS

FOR FY 2019

Attachment C: IROC Agenda Topics for Fiscal Year 2019

JULY 2018

Full IROC

- Presentation: Pure Water Update
- Presentation: Water Bill Dispute IROC Appeals Board
- Presentation: Current Calendar Year Water Main Breaks
- City 10 County Water Authority Update
- Metro/JPA – Report Out

Finance Subcommittee

- Discussion: Finance Subcommittee Chair Updates
- Discussion: Explanation of Rate Stabilization Fund
- Discussion: Update on Alternative Rate Structure

Outreach & Communications Subcommittee

- Recess

Infrastructure & Operations Subcommittee

- Presentation: Update on Recent Water Main Breaks (Recurring Item)

AUGUST 2018

Full IROC

- Presentation: West Monroe Partners on their Meter to Cash Operational Assessment
- Presentation: City Auditor on the Performance Audit of PUD Water Billing Operations
- Discussion: Management Response to Audit
- City 10 County Water Authority Update
- Metro/JPA - Report Out

Finance Subcommittee

- Discussion: Finance Subcommittee Chair updates
- Review of Funds

Outreach & Communications Subcommittee

- Presentation: Wellness Program Update
- Presentation: Human Resources Metrics Update

Infrastructure & Operations Subcommittee

- Recess

SEPTEMBER 2018

Full IROC

- Presentation: Proposed Public Utility Department Amendments
- Presentation: FY2018 Capital Improvement Program (CIP) Year End Report
- Discussion: UCAN-Utilities Consumers' Action Network Presentation
- City 10 County Water Authority Update
- Metro/JPA-Report Out

Finance Subcommittee

- Discussion: Independent Rates Consultant
- Discussion: Pure Water Finance Update
- Discussion: Water Sales Update

Outreach & Communications Subcommittee

- Presentation: Pure Water Working Group Meetings

Infrastructure & Operations Subcommittee

- Presentation: Water Main Break Updates
- Discussion: Emerging Technologies

Attachment C: IROC Agenda Topics for Fiscal Year 2019

OCTOBER 2018

Full IROC

- Presentation: City Auditor Report – Performance Audit of the PUD Water Meter Cover Replacement Program
- Discussion: Management Response to Audit
- Presentation: Regional Water Supply Reliability
- Presentation: Pure Water Implementation Update
- Discussion: Creation of Ad Hoc Committees to Draft FY2018 IROC Annual Report
- Discussion: Infrastructure & Operations Subcommittee Member Change
- City 10 County Water Authority Update
- Metro/JPA – Report Out

Finance Subcommittee

- Discussion: Finance Update
- Presentation: FY2018 Year-End Budget Monitoring
- Discussion: Draft FY2018 IROC Annual Report

Outreach & Communications Subcommittee

- Discussion: Status of “Water: Getting More Local” Campaign
- Discussion: Draft FY2018 IROC Annual Report
- Infrastructure & Operations Subcommittee
- Cancellation due to lack of quorum

NOVEMBER 2018

Full IROC

- Discussion: IROC Request to IBA to Engage Rate Consultant
- Presentation: Water Billing Operations Improvement Project Update
- Discussion: ITRON Contract
- Discussion: Alternative Rate Process
- Discussion: Membership Changes to the Outreach & Communication and Finance Subcommittees
- City 10 County Water Authority Update
- Metro/JPA – Report Out

Finance Subcommittee

- Discussion: Department Vacancy Update
- Discussion: FY2018 IROC Annual Report Preparation

Outreach & Communications Subcommittee

- Discussion: Communications Department
- Discussion: FY2018 IROC Annual Report Preparation

Infrastructure & Operations Subcommittee

- Presentation: Condition Assessment Program
- Discussion: Water Pump Stations Assessment Study
- Presentation: Water Main Break Updates
- Discussion: FY2018 IROC Annual Report Preparation

Attachment C: IROC Agenda Topics for Fiscal Year 2019

DECEMBER 2018

Full IROC

- Presentation: Rate Considerations and Alternative Structures
- Presentation: Water Billing Operations Improvement Project Dashboards
- Discussion: FY2018 IROC Annual Report Preparation and Recommendations
- Discussion: Membership Changes to the Outreach & Communications and Finance Subcommittees
- City 10-County Water Authority Update
- Metro/JPA - Report Out

Finance Subcommittee

- Recess

Outreach & Communications Subcommittee

- Recess

Infrastructure & Operations Subcommittee

- Recess

JANUARY 2019

Full IROC

- Presentation: Five Year Financial Outlook
- Discussion: Adopt FY2018 IROC Annual Report and Recommendations
- Discussion: Adopt FY2020 IROC Work Plan
- City 10- County Water Authority Update
- Metro/JPA – Report Out

Finance Subcommittee

- Presentation: FY2018 Water Audit Validation (non-revenue water)
- Discussion: FY 2018 IROC Annual Report Preparation and Recommendations
- Discussion: FY2020 Work Plan

Outreach & Communications Subcommittee

- Discussion: Public Liability Claims Process Overview
- Discussion: FY2018 IROC Annual Report Preparation and Recommendations
- Discussion: FY2020 Work Plan

Infrastructure & Operations Subcommittee

- Presentation: FY2019 Capital Improvement Program (CIP) Quarterly Update
- Presentation: Water Main Break Updates
- Discussion: FY2018 IROC Annual Report Preparation and Recommendations
- Discussion: FY2020 Work Plan

FEBRUARY 2019

Full IROC

- Presentation: Update on Water Main Breaks & Sanitary Sewer Overflows
- Discussion: Five-Year Financial Outlook
- Presentation: Laboratory Processes to Ensure Water Quality
- Discussion: Adopt FY2020 IROC Work Plan
- City 10 - County Water Authority Update
- Metro/JPA – Report Out

Attachment C: IROC Agenda Topics for Fiscal Year 2019

Finance Subcommittee

- Discussion: Update on Water Sales & Purchases
- Discussion: Adopt FY2020 Work Plan

Outreach & Communications Subcommittee

- Recess

Infrastructure & Operations Subcommittee

- Recess

MARCH 2019

Full IROC

- Presentation: Water Billing Operations Improvement
- Presentation: Water Meter Replacement Program Update
- Discussion: Membership Changes to the Infrastructure & Operations and Outreach & Communications Subcommittees
- City 10 – County Water Authority
- Metro/JPA – Report Out

Finance Subcommittee

- Recess

Outreach & Communications Subcommittee

- Recess

Infrastructure & Operations Subcommittee

- Presentation: FY2019 Capital Improvement Program (CIP) Quarterly Update
- Presentation: Condition Assessment for Dams & Reservoirs
- Discussion: Midway Area Hydrant Water Quality Concern

APRIL 2019

Full IROC

- Presentation: Enterprise Asset Management Implementation and Enhancement (Formerly I Am San Diego)
- Presentation: Proposed Annual Budget
- City 10 – County Water Authority
- Metro/JPA – Report Out

Finance Subcommittee

- Discussion: Customer Impacts of Pure Water
- Presentation: Proposed Annual Budget

Outreach & Communications Subcommittee

- Recess

Infrastructure & Operations Subcommittee

- Recess

Attachment C: IROC Agenda Topics for Fiscal Year 2019

MAY 2019

Full IROC

- Presentation: Amended and Restated Deposal Agreement with Metro JPA
- Presentation: Storyboard on Pure Water
- Presentation: Department Restructure of Information Technology and Customer Support Division
- Presentation: Lake Hodges Update
- Discussion: Selection of New IROC Chair and Vice Chair
- Discussion: Selection of New Subcommittee Chairs and Members
- City 10 – County Water Authority
- Metro/JPA – Report Out

Finance Subcommittee

- Discussion: Monthly Financial Updates
- Discussion: Water and Sales Purchases
- Presentation: May Budget Revisions for FY 2020 Proposed Budget

Outreach & Communications Subcommittee

- Recess

Infrastructure & Operations Subcommittee

- Presentation: FY19 Capital Improvement Program (CIP) 3rd Quarterly Update
- Presentation: Groundwater Sustainability Updates
- Discussion: Group Job 968 Update
- Presentation: Significant Water Main Break Updates

JUNE 2019

Full IROC

- Presentation: Industrial Waste Program Control Assessment
- Presentation: Review of Assumptions
- Presentation: Call Center Performance Audit Update
- City 10 – County Water Authority
- Metro/JPA – Report Out

Finance Subcommittee

- Recess

Outreach & Communications Subcommittee

- Presentation: Customer Service/Call Center and MyWaterSD Updates
- Discussion: Pure Water Outreach Update

Infrastructure & Operations Subcommittee

- Recess