



Independent Rates Oversight Committee (IROC)  
**Meeting of January 16, 2018**  
**MINUTES**

**1. Roll Call**

Chairman Hess called to order the full IROC meeting at 9:54 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	
Tiffany Mittal, Vice Chair		X
Christopher Dull		X
Jeff Justus	X	
Jack Kubota	X	
David Akin	X	
Luis Osuna	X	
Jim Peugh	X	
Linh Quach		X
<u>Ex-Officio Members:</u>		
Jerry Jones, Metro JPA	X	
Lois Fong-Sakai, City 10	X	

*City representatives present at dais: Lee Ann Jones-Santos, Assistant Director of Public Utilities; and Tom Zeleny, Chief Deputy City Attorney*

**2. Non-Agenda Public Comment**

None.

**3. Approval of Amended Minutes from Meeting of September 18, 2017**

**ACTION:** Chair Hess asked for a motion to approve the minutes. Member Peugh moved to approve as submitted, Member Akin seconded. Motion passed unanimously 6 (in favor), 0 (oppose), 0 (abstain).

**4. Approval of Minutes from Meeting of November 6, 2017**

**ACTION:** Chair Hess asked for a motion to approve the Minutes. Member Akin moved to approve as submitted, Member Peugh seconded. Motion passed 5-0-1 (Justus).

**5. Chair Updates – Gordon Hess, Chair**

- IROC may hold an earlier Special Joint IROC/Finance Subcommittee meeting in May to review budget items in order to get comments back to City Council in time.
- Member Kozmo recently resigned, as he was appointed to the San Diego Ethics Commission. He expressed appreciation of his valuable input to IROC, and wished him well.
- Tom Crane, Public Utilities Department, recently retired. He offered many years of valuable insight and service to IROC, and on behalf of IROC he wishes him well.
- He welcomed Vic Bienes as the new Director of Public Utilities and noted he met with him to discuss potential IROC topics of interest. He noted he plans to have regular meetings with Mr. Bienes, along with Vice Chair Mittal.

**6. Mayor and Council Staff Comments**

None.

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7. **City Staff Updates** – *Lee Ann Jones-Santos, Assistant Director of Business Support for Vic Bienes, Director*
- Tom Crane retired and we thank him for his service and support to IROC and he will be missed.
  - The FY 2019 Budget draft proposal was submitted to Financial Management, will bring forward to IROC as soon as the document becomes public.
  - Mayor’s State of the City Address focused on several General Fund activities (Homelessness, Affordable Housing, Environmental Cleanup and Police Recruitment). Public Utilities has been asked to cut its budget by 2%, there will be no impact to our operations.
  - PUD continues to pursue all types of funding and financing for the Pure Water San Diego Program, and will continue to update IROC’s Finance Subcommittee. Includes WSIP \$219 million grant.
  - Rolling out Phase II of AMI, and looking at how to increase staff available to install endpoints to make target date of February of 2020.
  - Addressing concerns on monthly water billing inquiries, a 10-day, 1 time billing modification which added 10 days to the customer’s bill which in turn produces a larger amount due. Any inquiries should be directed to PUD Customer Service.
  - PUD is working on the financial analysis such as Alternative Water Rates, Review of Funds, and have Raftelis onboard working on the current Cost of Service Studies for Water and Wastewater.

Member Kubota asked if there has been a separate third party consultant retained for anything as discussed previously in regard to the Cost of Service (COSS). Ms. Jones-Santos indicated this is for the COSS and is under the authority of the Independent Budget Analyst (IBA) and will occur only if needed, again during the COSS. The IBA will be included in the PUD COSS entire process.

8. **Presentation: Update on Quarterly Water Main Breaks & Sewer Sanitary Overflows** – *Tom Howard, Deputy Director of Water Construction & Maintenance and Agnes Generoso, Deputy Director of Wastewater Collection*
- Mr. Howard shared the total water main breaks for calendar year (CY) 2017: 79 opposed to 86 same time last year, with 64 in CY 2015 and 75 in CY 2014. He displayed a detailed graph of the breaks by month for CY 2017 showing November 2016 being the highest at 13, and June 2017 with only 2. Also included was a 4 year comparison showing January with the highest amount of breaks across the board. Asbestos cement still leads the numbers for main breaks by material type with cast iron second, noting the remaining 46 miles are being replaced by approximately 2023.

With member inquiries, he explained that sharing data in the new system is very beneficial for the aggressive condition assessment program and the vigorous replacement and inspection process. He also described the pressure system on different class of pipes when breaks occur, as well as the installation, and inspection process.

Ms. Generoso shared the total sewer spills for CY 2017: 35 compared to 37 the last year. She noted without sanitary sewer backups (from private properties) it would be total of 25 for 2017 which is exceptional. There were 47,000 gallons released mainly due to the heavy storms at the beginning of the year. There were a total of 5 public water spills in 2017 opposed to 4 last year. She noted this is the first year in recorded history of the City with zero grease spills caused by commercial facilities.

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9. **Presentation: Canyon Sewer Cleaning and Long-Term Sewer Maintenance Program** –  
*Summer Adleberg, Project Officer I and Keli Balo, Project Officer II*

Ms. Adleberg gave an overview of the program objectives which includes inspection and cleaning of sewer infrastructure, implementation of environmentally sensitive means for canyon sewer cleaning activities, provide long-term maintenance of canyon sewer infrastructure, evaluate options to redirect sewage flows out of canyons where feasible, and more.

Environmental staff works closely with the Wastewater Collection staff to ensure compliance with Program. Public Utilities has increased its efforts to inventory and map environmentally sensitive areas to identify access needs and areas of concern, and facilitate ongoing maintenance. To date, 165 miles of pedestrian and vehicle paths have been mapped for 136 canyon areas. Ms. Adleberg reviewed several long-term sewer access planning and implementation projects for FY 2017 that are in various stages. She described some of the robust vegetation/restoration projects, as well as upland and wetland mitigation projects and sites that are active and long-term.

Member Kubota inquired about the maintenance of access planning and restoration projects. Ms. Balo described the comprehensive program working closely with the Wastewater Collection to investigate the condition of access paths throughout the season as well as following rain events to ensure proper maintenance is done. With inquiries from Chair Hess and Member Peugh, Ms. Adleberg described the weed maintenance schedule and removal of vagrant make-shift camps.

10. **Discussion: Adopt FY 2019 IROC Work Plan** – *Gordon Hess, IROC Chair*

Wilson Kennedy, IROC Coordinator indicated the Work Plan has been vetted through the subcommittees and had 2 minor changes per their request, and added to this agenda for adoption. Mr. Kennedy noted the recent minor changes:

REVISE: Section III, 6: Water Use Efficiency: Continue to monitor ~~and provide input on the~~ City's efforts to keep the "water conservation" campaign at appropriate levels "use water efficiently."

REMOVE: Section II, 5: Monitor the implementation of the Pure Water San Diego Program.

Chair Hess suggested the following additional revisions:

REVISE: Section I, 1 (a): Cost of Service Studies (COSS): "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.

REVISE: Section I, 3 (a): Water fund sustainability and affordability: Monitor and review Metropolitan Water District and San Diego County Water Authority (SDCWA) recommendations for changes to water rates structure and long term projections of water rates and charges and its impact to City of San Diego (City) ratepayers.

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**REVISE:** Section II, 7: Monitor the Department's Energy Management Efforts: 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.

**REVISE:** Section II, 6: Review operations of the Water and Wastewater systems that have the most impact on system performance: 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. ~~IROC anticipates that~~ Information from the Department's Operations Optimization Study will provide information that will be helpful for this review.

**ACTION:** Chair Hess asked for a motion to approve with noted changes. Member Akin moved to approve with noted changes, Member Justus seconded. Motion passed 6-0-0.

11. **Discussion: Potential Performance Audit Recommendations** – *Jeff Justus, IROC Member*  
Chair Hess referred to IROC's Charter Section 26.2004 reminding IROC of their obligation to 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 Plan. He indicated he does not recollect doing this for the past few years and would like to.

Member Justus recommended Advanced Metering Infrastructure (AMI) since it is getting ready to go into Phase II. He added it would be beneficial to see the value between the Water and Wastewater, the status of the program, and how it is developed. He then opened for comments/recommendations from other members.

Members comments included: Member Akin indicated it is a great idea, but suggested doing an audit at this critical time of the project could slow it down, perhaps at completion would be better timing for a more in-depth audit, as it is difficult to predict an issue. Chair Hess disagreed and added it would be more of an audit of the books per say.

Lee Ann Jones-Santos, Assistant Director supports this component and commented the concerns at this time would be the challenge of staff being able to respond while implementing the project, which would impact the timeline directed from the Mayor's office and value to the customer. It would be more beneficial to have the time to discuss with senior staff to find the best areas to audit to make it most beneficial with a value at the right time.

Member Kubota suggested an audit of the Purple Pipe system (recycled water) in terms of how it is doing, the pricing study, and production.

Member Peugh suggested the planning of an extreme shortage of water; and a second suggestion of the vacancy rates and process in the department.

**ACTION:** Chair Hess asked for a motion for a topic to submit to the auditor. Member Justus moved for an audit of the AMI program, and to request a meeting with the auditor to discuss the scope of the audit of the AMI program. Member Osuna seconded. Ms. Jones Santos cautioned IROC that the request of the audit may begin on the auditor's terms, and may not follow the direction of the motion. Her preference would be to discuss further to be able to get the most value. Any negative feedback from the auditor could injure the project before it is implemented. Motion failed 3-3-0.

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Ms. Jones-Santos assured IROC she will research further and come back to IROC at the next meeting with information to support moving forward with the most value. She will also take non-revenue water to see a tie or lead in to AMI and how this could bring additional value to the department.

12. **City 10 – County Water Authority (CWA) Update** – *Lois Fong-Sakai, City 10 Representative, Ex-Officio*
- December 12, 2017 hosted a Legislative Roundtable with Assembly Member Todd Gloria. Discussed water conservations and the need for local control of water usage; the State’s consideration of potential mercury monitoring in reservoirs (not a current problem in San Diego County), and potential low income rate assistance.
  - The Board approved updated Water Use Efficiency Policy Principles with 5 core focus areas.
  - Approved a new 5-year Operation Agreement between the Water Conservation Garden & Friends of the Water Conservation Garden which will continue operation and maintenance of the Garden through June 30, 2023.
  - San Vicente Energy Storage Facility has entered into negotiations with the Joint Venture team of Tenaska, Inc. – Diamond Generating Corporation. If unsuccessful, the General Manager has been directed to enter into Project Delivery Agreement negotiations with Brookfield US Generation, LLC.
  - The Board has voted to extend the Exchange Agreement term with Metropolitan Water District (MWD) by 10 years, to include years to include 2013-2047 to continue the region’s acquisition of the highly reliable senior priority Colorado River Water diversifying of our water supply.
  - The CWA and MWD Boards have appointed representatives for an ad-hoc committee to discuss resolution after the California Supreme Court declining to hear the State of the Water Authority. Details are still underway. The CWA has directed staff to forward local agency program applications for MWD’s local projects financial consideration. Included are the City of San Diego’s Pure Water, and the Carlsbad Desalination Plant.
13. **Subcommittee Reports**
- a. **Finance** – *Gordon Hess, IROC Chair for Jeff Justus, Subcommittee Chair*
- Discussed the mid-year budget report through 5 months with Seth Gates, Deputy Director, and Lee Ann Jones-Santos, Assistant Director. City Council and the Mayor’s Office asked for a 3% reduction in budget compared to 2% reduction. Will be hearing in the next meeting about the overall budget.
- b. **Outreach & Communications** – *David Akin, Subcommittee Chair*
- Discussed the Water: Getting More Local campaign which is impressive. He referred to a flier that was distributed at the subcommittee meeting.
- Member Kubota shared there is a 4 year bachelor’s program in Utility Management offered at Cuyamaca College which includes a field testing station where water and wastewater personnel can do training. He is very pleased with the City of San Diego’s efforts in this. He also shared the 5-year Strategic Plan is underway and would like a progress report on that soon. The Leadership Academy is coming up and urges IROC members to sit in.
14. **Metro/JPA Report-Out** – *Jerry Jones, Metro JPA Representative, Ex-Officio*
- Nothing to report, last meeting was dark. However they are looking ahead at the second phase of Pure Water, and how to be efficient in the coming phase.

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14. **Proposed Agenda Items for Upcoming IROC Meetings**– *Gordon Hess, Chair and Wilson Kennedy, IROC Coordinator*
- Pure Water Update
  - Strategic Initiative Status Update
  - Update on the Review of Funds
  - Update on the Alternative Water Rate Structures
  - Report on the Audit information shared from Ms. Jones-Santos
15. **IROC Members' Comments**  
Member Kubota requested a copy of the current department org chart be sent out.
16. **Meeting adjourned:** 11:54 a.m.

Minutes submitted by: Monica Foster, Administrative Aide II