



Independent Rates Oversight Committee (IROC)  
Meeting of December 16, 2019

1. **Roll Call**

Chair Tiffany Mittal called the full IROC meeting to order at 9:39 a.m. Wilson Kennedy conducted roll and a quorum was declared. Attendance is reflected below:

<b>Members:</b>	<b>Present</b>	<b>Absent</b>
Tiffany Mittal, Chair	X	
Robert Weichelt, Vice Chair		X
David Akin	X	
Christopher Dull		X
Gordon Hess	X	
Jeff Justus	X	
Jack Kubota	X	
Luis Osuna		X
Jim Peugh	X	
Linh Quach		X
<b><u>Ex-Officio Members:</u></b>		

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

City representatives present at dais: Shauna Lorance, Director of Public Utilities and Christine Leone, Chief Deputy City Attorney.

\* Please note there was an audio recording issue with the December minutes that has been resolved. We have done our best to capture the essence of the meeting with the handouts that were provided and notes that were taken.

2. **Non-Agenda Public Comment** – Joe Beachem, Otay Water District

- Mentioned the impact on the Cost of Service Study (COSS), if Otay Water District was not a customer

3. **Approval of Draft Minutes from Meeting of October 18, 2019**

**ACTION:** Chair Mittal asked for a motion to approve the minutes. Motion by Member Justice to approve. Second by Member Akin. Motion passed 6-0.

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

- We will discuss possible recommendations to finalize the FY19 IROC Annual Report
- We will vote to adopt the Standardized Report for City Boards & Commissions

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

6. **City Staff Updates** – Shauna Lorance, Director of Public Utilities

- Provided update on the Pure Water Program
  - State legislation requires Project Labor Agreements (PLAs) on all Pure Water construction contracts utilizing State Revolving Fund (SRF) Loans
  - Currently working on PLA related issues and receiving assistance from the Parsons Firm
  - Delays resulting in extra construction costs of approximately \$4M per month
  - Planning meetings will begin in early 2020
  - Anticipate bids by late summer/early fall 2020
- Metropolitan Water District of Southern Californian (MET) approved a Local Resource Project Grant for up to \$280M depending on acre feet

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Ex-Officio Jones asked if AGC is suing the State. PUD staff confirmed AGC is suing the State.

Chair Mittal wanted to know if it is worth it to continue with State funding. Director Lorange indicated it is worth it to continue with State funding.

Member Justus inquired about the 11 contracts. Director Lorange mentioned that only 3 of the contracts included apprentice language and only the preliminary grading contract is currently moving forward. Once the PLAs are complete, the 11 contracts will go out.

Member Peugh questioned our coordination with SDGE and Chief Deputy City Attorney Leone stated the City is working with SDGE.

Member Kubota asked about the current lawsuit involving Service Level Agreements and Chief Deputy City Attorney Leone indicated that lawsuit could not be discussed at this time.

**7. Presentation: COSS – Overview of Water & Wastewater Expenditures – Charles Modica, Deputy Director Purpose**

- Provide an overview of the water and wastewater expenditure assumptions
  - Utilized to develop COSS
- Focuses on three main categories
  - Water Purchases (water system only)
  - Capital Expenditures and Debt Service
  - Operating Expenditures
- Expenditures for water and wastewater systems are separate and distinct

**Primary Drivers**

- Both Systems:
  - Construction and Operation of Pure Water
  - Customer focused organization
  - Shift towards preventative/proactive maintenance
- Water System:
  - Cost to purchase water from CWA

**Water System Expenditures**

- Historical Water System Expenses (Fiscal Years 2016–2020)
  - \$3.2B
  - 62% on operations and buying water
  - 38% on CIP/Debt Service
- Forecasted Water System Expenses (Fiscal Years 2021–2025)
  - \$4.8B
  - 53% on operations and buying water
  - 47% on CIP/Debt Service
- Water Purchases
  - Historical & Forecasted Water Purchases (Acre Feet) and Cost (\$ in millions)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Imported	157,852	169,756	161,348	153,086	154,624	154,877	155,127	155,375	155,621	139,065
Local	11,227	12,460	30,000	18,824	17,893	18,042	18,195	18,350	18,509	35,472
Cost	\$212	\$234	\$239	\$236	\$245	\$256	\$270	\$283	\$298	\$290

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- Water Purchases (cont'd)

- CWA Guidance

- Updated Rate Guidance High – Untreated (2019) (\$/AF)

CYE2019	CYE2020	CYE2021	CYE2022	CYE2023
\$1,500	\$1,604	\$1,676	\$1,736	\$1,778
2.9%	6.9%	4.5%	3.6%	2.4%

- Updated Rate Guidance Low – Untreated (2019) (\$/AF)

CYE2019	CYE2020	CYE2021	CYE2022	CYE2023
\$1,291	\$1,355	\$1,387	\$1,423	\$1,443
2.9%	5.0%	2.4%	2.6%	1.4%

- Historical & Forecasted CWA Water Cost per Acre Foot (Melded M&I + Transportation)

FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
\$1,165	\$1,255	\$1,309	\$1,305	\$1,337	\$1,404	\$1,474	\$1,548	\$1,625	\$1,706

- While the City's demand for imported water may not increase, the price it pays for each acre foot of water has been increasing and is forecast to continue to increase

**Pure Water Update**

- Construction
  - Early site work construction
  - AGC lawsuit – construction bids on hold
- State Legislation
  - Requires PLAs on all Pure Water construction contracts utilizing SRF Loans
  - Resume advertising – late summer/early fall 2020
- National Pollutant Discharge Elimination System (NPDES) Draft Administrative Permit
  - Submitted to Regional Board (November 2019)
  - Board Hearing (March 2020)
- Outreach
  - 100 Pure Water Demonstration Facility tours (2,000 attendees this year)

**Wastewater System Expenditures**

- Historical Wastewater System Expenses (Fiscal Years 2016–2020)
  - \$2.2B
  - 51% on operations
  - 49% on CIP/Debt Service
- Forecasted Wastewater System Expenses (Fiscal Years 2021–2025)
  - \$3.3B
  - 44% on operations
  - 56% on CIP/Debt Service

**Upcoming Schedule**

- January
  - IROC – Discussion of rate structure options
- February
  - IROC – Overview of financial model
- Spring – Finalizing COSS
  - IROC
  - Environment Committee
  - City Council

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Ex-Officio Jones asked why is it assumed that demand will not increase. Mr. Modica indicated population growth was taken into account, but the main reason for this assumption was due to more customers using water efficient landscapes.

Member Kubota questioned if the sale of the stadium is included in the COSS. Mr. Modica stated it is included in the Financial Model.

**8. Discussion: Adopt FY19 IROC Annual Report & Recommendations and the Standardized Report for City Boards & Commissions - Tiffany Mittal, Chair**

**ACTION:** Adoption of the FY19 IROC Annual Report was postponed.

**ACTION:** Chair Mittal asked for a motion to adopt the Standardized Report for City Boards & Commissions with an edit to include the IROC FY19 Annual Report hyperlink for the viewing of IROC's recommendations. Motion by Member Akin to approve. Second by Member Justice. Motion passed 6-0.

**9. City 10 - County Water Authority - None.**

**10. Metro/JPA - Report Out - Jerry Jones, Metro/JPA Representative**

- Final updates were made to the Strategic Plan

**11. Proposed Agenda Items for Upcoming IROC Meetings - Tiffany Mittal, Chair**

- Various COSS related presentations will be on the upcoming agendas
- Deliverables:
  - PUD will provide IROC with a Pure Water Update in early 2020
  - PUD will provide IROC with the bi-annual Audit Committee updates
  - PUD will add a "Standing Reports Update" item to the "City Staff Updates" section of the full IROC agenda
  - Member Peugh asked for updates on the "Valve Maintenance Program" and "Condition Assessments"
  - PUD will notify IROC of presentations at City Council and Council Committees and provide IROC with the hyperlink to archived videos of past presentations

**12. IROC Members' Comments - None.**

**13. Meeting adjourned: 11:47 a.m.**

Minutes submitted by: Wilson Kennedy