



Independent Rates Oversight Committee (IROC)
Meeting of July 16, 2018
M I N U T E S

1. Roll Call

Chair Mittal called to order the full IROC meeting at 9:30 a.m. Valda Leitch conducted roll and a quorum was declared. Attendance is reflected below:

Members:	Present	Absent
Tiffany Mittal, Chair	X	
Jeff Justus, Vice Chair	X	
Christopher Dull		X
Gordon Hess	X	
Jack Kubota	X	
David Akin	X	
Luis Osuna		X
Jim Peugh	X	
Linh Quach	X	
Robert Weichelt	X	
<u>Ex-Officio Members:</u>		
Jerry Jones, Metro JPA		X
Lois Fong-Sakai, City 10	X	

City representatives present at dais: Vic Bienes, Director of Public Utilities; and Tom Zeleny, Chief Deputy City Attorney; John Helminski, Assistant Director.

2. Non-Agenda Public Comment

None.

3. Approval of Draft Minutes from Meeting of May 21, 2018

This item was heard out of order and followed Item #13. Chair Mittal had noted a change for clarification: Lois Fong-Sakai was absent, remove "X" under "Present".

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

4. Chair Updates – Tiffany Mittal, Chair

None.

5. Mayor's Office Updates – Introduction and presentation from new COO & DCOO

- Kris Michell, Chief Operating Officer introduced herself and Johnny Perkins, the new Deputy Chief Operating Officer of Infrastructure and Public Works.
- A review is currently underway regarding the Public Utilities Department (Department).
 - The Mayor has asked the City Auditor to review the Department after finding billing irregularities.
 - West Monroe, the external consulting firm, conducted a study of the billing issues.
 - Reports are close to completion and will be publicly released soon. They will then be presented to IROC. The Mayor has directed an additional internal examination of the Department's overall management structure, internal controls, processes, protocols and employee oversight.
 - Using proven operations methods will result in improvements to not only the systems but to our team.
 - All reviews will ensure the public is provided with the highest quality water and the most accurate information possible. Johnny Perkins was brought in to assist with these changes.

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Johnny Perkins

- We will be looking at product (quality of water), process (in-depth look at irregularities, and make sure that it is presented to our shareholders) and people, the ratepayers of the City of San Diego.
- Review programs, internal functions, training programs and customer interaction.
- Review all aspects of meter reading, managing the reporting of that data and how it integrates from an analytics process, as well as collaboration, and communication with the customer.
- Top priority is customer service, in addition to product, process, and people.
- Accountability and trust are very important, as well as honesty, integrity, and character- that is what the City Administration and this Department stand by.
- Finances will be managed like any business would in terms of how we operate, expend our money, and how it looks.

Member comments:

- Member Peugh asked if the review would be done by internal or external staff. Ms. Michell commented that the three reports are really focused on billing and customer service, a lot of data will be provided from the reports and depending on the outcome, it will take them to the next step of a much broader analysis. The goal is to have some major system changes if needed, and where needed by the beginning of next year.
- Member Peugh commented that the City's Police Department looked over their program because they weren't competitive, and hopes that this is also looked at in the Department. Ms. Michell responded that employees can be attracted and trained, and the private sector repetitively steals them away because financially, the City is just not that competitive. This is something that is being looking at.
- Member Kubota commented on being thankful to Ms. Michell and Mr. Perkins in joining. He is grateful that they are continuing with the work of dealing with the billing issues and the department.
- Chair Mittal mentioned she and Vice Chair Justus have met with Director Bienes recently and all are committed to make sure that they work together functionally and continuing the transparency with IROC.

6. City Staff Updates – Vic Bienes, Director

- City budgets were all unanimously approved.
- John Helminski to provide update on Pure Water.
- Pure Water Group meetings well received by the public and City Council offices are participating; will be starting second round of meetings.
- Meetings taking place with AGC and Trades.
- Currently looking to replace Deputy Director, vacated by Seth Gates; this position is a key role to the Department.
- John Helminski, Assistant Director will be IROC's key contact going forward.

7. Presentation: Pure Water Update – John Helminski, Assistant Director

Mr. Helminski presented the Pure Water Program Implementation Update.

- North City Phase 1 project, delivery, activity and timeline.
- Hiring a construction management firm to manage day to day activities of each of the projects.
- Perform a constructability review before the plans are made final, there are twelve construction packages.
- The management firm will perform and provide cost savings measures.
- Review the schedule to make sure it is on a reasonable schedule.
- We will be hosting a contractor's forum this September to bolster interest as contracts start to emerge toward the end of this year, and next year.
- All construction packages will go before City Council for approval, authorizing the Mayor to enter into agreements for authorization of contracts.
- Working on a renewable energy project, currently in the RFSQ (Request for Statement of Qualifications) phase with the intent to qualify three vendors. Member Peugh is one of the panel members. The goal is to have approval by the end of the year.

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- Currently working with SDG&E, reviewing the North City Phase 1 project design for potential conflicts with any of their infrastructure. Anticipated design costs are \$12 million and utility relocation construction cost could go up to \$86 million with an estimated total cost of \$98 million.
- Governance committee: modeled after Asset Management (I AM) San Diego Governance Committee. Governs project budget, schedule, and overall direction, provides institutional vision and will be chaired by Deputy Chief Operating Officer, Johnny Perkins.
- EIR-Progress on Council directives: community working groups are Clairemont, Bay Park/Morena, Scripps Ranch/Miramar, and University City. Formed based on input from community planning groups and council offices.
- Performance summary: provide point of contact and call number, keep construction schedules per segment under 90 working days to extent feasible, reduce need for tree removal and provide extra water trucks to reduce fugitive dust. Regulator Process: Title 22 engineering report finalized, Division of Drinking Water Public Hearings for Title 22 Report-August 14 and 15, 2018. Discussed Miramar Reservoir (NPDES) National Pollutant Discharge Elimination System draft permit application submitted in May 2018, and final Miramar Reservoir NPDES permit anticipated February 2019.
- OCIP Features (Owner Controlled Insurance Program) which will cover all the projects within Phase 1. Contractors and subcontractors are all covered under a single insurance package across the entire program, and OCIP includes a consolidated and consistent safety program across all projects which benefits in cost savings.

Lee Ann Jones-Santos, Assistant Director – Debt Management Funding Opportunities:

- Costs are being allocated for Pure water between water and wastewater depending on what rate payer benefits in the service. Currently the estimate is \$1.4 billion with \$850 million going to water and \$550 million with wastewater. Clean water SRF loan and EPA WIFIA applications, SRF loans offer lowest cost source of funding with 30-year repayment and EPA WIFIA addition low cost funding source with 35-year repayment option. Director Bienes, Director commented the contracts are 12 pieces to allow more contractors to participate on our jobs. In the past, agencies have gone out with one large contract.
- Pure Water Phase 2 alternative analysis: High level evaluation of Phase 2 alternatives brought forward by the Metro JPA. Define and develop alternatives including water reclamation at Point Loma. Prepare conceptual, planning level cost estimates and select highest-ranking alternatives for further analysis.
- Next steps are the approval of North City Pure Water Environmental Impact Statement (NEPA) record of decision late July 2018. Construction contractor forum, approval of North City Phase 1 Pure water construction contracts, final regulatory approvals and advertise and award-North City phase 1 construction projects.

8. Presentation: Water Bill Dispute IROC Appeals Board – Vic Bienes, Director

- Proposal to IROC Members:
 - Look to see if it would be beneficial to have an IROC panel and a City Attorney peer body to hear the customer concerns and provide a recommendation.
 - The Department would take advisory review from IROC and then make a final judgment.
 - Allows a separate body of peers to hear the issue so it is not perceived it is just being done through the Department alone.
 - The IROC Committee would be the last customer step to give them a chance to present to a peer body.
 - Vic requested IROC Committee discuss and if agreed, it would be taken to the Mayor's Office and share with the Environment Committee on August 2nd.

ACTION: Member Akin, moved to approve going forward to explore the possibility of a committee to set up a review board; the details of how IROC will do it will be decided by IROC. Member Hess seconded the motion. Motion passed unanimously 8 - 0 - 0.

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9. **Presentation: Current Calendar Year Water Main Breaks** – Tom Howard, Deputy Director

Mr. Howard presented:

- Detailed graph of the main breaks by year noting that a water main break was to be added for this year because of water main break on previous day.
- Detailed graph of the water breaks by months.
- Graph reflecting material type to show the breaks by type of pipe.
- Detailed slide of various types of steel pipe.

Chair Mittal commented that on future slides can include an annual break report by material type Member asks for an additional graph showing breaks per mile. Director Bianes indicated they will add an additional slide.

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

- On July 10, 2018 the Metropolitan Water District Board re-affirmed its support for the California Water Fix. MWD Board's vote passed the funding package with 59.57%, compared to April's 61%. The San Diego County Water Authority representatives and the City of Los Angeles representatives voted against the measure.
- The County Water Authority is in the process of updating its Bay-Delta Policy Principles. There will be section on "equity and transparency," to ensure that WaterFix costs are properly allocated on MWD supply rates, and oppose actions that result in MWD taking on addition cost share form Central Valley Project or south of Delta State Water Project contractors.
- As details on the implementation progress occur, updates will be brought back.
- During the last SDCWA Board Meeting, a special workshop was held.
- The SDCWA and City of San Diego have been coordinating on the San Vicente Dam's Construction Joint Seepage Mitigation project. On May 24, the SDCWA Board authorized a construction contract to CARPI USA to perform this work (\$384,571).
- The CWA has approved the 2019 rates and charges, the City of San Diego purchases raw water from the Water Authority whose cost will increase by 2.9%.
Lee Ann Jones-Santos states that a memo will be sent out to full IROC of the increase that will happen August 1st for the City of San Diego costs service.

11. **Subcommittee Reports**

a. **Finance** –David Akin, Subcommittee Chair

- Discussed alternate rates structures, to have tier grades for housing which would bring some fairness. Discussion of Irvine Ranch as a water budget based policy on how they do rates.

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

- Discussed water pipe breaks and Alvarado water treatment plant that had leak and sodium hydroxide flowed into container for storm water and it did not get tested and it was released. The City was fined \$54,000 half goes to an environmental program and the other to Sacramento.

12. **Metro/JPA – Report Out** – Jerry Jones, Metro JPA

None.

13. **Proposed Agenda Items for Upcoming IROC Meetings** – Beth Murray, IROC Coordinator and Tiffany Mittal, Chair

- Algae bloom update
- Update on Audits
- Pure Water updates
- Cost of Service and how it may impact rates
- Alternate Water Rates
- CIP Cost Overview

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14. **IROC Members' Comments** – IROC Members
- Would like to see how IROC can be more actively involved to be able to provide more valuable feedback to the Department.
 - Possibility of changing the Charter to have information earlier to give more valuable feedback prior to going to the Mayor's Office for approval or it becomes public.
 - Director Bienes has committed to looking into the issue and he has spoken with Chief Deputy City Attorney Mr. Zeleny who will be getting back to the Chair for more clarification.
15. **Meeting adjourned:** 11:40 a.m.

Minutes submitted by: Yvonne Blantz