



Independent Rates Oversight Committee (IROC)
April 24, 2017
MINUTES

1. Roll Call

Chairman Hess called to order the Joint Finance Subcommittee/Full IROC meeting at 9:35 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	
David Akin	X	
Christopher Dull	X	
Jeff Justus	X	
Fred Kosmo	X	
Jack Kubota	X	
Tiffany Mittal	X	
Luis Osuna		X
Jim Peugh	X	
Linh Quach	X	
 <u>Ex-Officio Members:</u>		
Ed Spriggs, Metro JPA	X	
Lois Fong-Sakai, City 10		X

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

2. Non-Agenda Public Comment

None.

3. Approval of Minutes from Meeting of March 20, 2017

ACTION: Chair Gordon Hess asked for a motion to approve the minutes of March 20, 2017. Ex-Officio Member Ed Spriggs indicated he would like his comment related to Item 10 to be added to Item 10, page 5: "...that both the role of IROC as an oversight body representing the public, and the complexity of the current and upcoming financial and technical issues facing the Department suggests the need for such an independent consultant, and he recommended that IROC support the appointment." Wilson Kennedy, IROC Coordinator, made an edit on behalf of Agnes Generoso, who was not in attendance, to page 2, Item 7 changing "...6.5M gallons" to 6.6M gallons, as well as a change to page 3, paragraph 4, "...30.7k released" to "4k released". Member Justus moved to approve as submitted, Member Akin seconded. Motion passed 7 (in favor), 0 (oppose), 2 (abstain – Dull, Kosmo)

4. Chair Updates – Gordon Hess, Chair

- Recently met with Alejandra Gavaldon of the Mayor’s Office about IROC tasks as well as ways to better inform the committee about Council, and she would make sure to notify IROC of those issues that may impact IROC. Also discussed was the Finance IROC member vacancy, the upcoming review of funds; and rate structure evaluations. She thanked the IROC members for their service and indicated she would make an effort to attend some of the meetings.

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- The FY 2016 Annual Report was presented to the Environment Committee, as well as the Work Plan. Some members were in attendance and their presence was appreciated. Great comments, questions, and suggestions were received. Many expressed their appreciation for IROC members.
- Attended a Department staff Strategic Planning session workshop which included the Department managers, to set an agenda for the upcoming year. It was a great workshop to have attended for the second time.

5. **City Staff Updates** – *Tom Crane, Volunteer; and John Helminski, Assistant Director*

- Director Razak is out today at an International Conference. Mr. Crane asked Mr. Helminski to give an update on the Point Loma Permit hearing.
 - The Point Loma Permit went before the Regional Water Quality Control Board on April 12, 2017. Members of the Metro/JPA and others were in attendance. The Board made two motions; the first to add additional language to the permit. That motion passed 3-2. The second motion was to approve the Point Loma NPDES permit for the next 5 years. That motion to approve the Point Loma NPDES Permit passed unanimously. The California Coastal Commission hearing for the Point Loma Permit is scheduled for the morning of May 10th at the County Administration Building.
 - The Pure Water San Diego Program update was recently given at the Environment Committee along with a request to approve two design contracts for the for the Metro Biosolids Center improvements and the design contract for the Pure Water Facility. Both contracts were unanimously approved by the Environment Committee and are anticipated to be before City Council for approval in late May 2017. Approval for the Metro Biosolids Improvement contract is also anticipated to be before the Metro/JPA in early May.

6. **Mayor and Council Staff Comments**

None.

7. **Presentation: Public Utilities FY 2018 Proposed Budget** – *Seth Gates, Deputy Director, Finance & Information Technology*

Mr. Gates provided handouts and noted the budget pages for the Department are in line and standardized across all City departments. This was developed in November 2016 and things are being updated as needed. The proposed budget was released on April 13, with Budget Review Committee occurring May 4 at City Council, and the Mayor's revisions on May 16 with a hearing for the revision anticipated for May 18. The final budget hearing for the approval by City Council is anticipated on June 5. He indicated all CIP materials including project descriptions and budgets are all available on the Department website.

He referred to detailed materials, and provided an in-depth description of the Operation & Maintenance Budget for the three fund components: Water, Wastewater (combines Muni and Metro), and the General Fund (AB 1600 capacity fee revenues are combined in each fund). He noted a lot of the information shared is comparing FY 2016 actuals to projections of FY 2017, in addition to the proposed FY 2018 proposed budget for a good overview. He added the General Fund for FY 2018 was to be cut 3.5% of all expenditures, and has a flattening of revenues and an increase of expenditures. He outlined these required cuts from the FY 2018 proposed budget. Some of the categories he outlined included revenue; water sales; full-time equivalent employees, overtime, and additions; water/wastewater

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reductions, expenditures by category; purchases; major program areas, supplies purchases, services; contractual services, travel and training. He reviewed and described specific budgetary areas that were asked to be highlighted during the FY 2017 budget presentation before IROC, including water conservation, customer support, meter reading, treatment costs, and construction and maintenance activities.

Member Kosmo voiced his concerns related to the sale of water revenue shown from FY 2017 projections to FY 2018 proposed budget (approx. 28.5% increase). Mr. Gates clarified the significant majority of the rate increases are driven by imported water costs passed-through from the Metropolitan Water District to the County Water Authority, and to the City of San Diego, and is directly out of the Department's control. He noted that with the Cost of Service Study brought forward for the 5-year period, the commitment was made to the 2 specific review of funds. With a 5-year increase, assumptions have to go in through projections, and after 2017 the process will begin to look back from rate increases implemented in FY 2016-2017 to see if any adjustments to rates are to be made.

Member Kubota asked if there is a demarcation to determine which funds are charged against by full-time employees in the facilities. Mr. Gates indicated there are separate funds charged against for different work, and discussions of this topic are currently in progress. Chair Hess indicated he is interested in this being discussed at upcoming IROC meeting.

Member Mittal asked why the Wastewater FTE's have decreased when Water FTE's remain stable. Lee Anne Jones-Santos, Assistant Director, indicated the proposed rate increases on Water vs. Wastewater over 10 years ago, was that Water had quite the challenge getting rate increases passed. However, with the continued increase of the price of imported water, this has made an impact. On the Wastewater side, the Consent Decree to replace a set amount of miles assisted in bringing forward a rate increase.

Last, Mr. Gates reviewed the detailed FY 2018 Capital Improvement Program Budget for Water and Wastewater. He explained it is the appropriations budget, which gives an actual appropriation "limit", so each fiscal year the Operations & Maintenance Budget stops and does not carry over year to year and this allows budgetary flexibility. He noted the expenditures for Water are going to be financed through the commercial paper program in addition to SRF Loan proceeds, Grants, and cash.

He asked that with the information provided, giving members a thorough look at the proposed FY 2018 budget, he asked for IROC's support.

Chair Hess thanked staff for such a comprehensive presentation, adding there is a lot of work ahead in terms to the cost of service, review of funds and rate increases, and other items.

ACTION: Chair Hess asked for a motion to support the Department's FY 2018 budget as presented. Member Akin moved to support as presented, Member Kosmo seconded. Motion passed 8-0-1 (Dull).

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8. **City 10 – County Water Authority Update** – *Lois Fong-Sakai, City 10 Ex-Officio*
None.

9. **Subcommittee Reports**

a. **Infrastructure and Operations** – *Jim Peugh, Subcommittee Chair*

- Presentation on the impacts of water use efficiency on the wastewater system, which can cause corrosion of pipes with less liquids flushing solids.
- Presentation of the restoration efforts of the department in the watersheds of various reservoirs.

b. **Outreach and Communications** – *David Akin, Subcommittee Chair*

- Presentation on the new customer portal including a demo using the phone app MyWaterEasy.
- Presentation on outreach for the Pure Water San Diego Program, particularly the brewery campaign.

10. **Metro/JPA Report-Out** – *Ed Spriggs, Metro JPA Ex-Officio*

- Discussed Pump Station II power reliability and surge protection item, and the cost increases for the items since it was originally proposed in 2011. There was a need for improvement of infrastructure, and this item was approved with satisfactory explanations.
- Point Loma Permit was approved by the Regional Water Quality Control Board. Metro/JPA had concerns because of the potential for being burdened with mandatory conditions of the Permit, as there is no legislative protection that incorporates secondary equivalency into the Permit. There were 2 closed sessions to look at rights and remedies, and there will be discussions about the Permit language.

Member Kubota asked if the City of Lemon Grove's newest Engineer who reviewed the Pure Water San Diego Program is independent of the JPA? Mr. Spriggs indicated he did not know, as participating agencies can do this on their own without sharing information. John Helminski, Assistant Director, commented that as part of the Metro TAC, a working group has been formed looking at design-review, and Dexter Wilson of Lemon Grove attends these meeting along with Scott Tulloch. One of the alternatives to secondary equivalency is a design approach, so if in fact the requirement was made to go to secondary treatment at Point Loma, the system can be much smaller. This approach will be brought before Metro/JPA in the coming months.

11. **Proposed Agenda Items for Upcoming IROC Meetings** – *Wilson Kennedy, IROC Coordinator*

- Brief History of Point Loma and Current Permit Status
- Update on the Leadership Academy Program
- Update on the I AM San Diego Project Update
- A voluntary IROC tour is being planned for this summer

12. **IROC Members' Comments**

Member Kubota asked to share an informative video on the award winning Emergency and Carryover Storage Project. It was found in the Top Story section of a recent ASCE News release. Please click the link below to view the article and video:

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http://news.asce.org/emergency-and-carryover-storage-project-earns-ocea/?utm_campaign=Comm-20170317-ASCENews%20Weekly&utm_medium=email&utm_source=Eloqua&elqTrackId=78BBDA43F9364A5B9679A84BB3DF0E51&elq=262703d7c86742bf8e8d91ad20e019ce&elqaid=16221&elqat=1&elqCampaignId=7681

13. Meeting adjourned at 11:40 a.m.

Minutes submitted by: Monica Foster, Administrative Aide II