



Independent Rates Oversight Committee (IROC)
Meeting of May 21, 2018
MINUTES

1. Roll Call

Chairman Hess called to order the full IROC meeting at 9:30 a.m. Monica Foster conducted roll and a quorum was declared. Attendance is reflected below:

Members:	Present	Absent
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	

Ex-Officio Members:

Jerry Jones, Metro JPA	X	
Lois Fong-Sakai, City 10		X

City representatives present at dais: Vic Biances, Director of Public Utilities; and Cathy Pieroni, Government Relations Water Policy Manager

2. Non-Agenda Public Comment

None.

3. Approval of Draft Minutes from Meeting of March 19, 2018

Chair Hess noted a change for clarification to Page 3, last paragraph: Replace first sentence beginning with “Is there any way...” and ending with “... such as irrigation” with “Is there any way to look at budget billing on a small scale, such as for irrigation meters only? It would present many challenges to implement on a full-scale at this time”.

ACTION: Chair Hess asked for a motion to approve the draft minutes with said correction. Member Justus moved to approve, Member Akin seconded. Motion passed unanimously 8 (in favor) - 0 (oppose) - 0 (abstain).

4. Chair Updates – Gordon Hess, Chair

- Last meeting as Chair, as By-Laws stipulate Chairs are only allowed to serve 2 consecutive 1-year terms. He indicated is very pleased that IROC made great progress on his goals for the committee, and he enjoyed serving the City’s ratepayers as IROC Chair.
- He and Member Mittal were reappointed recently by the Mayor’s Office as members of IROC for the second 4-year term.
- Attended the last City Council meeting and spoke about IROC’s review and endorsement of the FY 2019 Proposed Budget, the Council Members had positive feedback, and appreciated all of IROC’s hard work.

5. Mayor’s Office Updates – Cathy Pieroni, Government Relations Water Policy Manager

Ms. Pieroni thanked IROC for their diligence and hard work on the FY 2019 Budget, and expressed the appreciation the Mayor’s office has for IROC members’ dedication.

6. City Staff Updates – Vic Biances, Director

This item was heard out of order, following item 8.

- Expressed his appreciation to Chair Hess’ attendance at the presentation of the Budget, and sharing IROC’s perspective.
- Pure Water was approved by the Environment Committee, it is underway working with the Council offices and the community to set up working groups to start the dialogue in regards to

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what construction mitigation opportunities there may be. Also meeting with different labor groups with regard to alignment, awaiting feedback to get things moving forward in hopes to advertise work in the fall of this year.

- The monthly water billing calls have slowed down, the department continues to work with the City Auditor, the third party independent, and the Performance and Analytic group in regards to improving processes. Old meters are still being replaced and outreach continues with customers. It is important to know that the new meters are precise and will reflect the actual usage, opposed to some of the older meters showing potentially lower reads.
- With higher temperatures coming, customers will continue to be reminded to watch their water consumption which also contributes to higher bills.
- Seth Gates, Deputy Director of Finance & Information Technology has left the City and Michael Vogl, Deputy Director of Customer Support is retiring. They both will be missed tremendously and are wished well. These two critical positions will be open, if IROC members know of potential candidates please have them check the City's webpage for the application process.

7. **Presentation: Review of Funds** – *Lee Ann Jones-Santos, Assistant Director*

Ms. Jones-Santos introduced Kevin Starkey, Partner of Macias & Gini (MGO) Certified Public Accountants. Ms. Jones-Santos indicated they are challenged with the calendar, therefore the final report has not yet been issued to the public yet and cannot be shared today. As soon as the report is public (docketed with the Environment Committee agenda) she will provide to IROC. She added the next steps include the department's review of the financials, and looking at the next proposed rate increase which goes into effect August 1, 2018, and any proposal from the department to the Mayor's Office in how to proceed. The department is scheduled to go to the Environment Committee with the final report on June 21, 2108.

Mr. Starkey gave background to their award for the agreed-upon procedure (AUP) for fiscal years 2016 and 2017, to perform in accordance with professional attestation standards, the third-party review of funds. He reminded IROC that MGO served as the City's auditors over the time frame covered by the AUP and issued unqualified opinions on the CAFR. He described the engagement's scope as being agreed-upon procedures when a practitioner issues a report of findings based on specific procedures performed on a subject matter as determined and established by a specified party whom are responsible for the sufficiency of the procedures performed. He added this was not an audit, and no expression of an opinion or conclusion regarding the fairness or accuracy of financial information was presented.

Mr. Starkey described the breakdown of the report in 3 sections: 1) Analysis of Use of Rate Increase; 2) Analysis of Sources and Uses of Debt Proceeds; and 3) Comparison of Actual Results with Those Expected in the Cost of Service Study (COSS). Within those sections a variety of procedures were performed. He then described some of these procedures.

Vice Chair Mittal inquired about the actual requested areas the department asked to be reviewed. Mr. Starkey indicated once the final report is issued, the specific procedures that were performed will be listed and the results will follow. Ms. Jones-Santos commented the report will also include the department responses to items such as variances and assumptions.

Chair Hess suggested having the Finance Subcommittee meeting a week earlier on Monday, June 11, 2018 to discuss the final report. Other members concurred.

8. **Presentation: May Budget Revision for FY2019 Proposed Budget** – *Mark Gonzales, Program Manager*

Mr. Gonzales presented, indicating the revision to the Mayor's Fiscal Year 2019 Proposed Budget was released on May 15th and presented to the Budget Review Committee on May 17th. In the May Revision, Public Utilities requested three minor adjustments to the proposed budget. The first adjustment was to realign the AMI operating budget to the new 70% water / 30% Muni allocation; the second adjustment was to fund a Supervising Claims Representative position in the Risk Management Department. However, this position would be housed in Public Utilities and support the department in handling all Public Utility liability claims. This position will be allocated amongst the 3 operating funds, Water, Metro, and Muni; and the last adjustment is an increase in capacity fee revenue for the Companion Unit Fee Waiver Pilot. This is a program that was approved by the Mayor and City Council to waive regulatory

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fees, including water and sewer capacity fees to accelerate the construction of granny flats, the General Fund will transfer funds to Water and Metro funds to cover the costs. As a reminder, the final Fiscal Year 2019 Adopted Budget is anticipated to be approved by Council on June 11th.

9. **Selection of New IROC Chair & Vice Chair** – *Gordon Hess, Chair*

Nominations for IROC Chair:

ACTION: Motion by Member Akin and seconded by Member Dull to select Member Mittal for Chair of IROC. Motion passed unanimously 8-0.

Nominations for IROC Vice Chair

ACTION: Motion by Member Akin and seconded by Member Dull to select Member Justus as Vice Chair of IROC. Motion passed unanimously 8-0.

10. **Selection of Subcommittee Chairs and Members** – *Gordon Hess, Chair*

Nominations for Finance Subcommittee Chair:

ACTION: Motion by Member Justus and seconded by Member Mittal to select Member Akin as Finance Subcommittee Chair. Motion passed unanimously 8-0.

Nominations for Infrastructure & Operations Subcommittee Chair:

ACTION: Motion by Member Peugh to select Member Kubota as Infrastructure & Operations Subcommittee Chair. Member Kubota declined. Motion by Member Dull and seconded by Member Akin for Member Peugh to continue as I&O Subcommittee Chair. Motion passed unanimously 8-0.

Nominations for Outreach & Communications Subcommittee Chair:

ACTION: Motion by Chair Hess and seconded by Member Akin to select Member Quach as Outreach & Communications Subcommittee Chair. Motion passed unanimously 8-0.

Nominations for Finance Subcommittee Members:

ACTION: Motion by Member Dull and seconded by Chair Hess to retain the current members (Akin, Hess, Justus, Mittal). Motion passed unanimously 8-0.

Nominations for Infrastructure & Operations Subcommittee Members:

ACTION: Motion by Chair Hess and seconded by Member Kubota to retain the current members (Kubota, Peugh, Jones, Osuna, and Quach). Member Quach declined her position on the subcommittee. New Motion made by Chair Hess and seconded by Member Kubota to select current members sans Member Quach. Motion passed unanimously 8-0.

Nominations for Outreach & Communications Subcommittee Members:

ACTION: Motion by Chair Hess and seconded by Member Mittal to retain the current members (Akin, Dull, and Kubota) with the addition of previously voted Subcommittee Chair Quach. Motion passed unanimously 8-0.

Director Bianes indicated he would like to schedule a meeting with the newly Chair and Vice Chair in the near future.

11. **City 10 – County Water Authority (CWA) Update** – *Vic Bianes, Director for Lois Fong-Sakai, Ex-Officio, City 10 Representative*

- Metropolitan Water District with their landmark approval for California Water Fix. There is a lot of dialogue going on as to the impact it may have on member agency rates. Different perspectives are being heard from the County Water Authority (CWA) and the Metropolitan Water District (MWD). The City will look at the information to evaluate impacts it may have on the department and its customers. Each agency is unique, as well.
- Working with the CWA and MWD on the Local Resource Program (LRP) for Pure Water to start the process in filling out the Application (\$280M may be available to the City).
- Coordinating with the CWA with the outreach efforts of the value of water for their Water Brought to You campaign, and our efforts with Water, Getting more Local campaign.

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- A lot of dialogue associated with free chlorine, in regard to the abundance of nitrates in the system, due to declining flows related to conservation.
- The next meeting will have discussions on rates and charges, and should have an update on this topic at the next Metro/JPA report out.

12. Subcommittee Reports

a. Finance – *Jeff Justus, Subcommittee Chair*
None.

b. Infrastructure & Operations – *Jim Peugh, Subcommittee Chair*

- Presentation on the pipe break at Delta Street which a tiny leak caused corrosion in the pipe and over time, caused the pipe to break. This was a 46 year-old asbestos pipe.
- Current status of the condition assessments, looked over the ongoing studies and completed projects, as well as when the projects will be constructed through installation, and how they feed into the CIP. This was exactly what was requested.

c. Outreach & Communications – *David Akin, Subcommittee Chair*
None.

13. Metro/JPA Report-Out – *Jerry Jones, Metro JPA Representative, Ex-Officio*
None.

14. Proposed Agenda Items for Upcoming IROC Meetings– *Gordon Hess, Chair and Beth Murray, IROC Coordinator*

- Full IROC will recess in June and reconvene in July. The Outreach & Communications and the Infrastructure & Operations Subcommittees will recess in June as well, and the Finance Subcommittee will meet one week earlier, on June 11, 2018 to look at the Review of Funds.
- Member Kubota suggested a CWA presentation on water resources now, and for the foreseeable future. Director Bienes noted Ex-Officio Member Fong-Sakai may be able to arrange this.
- Vice Chair Mittal would like information on the current billing issue, such as the final report, the department's response, and/or internal actions taken internally to avoid this type of issue in the future. Director Bienes commented the City Audit is not yet complete but anticipated in the June timeframe, there is an update scheduled at the June 21, 2018 Environment Committee. This may be available for the July 16, 2018 IROC meeting.

15. IROC Members' Comments

- Member Akin thanked Chair Hess for his service as Chair and expressed his appreciation for a job well done.

16. Meeting adjourned: 11:47 a.m.

Minutes submitted by: Monica Foster, Administrative Aide II