

Independent Rates Oversight Committee (IROC)
Meeting of November 16, 2020



1. **Roll Call**

Chair David Akin called the full IROC meeting to order at 9:30 a.m. Roll call was conducted, and a quorum was declared. Attendance is reflected below:

Members:	Present	Absent
David Akin, Chair	X	
Tiffany Mittal, Vice Chair	X	
Christopher Dull	X	
Gordon Hess	X	
Jeff Justus	X	
Jack Kubota	X	
Luis Osuna		X
Jim Peugh	X	
Linh Quach		X
<u>Ex-Officio Members:</u>		
Jerry Jones, Metro JPA	X	
Jim Peasley, Metro JPA Alt.		X
Tony Heinrichs, City 10		X

City representatives present: Shauna Lorange (Director of Public Utilities), Lisa Celaya (Assistant Director, and Christine Leone (Chief Deputy City Attorney).

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

3. **Approval of Draft Minutes from Meeting of August 17, 2020**

ACTION: Chair Akin asked for a motion to approve the minutes. Motion by Member Gordon Hess to approve with minor modifications. Second by Member Jack Kubota. Motion passed 7-0.

4. **Approval of Draft Minutes from Meeting of October 19, 2020**

ACTION: Chair Akin asked for a motion to approve the minutes. Motion by Member Jim Peugh to approve. Second by Member Jeff Justus. Motion passed 7-0.

5. **Chair Updates** – None.

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

7. **PUD Updates** – *Lisa Celaya, Assistant Director*

- Pure Water related lawsuits against the city have been resolved

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8. Presentation: PUD Five-Year Financial Outlook – Lisa Celaya, Assistant Director

- Introduction
 - Presented to Budget & Government Efficiency November 13th
 - Shortfall forecasted in FY22 - FY25 due to slow recovery from the COVID19 pandemic
 - Forecasted to reach economic recovery by FY25
- Water Purchases
 - FY25 Pure Water starts to produce water
- Operating Costs
 - Costs associated with shifting from reactive to proactive/preventative maintenance
 - Ramping up for Pure Water Operations
 - Other drivers include AMI, condition assessments, technology/industrial controls
- Capital Program
 - Significant spending for Pure Water CIP in FYs 2022 – 2024
 - Financing sources include Cash, SRF, WIFIA, Revenue Bonds
 - WIFIA loan (water funding for Pure Water) reset September 20
 - Original terms 3.36%
 - Reset to 1.29%
- Forecast Summary - Water
 - Requires additional revenue equal to overall increase of:
 - FY22: 4.3%
 - FY23: 4.9%
 - FY24: 4.9%
 - FY25: 4.8%
 - FY26: 4.6%
 - CWA ranges from 2-2.5%
- Forecast Summary – Wastewater
 - Requires additional revenue equal to overall increase of:
 - FY22: 5%
 - FY23: 4%
 - FY24: 3%
 - FY25: 3%
 - FY26: 3%

9. Presentation: Introduction of Stantec – Andrew Burnham, Project Director

- Team introduction and initial preparation for COSS
- National and local experience of Stantec’s Financial Services Team
 - 30+ communities served by Stantec Financial Services in California
 - > 350 communities we have served, accounting for 25+% of the US population
 - 300+ combined years of experience
 - 1.5K+ studies in the last 10 years
 - 30+ specialists in utility financial management
 - > 500 utilities in our benchmarking database
 - \$4B+ debt supported in past five years
- Track record with comparable sized systems and similar roles

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- Initial observation and considerations relative to COSS
 - No escalation included for personal expenses
 - Funding sources for recurring capital needs
 - Minimum reserve policies and targets
 - Evaluate in context of historical data and future assumption variability
 - Compare to rating agency guidelines/medians and industry publications
 - Demand analysis and sensitivity tests critical
 - Footnoted volatility in precipitation and impacts to sales and water purchases
 - Drives revenue and CWA purchase forecast, and influences risk and reserve levels
- Chair Akin - Asked about looking at different ways to conduct billing.
- Vice Chair Mittal – Asked about the cost associated with multi-family rate structures and the rates set to increase in the next five years. Mr. Burnham indicated they are reviewing that information.

10. **Discussion: Creation of an Ad Hoc Committee for COSS** – *David Akin, Chair*
ACTION: Member Justus asked for a motion to create this Ad Hoc Committee. After further discussion Chair Akin, Vice Chair Mittal, Member Hess, and Member Justus (alternate) agreed to be on this Ad Hoc Committee. Second by Member Peugh. Motion passed 7-0.
11. **Discussion: Creation of an Ad Hoc Committee to draft FY20 IROC Annual Report (due to PUD by 12/31/20)** – *David Akin, Chair*
ACTION: Member Justus asked for a motion to create this Ad Hoc Committee. After further discussion Chair Akin, Vice Chair Mittal, Member Hess, Member Quach, and Member Peugh agreed to be on this Ad Hoc Committee. Second by Member Peugh. Motion passed 7-0.
12. **City 10- County Water Authority Update** – *Tony Heinrichs, City 10 Representative*
 - Discussed the Pipeline to the East also known as the Regional Conveyance Study. Phase A was approved. Phase B moving toward approval on some issues and pending approval on the technical/engineering side.
 - Proposed separation of the Water Authority - Fallbrook and Rainbow Utility district to be able to separate district
 - LAFCO and Ad Hoc Committees looking at the pros and cons of the proposed separation
 - No scheduled meetings until next year summer or fall
13. **Metro/JPA- Report Out** – None.
14. **Proposed Agenda Items for Upcoming IROC Meetings** – *IROC Members*
 - Chair Akin requested an update on the AMI project
 - Chair Akin will submit questions to PUD about the AMI for management’s review
 - Vice Chair Mittal would like for the COSS to be added it to the next agenda
15. **IROC Members Comments** – None.
16. **Meeting Adjourned: 11:16 a.m.**

Minutes submitted by: Portia Bell