



Independent Rates Oversight Committee (IROC)

July 25, 2016

MINUTES

1. **Roll Call**

Chairman Hess called to order the full IROC meeting at 9:41 a.m. Monica Foster conducted roll and a quorum was declared. Attendance is reflected below:

<u>Members:</u>	<u>Present</u>	<u>Absent</u>
Gordon Hess, Chair	X	
Irene Stallard-Rodriguez, Vice Chair	X	
Christopher Dull		X
Jeff Justus	X	
Jack Kubota (arrived at 10:10)	X	
Tiffany Mittal	X	
Jim Peugh	X	
Gail Welch	X	

Ex-Officio Members:

Jerry Jones, Metro JPA	X	
Ken Williams, City 10		X

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

2. **Non-Agenda Public Comment**

None.

3. **Approval of Minutes from Meeting of May 16, 2016**

Chair Hess asked for a motion to approve the Draft Minutes of May 16, 2016.

ACTION: Member Peugh moved to approve, and Member Stallard-Rodriguez seconded, (Member Kubota not present until after Item 4) Motion passed 6 (in favor), 0 (oppose), 0 (abstain)

4. **Chair Updates** – Gordon Hess, IROC Chair

- Thanked Jeff for his previous service as Chair, and pleased he is Chair of the Finance Subcommittee as well.
- Would like IROC members to review the IROC priorities and duties that are listed in the IROC Municipal Code.
- 5 important categories for IROC to focus on this year, as well as be a part of the processes are: rate oversight, budget, customer service, tracking and accomplishments, and Pure Water San Diego Program.
- A priority he would like to have is communication with the Mayor and Council offices as well as the City's Audit Committee.
- Would like the full IROC to meet monthly as long there are sufficient items to discuss, otherwise will cancel. This is the same with subcommittees.
- He and Member Kubota attended the Living the Vision all-employee meeting and thought the City did a terrific job connecting with and engaging all of the employees, discussing living the vision, and what it means to be a world-class

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utility. The energy was felt in the room, and he encourages other IROC members to attend these types of events when the opportunity is there.

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

- The State continues their work with the drought and water use restrictions. After much communication, the State has agreed to and changed the rules that if a certain region can certify they have enough supplies to cover them for 3 years of a severe drought, depending on the gap in their supplies – that would be their cutback. She gave examples. She noted that with the City's results, she feels strongly that our requirement would go down to 0%. However, messaging is very important and outreach will remain a priority to keep customers aware that water is a precious resource and needs to be used efficiently without waste. The State will be rolling out the permanent water use efficiencies, and the conservation staff in the Department will be following very closely making sure the requirements are logical and doable.
- It was very exciting to see the great article recently published about Pure Water San Diego and the outstanding work that has been accomplished, as well as an update on moving forward with the Miramar Phase I Project, and the Energy Project which will be innovative. There are ongoing discussions with private suppliers for private/public partnerships. There is a lot of work to be done, and it is very promising.
- The Branding event was very successful! This event focused on having the management team be more approachable by staff, especially the operational divisions. Many emails came from all levels giving great feedback and ideas.
- The Department's 5-year Business Plan was concluded recently. So much has been accomplished and is very impressive. There is a tremendous amount of involvement with the different departments, and the contents of the plan is very descriptive and structured.

6. **Mayor and Council Staff Comments**

None.

7. **Presentation: Help to Others San Diego (H2O SD) Program** – *Seth Gates, Deputy Director of Finance & Information Technology, and Wilson Kennedy, Supervising Management Analyst*

Mr. Gates gave an overview of the development of the program to help low income water and wastewater account holders. This is a voluntary contribution program, as the City is restrained by Proposition 218. However, research will continue.

Mr. Kennedy reviewed the department's efforts and findings over the past two years of researching other agencies within California and across America that fund similar programs. The voluntary tax deductible contribution program is the only Proposition 218 compliant source of funding, and has been determined is the best course of action per the City Attorney's Office.

Mr. Gates indicated the team is working diligently to make it easy for customers to donate. Bills will have a new look to solicit donations as well as other ways such as rounding-up, on-line and walk-in donation opportunities. He noted that customers will be able to receive tax benefits associated with their donations. He reviewed the various ways that can possibly increase the level of donations to the program.

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Mr. Gates shared ideas that will help with the process such as partnering with a non-profit organization to verify qualification requirements, and learning from other agencies that require customers to meet certain income levels, and/or enrollment in other similar assistance programs. Partnering with these types of agencies will cut administration costs for the City. He shared estimated timelines for outreach, education, and mailings based on internal administration, and based on a non-profit administrator with the completion of a RFP process.

Questions were raised related to the financing of the program to meet the actual needs of customers. Mr. Kennedy discussed the extensive research of programs in like-agencies, as well as the importance of determining the level of interest in the program to see how to best structure the program to make it successful. This is the first step, and as we move forward, the continued dedicated outreach and communication with the community will remain key.

Member Peugh asked about the assistance in ways of changing customer's landscape etc. so their water bills are more reasonable. Director Razak commented that currently the Department reaches out to customers through a partnership with the Housing Commission. Also, a water-use survey is always available to customers so experts can come out to their property to help them make changes in their habits and landscape for example, to be more water efficient.

Chair Hess asked if multi-family residential housing units would be able to participate, as some tenants are in the low-income bracket. Mr. Gates indicated that due to Proposition 218 and other factors, the applications are for account holders at this time.

8. Presentation: Public Utilities Department 5-Year Strategic Plan Final Report – Beth Murray, Program Manager

Ms. Murray commented she has taken over the oversight of Strategic Support Services and will be working on the strategic planning efforts among other organizational development projects going forward. She noted Tom Crane is available for questions/answers as well.

Ms. Murray stated the Department's Vision and Mission, and reviewed in detail the 4 Goals (and their objectives) which are to be: 1) safe, reliable, and efficient; 2) fiscally sound and effective; 3) sustainable growth and economic vitality; and 4) have a work force that is responsive, safe, committed and innovative. Strategic initiatives are developed annually in order to achieve the goals and corresponding objectives. She noted that the Vision, Mission, and Goals and Objectives have all been achieved and completed. She also described numerous FY 2012-2016 Strategic Initiative successes.

The next 5-year plan's (FY 2017-2021) Vision is to become a world-class utility for a world-class city, with a Mission to provide reliable water utility services that protect the health of our communities and the environment. This will be accomplished with organization excellence, water supply and environment stewardship, community engagement, and infrastructure management.

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Member Kubota asked if resiliency was considered in the Strategic Plan. Ms. Murray indicated that the Effective Utility Management framework has updated their attributes and has captured resilience. This has been discussed in length during the planning workshops and is folded into the goals and objectives going forward. Director Razak pointed out that with one of the goals being water supply and environment stewardship, took a central role in the goal and added that resiliency in many forms and climate adaptation is very crucial and core to planning. She gave several examples.

9. **Discussion: Preparation of FY 2016 Annual Report** – *Gordon Hess, IROC Chair*
Chair Hess indicated the current format will be used for the FY 2016 Annual Report. He asked the subcommittee Chairs to begin preparation of their respected sections of the report. He asked for suggestions for contents of a theme for the Foreword of the new report. He added touching upon the need for predictable rate increases would be one idea. Member Welch commented that integrating the Work Plan and accomplishments and using that as a forum to report out to Council, is another step. Chair Hess concurred.
10. **Discussion: Review of FY 2017 IROC Work Plan Calendar** – *Gordon Hess, IROC Chair*
A draft IROC Work Plan calendar was available to assist with any questions or concerns for development of the new Work Plan. This will be discussed in more detail in September/October meetings.

Chair Hess noted that after discussing with Vice Chair Stallard-Rodriguez and receiving feedback from other members, they would like to have monthly full IROC meetings as long as there are relevant items to discuss, such as finance and budget items, rate increases, Pure Water San Diego updates, etc. As the scheduled dates near, it can be determined in order to remain efficient. This will be the same for subcommittee meetings.

Member Peugh added that some important topics to consider in the future would be addressing energy, carbon, and methane.

11. **City 10 – County Water Authority Update** – *Director Razak*
- Colorado River supplies are lower, and the elevation of Lake Meade is the lowest it has been in its history. The California agencies have been discussing the shortage sharing criteria behind closed doors with the exclusion of San Diego County Water Authority.
12. **Subcommittee Reports**
- a. **Finance** – *Jeff Justus, Subcommittee Chair*
- Presentation from Seth Gates, Deputy Director, on the Department's finance update of closing books for FY 2016. The SLA goals were met with Engineering for capital improvements with an estimated \$75M-80M expenditures as identified as this past fiscal year's criteria, so all is on track. The Pure Water Program is funded and moving forward this fiscal year.

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- Presentation on water sales and purchases. From FY15-16 there has been about a 15% decrease in both sales and purchases, which is on track with what the Cost of Service assumed and the State mandated. This equates to approximately a decrease of 10% in revenues of water purchases, and approximately 8.5% decrease in value of water sales.
 - County Water Authority rates approved on June 23. The rate increase will begin August 1 with an 11-month term at 7.23%.
- b. Infrastructure and Operations** – *Jim Peugh, Subcommittee Chair*
- Discussed the Annual Report and Work Plan.
- c. Outreach and Communications** – *Jerry Jones, Subcommittee Chair*
- Discussed the Annual Report and Work Plan.
13. **Metro/JPA Report-Out** – *Ex-Officio Member Jones*
New members were present, therefore, discussed revenue sharing, and some finance information. Also, an update on the Pure Water Program was received and a lot has changed recently.
14. **Proposed Agenda Items for Upcoming IROC Meetings**
- Member Peugh suggested in the near future, a presentation of the Source Water Protection Plan, habitat restoration projects and water shed improvements.
 - Member Mittal recommended a review of the Department key metrics, and an update from Human Resources in relation to vacancies.
15. **IROC Members' Comments**
A warm farewell was given to Member Welch. Introduced was her colleague Linh Quach who will be coming aboard as IROC's commercial/industrial representative.
- Member Welch thanked the members for a rich opportunity to work with such professionals on the Committee as well as City staff.
16. Meeting adjourned at 11:40 a.m.

Minutes submitted by: Monica Foster, IROC Support