



Independent Rates Oversight Committee (IROC)
Meeting of June 17, 2019

1. **Roll Call**

Chair Tiffany Mittal called the full IROC meeting to order at 9:32 a.m. Erika Mc Neill conducted roll and a quorum was declared. Attendance is reflected below:

Members:	Present	Absent
Tiffany Mittal, Chair	X	
Jeff Justus, Vice Chair	X	
David Akin	X	
Christopher Dull		X
Gordon Hess	X	
Jack Kubota	X	
Luis Osuna	X	
Jim Peugh	X	
Linh Quach	X	
Robert Weichelt	X	

Ex-Officio Members:

Jerry Jones, Metro JPA	X	
Jim Peasley, Metro JPA Alt.		X
Tony Heinrichs, City-10	X	

City representatives present at dais: Matt Vespi, Interim Director of Public Utilities; and Tom Zeleny, Chief Deputy City Attorney.

2. **Non-Agenda Public Comment** – None.

3. **Approval of Draft Minutes from Meeting of May 20, 2019**

ACTION: Chair Mittal asked for a motion to approve the minutes. Motion by Member Weichelt to approve. Second by Member Peugh. Member Osuna was not present for this item. Motion passed (6 in favor, 0 opposed, Member Justus and Member Quach abstained).

4. **Chair Updates** – Tiffany Mittal, Chair

Chair Mittal and Member Hess met with elected officials on behalf of IROC to talk about how IROC can help them and support some of the items that were mentioned in the FY18 Annual Report. She reminded the members that the July meeting will be a tour of the Miramar Water Treatment Plant.

5. **Mayor and Council Staff Comments** – None.

6. **City Staff Updates** – Matt Vespi, Interim Director

Mr. Vespi announced that beginning August 1st, Shauna Lorange will be PUD’s new Director. He provided some background about Director Lorange and stated she will be a great fit to the organization.

Mr. Vespi also announced that on Saturday, June 22, 2019, there will be a Pure Water Open House from 10:00 a.m. – 3:00 p.m. at the North City Water Reclamation Plant. He encouraged the members to spread the word and attend, if they are available.

Mr. Vespi stated that the City Council officially approved the FY20 Budget. Everything presented to IROC as part of the budget process was accepted and approved. PUD has about fifty (50) new positions coming aboard next year. Last week, PUD was also at the City Council Audit Committee for an audit of the Call Center. The City Auditor’s Office presented their recommendations. Public Utilities staff, Mr. Vespi, Craig Boyd, and Jeremy Culuko provided PUD’s responses. They will provide that same presentation, so IROC would understand the details of the audit. He mentioned there is also an on-going audit related to AMI, the Smart Meter Program. That audit will likely come out prior to our next meeting.

Independent Rates Oversight Committee (IROC)
Meeting of June 17, 2019

7. **Presentation: Industrial Waste Control Program (IWCP) Assessment** – John Helminski, Assistant Director and Doug Owen, Program Consultant Team Manager for Pure Water

Mr. Helminski introduced Doug Owen and provided some history on the IWCP.

IWCP's Role in Regulatory Compliance

- General pretreatment regulations promulgated in June 26, 1978
 - EPA approved San Diego's program on June 29, 1982
- To comply w/ the ocean discharge waiver, San Diego proposed an Urban Area Pretreatment Plan
 - Approved by the RWQCB in August 1997 and by EPA in December 1998
- Drinking water constituents will be evaluated as Pure Water is implemented
 - Updated local limits need to be implemented by the Fall of 2022
- Program Attributes
 - 1,312 permits and authorizations
 - 2,480 active facilities that have flows less than permitting thresholds
- Accomplishments
 - Average daily industrial discharge of heavy metals into the Collection System since program approval in 1982 have decreased
- Scope of Work
 - Led by two experts who ran large IWCPs
 - John Watson (JWenvironmental)
 - Mike Golden (G2inspections, LLC)
 - Document and IWCP Review
 - Pretreatment Annual Reports
 - Pretreatment Compliance Inspections and Audits
 - Source Control Programs
 - SOPs
 - Organizational Structure
- Survey of programs of similar size in the Southwestern United States
- Program Recommendations
 - Permit Processing
 - Inspection
 - Enforcement
 - Industrial Discharge Monitoring
 - Records Management
 - Organization
- Initial Priorities
 - Create a Supportive Services Group to prepare SOPs which are critical to success
 - Include vacant and leadership positions in the FY20 budget
 - Schedule annual inspections for permits expiring in CY19
 - Revise the permit schedule to provide inspections 6 months prior to expirations
 - Create general permits for certain classes of non-SIUs
 - Develop criteria for a streamlined process for IUs demonstrating compliance
 - Prepare mission critical SOPs for permits, inspections and enforcement
 - Identify flow monitoring equipment required for flow-proportional sampling
 - Verify all current IUs in the Program system

Mr. Helminski commented that for the FY20 Budget, PUD has added new positions for Inspector I, Inspector II, Inspector III, and Supervising Inspector. He mentioned that there was a retention issue for the Inspectors. They would be trained from 18 to 24 months before they were fully up to speed on the inspection process. After being trained, they were leaving and going to external agencies because there are several other programs that pay more. PUD accomplished getting the approval for special salary

Independent Rates Oversight Committee (IROC)
Meeting of June 17, 2019

adjustments for the entire Industrial Waste Category. As of July 1st, the Inspectors will be getting 20% raises which will help with retention.

Member Hess inquired if the results from the Local Limit Study being conducted this year impacted the design of the Pure Water Plant. Mr. Helminski stated there are a couple of projects out there right now like Padre Dam that are assessing that individually. PUD is working with Padre Dam on what they are going to do with residuals. That is the only effect we see on Phase 1. He mentioned that as part of the Phase 1 Project, PUD is considering running a brine line from North City that comes all the way back down to the sewer system where the Marina Pump Station is located. It will be put in after the Pump Station, so those residuals do not get recycled back into the plant. The Alternate Study and the Local Limit Study will determine if we should be considering a brine line that goes directly out to Point Loma.

Member Peugh inquired if this was something that other cities would come look at like they do with the Pure Water Program. John Helminski replied yes, this is definitely something that is noteworthy and other cities will look towards in the future. Member Peugh commented that the City of San Diego should receive grants for training others. He wanted to know if the figure that showed reduction was based on reported data or sample data. John Helminski responded it was sample data.

Chair Mittal inquired if someone within the Department is responsible for writing or creating the SOPs and keeping them updated. In addition, she wanted to know if HR was involved. Mr. Helminski explained that for the laboratory SOPs or anything that has to do with laboratory testing, we must follow the new E-Lab standards and it is reviewed by the new Quality Assurance Branch. They are going to be assisting the Industrial Waste Program to make sure the SOPs are written correctly. They will be using staff as the subject matter experts to gather the information, but the Quality Assurance Branch will ensure it is in the proper format.

8. Presentation: Review of Assumptions – Charles Modica, Deputy Director and Rafetelis

Water Rate Assumption Review-Overview

- 5-year series of water rate increases approved in 2015
 - Rate Case was based on a thorough COSS
 - Approval allowed PUD to increase rates to cover its own costs, and to pass through CWA rate increases up to 7.0 % each year
- Rate increases in COSS included a number of financial assumptions:
 - Revenue from Water Sales
 - Expenses for Purchasing Water
 - Expenses for Operations and Maintenance (O&M)
 - Expenses for Debt Service
- Actual Revenues and Expenses impacted by a number of factors:
 - Weather
 - Actual Customer Demands for Water
 - CWA's Cost for Water
 - PUD's Debt Portfolio (Bonds, Loans, Grants, etc.)
- Water Rate Assumption -Water Demand/Supply
 - The average demand for water assumed in the COSS (176,800-acre feet/year) is close to actual demand (175,400-acre feet/year)
 - Use of local supplies in FY's 16-19 beyond COSS assumptions allowed for water purchase expenditures below COSS projections
 - Lower than anticipated CWA Pass-Through amounts also impact FY19 and 20 Expenditure Projections
- Water Rate Assumptions - FY20
 - Current assumptions include a rate increase of 5.2 % (4.0% for PUD operations, 1.2% for CWA Pass-Through)
 - COSS assumption was 7% (4.0 % for PUD. 3.0% for CWA Pass-Through)
 - Water Demand projected to be 189,00 Acre Feet w/ 24,327 Acre Feet from local supplies
 - COSS assumptions was 179,712 Acre Feet w/ 20,00 Acre Feet from local supplies
 - Total Non-Capital Expenses projected to be \$558.6M

Independent Rates Oversight Committee (IROC)
Meeting of June 17, 2019

- COSS assumption was \$574.5M
- Increases for Pure Water CIP and O&M needs anticipated in FY21 and beyond

Chair Mittal stated she has been with IROC since 2014 and she has only seen one COSS. She requested clarification as to why PUD does a 5-year COSS and if other cities did 5 years versus a lower amount of time. Mr. Modica explained the further out you project the more volatility you are going to experience. A 5-year rate case is not uncommon. As previously mentioned on our sewer side, the last rate case was back in 2007. The CWA Rate Case prior to 2017 was probably 8 or 10 years old. There is a desire to balance the ability to have current up-to-date information in your assumptions with a certain amount of certainty your investors are looking for as well. When we go out to purchase debt to fund our capital projects, people who are interested in buying want to know that we have rate cases locked in for a set number of years. It gives them more financial security and better bond ratings because we can point to already approved rate increases up to a certain amount. In addition to that, it is difficult since these rate increases need to be approved by the governing body.

Member Kubota thinks there should be a discussion about elevating the level of our entire personnel to the rankings that need to be paid to keep them onboard. Member Modica stated that the projected expenses need to include what the Department expects its personnel expenses will be in the future. All of the things you have heard in terms of employee retention, those have been real issues that do need to be looked at. Our job proposing rates is to make sure the expenses being proposing are reasonable. After that, it is up to your body and the City Council to decide if that is what should go into effect.

Mr. Vespi stated increasing salaries over the next 5 years is a huge component of this COSS. He explained that in the previous COSS, salary adjustments were not included because Proposition B was in effect. There was no pension or salary increases so that was not a real complicating factor in the last COSS. When we look forward, we are going to have some significant salary increases to try to become competitive with our competitor agencies. Historically, the City's approach to salary increases projections over multiple years is somewhat conservative because it also effects labor negotiations. Historically, the City used as a salary growth projection really ties to the SDCERS wage inflation assumption. That is typically how we have projected salary inflation.

9. **Presentation: Call Center Performance Audit Update** – *Craig Boyd, Deputy Director, and Jeremy Culuko, Program Manager*

Office of City Auditor – Six (6) Performance Audit Recommendations

1. To maximize its call system investment and provide enhanced customer service, PUD's Customer Support Division (CSD) should assess its Call Center data and system needs and, within its chosen call center system, develop a plan that includes, but is not limited to:
 - Acquisition of a dedicated subject matter expert to provide technical and operational support for the call system; and
 - Determination of data necessary for management and Supervisors to assess customer service goals.
2. To facilitate knowledge transfer for future users of the call management system, the CSD should develop policies and procedures on how to use the system, including the system's reporting capabilities. CSD should also develop a training plan to educate staff, at least annually on the use of the Call Center system's features.
3. To improve internal operations and provide best-in-class customer service, CSD should develop key performance indicators to establish baseline performance and compare them with industry best practice. To that end, if metrics include the use of customer satisfaction surveys, the surveys should be automated and offered in appropriate languages. Additionally, CSD should continually reassess these key performance indicators based on the Customer Service Office (Call Center) capacity (e.g., staffing, etc.) and desired goals. Lastly, CSD should establish and communicate individual and overall Call Center expectations to staff.

Independent Rates Oversight Committee (IROC)
Meeting of June 17, 2019

4. To ensure that Customer Services Representatives (CSRs) consistently enter the correct reasons for customer calls into the Call Center system, CSD should develop written guidance that standardizes the types of call activities that should be categorized under each call reason type.
5. To ensure that CSRs have the proper authority to efficiently respond to customer inquiries, CSD should review authorization levels for its Call Center CSRs and determine which additional authorizations/customer requests CSRs should be able to process/approve without the intervention of a Call Center Senior CSD or a Supervisor.
6. To enhance training and improve internal communication, CSD should develop a training program or provide staff access to trainings specific to the technical and soft skill needs of the Call Center staff, including training on properly entering system codes. PUD should develop written guidance on how long it should take for each transaction type to be approved, entered in Customer Care Solutions/SAP system, and communicated to CSD staff and customers. This guidance should also include the level of detail for system notes regarding the status of customer transactions.

PUD's Conclusion

- Internal Assessment aligns with OCA Call Center Audit Findings and Recommendations
- Continued evaluation and investment in resources
- To advance plans, work in partnership with MEA to complete meet and confer
- Strive towards customer focused culture

Chair Mittal questioned how to respond to customers to ensure they feel a certain amount of trust within the Department. She was interested to find out how the Department is going to make corrections to ensure staff is properly trained, have the ability to resolve customer concerns with one phone call, and communicate with the Field Services to have accurate meter reads readily available for the CSRs.

Mr. Vespi stated the training program was not sufficient. CSD has completely revamped the training program that runs 8 weeks for new hires. Going forward, each new CSR that joins CSD will go through that training program. The Billing & Procedures Manual will be updated to set up levels of authority to be more specific about how to handle customer calls and to set up levels of authority for what a CSR can handle on their own before they need to engage a Senior CSR, Customer Service Supervisor, or Manager within the Division. That will be a time-consuming effort to update and it will require City Council approval.

10. **Discussion: IROC's Draft Letter to the IBA** – *Tiffany Mittal, Chair*
Chair Mittal provided an update that she and Member Hess met with Council Members and PUD to request an Independent Consultant to aid in the review of water rate structures and COSS. They have support from the majority of the City Council and it was placed in the FY20 PUD Budget. IROC must work with the IBA because as body, IROC cannot contract with Consultants. She explained the letter was to request that the IBA contact a Consultant soon because the rate case is quickly approaching. She had the members review the letter to get an action for approval.

ACTION: Motion by Member Peugh to approve the letter to the Office of the IBA with minor grammatical updates. Seconded by Member Hess. Motion passed unanimously 9-0.

11. **Discussion: Selection of New Subcommittee Chairs & Members** – *Tom Zeleny, Chief Deputy City Attorney*
Announced this item will be deferred to the August meeting. All Subcommittee Chairs will remain as is until new selections have been made.

12. **City 10 – County Water Authority Update** – *Tony Heinrichs, City 10 Representative*
 - Update of CWA General Manager (GM) recruitment process

Independent Rates Oversight Committee (IROC)
Meeting of June 17, 2019

- Requesting feedback on ideal candidate qualifications from regional stakeholders/IROC
 - Avery & Associates from the Bay Area is conducting the GM recruitment for CWA
 - Chair Mittal should be the contact for input
 - Overview of CWA FY18-19 accomplishments
 - Overview of CWA FY20-21 budget highlights
13. **Subcommittee Report** – *Linh Quach, Chair of the Outreach & Communications Subcommittee*
- Presentation: Customer Service/Call Center and MyWaterSD Updates
 - Discussion: Pure Water Update
14. **Metro/JPA – Report Out** – *Jerry Jones, Metro JPA Representative*
- Reviewed the Metro Wastewater Utility Budget viewed at this meeting
 - Update on Pure Water Phase 2 alternative analysis
 - Approved several contracts; one was sent back for further information on the UV System for South Bay and there was another question regarding if that could be filled through Pure Water in the future.
15. **Proposed Agenda Items for Upcoming IROC Meetings** – *Wilson Kennedy, Supervising Management Analyst and Tiffany Mittal, Chair*
- July’s meeting will be a tour of the Miramar Water Treatment Plant (MWTP). Chair Mittal stated it is IROC’s duty to participate in tours and she stressed the importance of having a quorum.
 - Safety gear must be worn during our tour of MWTP.
 - Ralph M. Brown Act Training will be conducted at the August meeting.
 - PUD Deliverables
 - PUD to provide IROC with Pumped Energy Storage White Paper (provided on 6.18.19)
 - PUD to provide IROC with the IWCP Assessment file (provided on 6.18.19)
 - The Office of the City Auditor to present IROC with the Call Center Audit in August
16. **IROC Members’ Comments** – *None.*
17. **Meeting adjourned:** 12:29 p.m.

Minutes submitted by: Erika Mc Neill