

Independent Rates Oversight Committee - IROC
January 14, 2008

M I N U T E S

Roll Call

Chairperson Billings called the roll at 10:04, and a quorum was declared. Attendance is reflected below:

Member	Present	Absent	Alt.
Donald Billings, Chair	X		
Larry Clemens		X	
Linda Cocking	X		
Jack Kubota	X		
John Nelson	X		
Barry Newman	X		
Jim Peugh	X		
Charles Richardson	X		
Irene Stallard-Rodriguez	<i>arrived 10:28</i>	X	
Todd Webster	X		
Gail Welch	<i>arrived 10:11</i>	X	

Ex-Officios

Scott Tulloch	X		
Yen Tu		X	

1. Non-Agenda Public Comment

There was no non-agenda public comment.

2. Approval of Minutes from December 10, 2007

With corrections to change the word “made” a motion to “called” a motion when referring to Chairperson Billings’ calling of motions; change in Item 7, lower quarter of paragraph to read “Page 6, Article XIII B” instead of “Page 6, Article VIII B; and to change in Item 6, 2nd paragraph: status of Gail Welch as a regular member of the Finance Subcommittee to an Ad-Hoc to the subcommittee on an as needed basis, due to her appointment on 2 other subcommittees. Chairperson Billings called for a motion to approve the minutes. Mr. Newman moved and Mr. Richardson seconded, with Committee Members Stallard-Rodriguez ,Welch and Richardson absent, the minutes were approved.

3. Chair Update

Chairperson Billings announced his upcoming meeting with Michael Shames this week to discuss the roll of IROC and Mr. Shames’ intention to create a “shadow” IROC, which would have some similar overlapping functions. Mr. Newman asked Tom Zeleny if the court has appointed Mr. Shames, and Tom Zeleny was not sure if that decision has been made, but will confirm with the attorney handling that litigation, and relay the answer to Chairperson Billings prior to his

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meeting. Mr. Peugh recommended inviting Mr. Shames to one of our committee meetings. The committee agreed.

4. **Staff Update: Water & Wastewater under one Director, and the Possibility of State Grant Funds for Water Reuse**

Chairperson Billings announced appointment of Jim Barrett, who is now overseeing both Water & Wastewater Departments. Rod Greek, Deputy Director, Water Department, briefed the Committee on the grant activity they go through as part of their normal business process. Mr. Greek explained the Water Department's process to seek out grant funding on a regular basis which includes; identify appropriate projects, complete and submit applications, secure matching funds, and prepare projects for execution. He provided a handout titled Grant Information which offers more details in regard to active grant awards, preliminary grant approval through Proposition 50, and SRF Loans.

Marsi Steirer, Deputy Director, Water Dept, then explained the process to obtain funding for potable reuse. She spoke about the reuse study in 2004-05, and how they can use that experience as an example, to receive additional funds. Ms. Steirer mentioned that not only staff, but many consultants assisted in public outreach, document preparation and survey research. In regard to the article in the Union Tribune, she feels the Water Department has been very successful in receiving money from a variety of sources, both the State and the Feds over the last 10 years or so and gives a lot of credit to all of the City staff that have been involved in the process.

Ms. Steirer mentioned that they did pull together an application and are having success in convincing stake holders involved in the integrated water resources plan, to add funding in the amount of \$970K for a grant application that is going to be submitted to the State later this month, which the Water Authority needs to vote on. The next step to move forward is to further define the scope of work on the demonstration project, which has begun internally including assistance from consultants. If this moves forward, the first step will be to identify funds.

Mr. Barrett added that the demonstration project would pre-qualify equipment vendors. One of the most challenging aspects is that the Dept. of Public Health must permit the use of our water in a surface storage drinking water reservoir. They have no process set up now for that aspect, therefore, they need to be convinced that what we are doing is safe.

5. **Water/MWWD Financing Plans Briefing**

Rod Greek provided a Memo from himself to IROC, dated January 14, 2008. Mr. Greek explained that in February, 2007, the Water Department went to Council to approve 4 years of rate increases. Those rate increases of 6.5% per year were needed to support the CIP. As part of that rate model, the Water Department

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anticipated issuing debt equal to 80% of the anticipated capital expenditures. In the past, it was issued at 70% and used 30% cash to fund projects. Under this rate case, it is 80/20 which will reduce the impact on the consumers. The ratio is common with other Agencies and was recommended by Mayer Hoffman.

Mr. Greek said they are negotiating with JP Morgan to obtain another private offering of approximately \$150M to carry them thru the next year for the Capital Program. This will be brought to Council in February. The funds will be available from March thru December 2008. Hopefully, by January 2009, we can opt for a public offering, which will allow us to fund a couple of years of CIP as well as repay outstanding debt from 2002, 2007 and 2008.

Darlene Morrow-Truver, Deputy Director, MWWD gave an overview on MWWD's financing. She stated that MWWD just received private financing in 2007 for \$224,000. MWWD is in the process of trying to obtain public financing later in the calendar year to continue the CIP Program, but is still waiting for completed financial statements. If so, the plan is to repay our debt, if the market is favorable. If this does not happen, MWWD will probably seek private financing by the end of the year. We are in the SRF Loan program and are pursuing additional projects as well.

6. **Metropolitan Wastewater Department Overview**

Darlene Morrow-Truver presented a brief overview of the various departments within MWWD. She mentioned the strategic planning, business practices, rate management and special programs such as the Bid-to-Goal. Ms. Morrow-Truver brought up a few efforts such as, the Consent Decree, Shames v. City, PLWTP modified permit and the measurement of MWWD's successes.

7. **Vice Chair Selection**

Chairperson Billings announced that Mr. Newman volunteered to be the Vice Chair of the Committee. No other volunteers or nominations were made. Upon Chairperson Billings calling for motion, Mr. Kubota moved and Mr. Peugh seconded, with Mr. Clemens absent, the Commission voted unanimously to approve Mr. Newman as Vice Chair. Mr. Newman asked to pass his role as Chair of the Finance Subcommittee to Mr. Richardson, who is vastly suited for this role. Mr. Richardson accepted. Chairperson Billings called for motion, Mr. Newman moved and Ms. Cocking seconded, with Mr. Clemens absent, the Commission voted unanimously to approve Mr. Richardson as Chair of the Finance Subcommittee.

8. **Adoption of IROC By-Laws**

A copy of the draft mark-up version, which included Mr. Newman's suggestions from last meeting, by Tom Zeleny was available. Chairperson Billings went thru each item with the members, as comments were made for change. Upon

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Chairperson Billings calling for motion to adopt the By-Laws as amended, Mr. Peugh moved and Mr. Newman seconded, with Mr. Clemens absent, the Commission voted unanimously to adopt the Bylaws as shown on the attached, Exhibit A.

9. Committee Updates

a. Finance

Nothing to report this month.

b. Environmental & Technical

Nothing to report this month.

c. Public Outreach, Education & Customer Service

Ernie Linares spoke and informed the Committee that an email address has been assigned to the IROC which is IROC@sandiego.gov and will be placed on the IROC portion of the City's website to solicit members of the public. There will be link to the IROC webpage on the front page of the City's website for a period of time. A link to IROC will remain on the front of the Metropolitan Wastewater and Water Department's websites indefinitely.

10. Initial Discussion about the Application for a Waiver of Secondary Wastewater Treatment

Chairperson Billings gave thoughts on the role of IROC in the Waiver process, methods to obtain information, how to comprise a sound basis for an IROC opinion if called upon, perhaps with a focus on impact on rate payers. Scott Tulloch expressed interest in participating in the process of potential secondary treatment, mentioning the high cost they will incur. He will be meeting with Mayor Sanders soon regarding this. He briefed the committee on his experience with the last waiver. He feels the IROC can play a significant role in the process of the Waiver. Mr. Peugh asked about the relative roles of the IROC, JPA and Metro Commission. Mr. Tulloch answered by saying there was a letter sent from the Metro Commission & JPA, to Mayor Sanders supporting the waiver. Mr. Newman commented on the importance of having site visits, presentations and as much information as possible supplied to the Committee. Chairperson Billings asked the Environmental & Technical Subcommittee to think about an approach to get engaged in this, and report back to the Committee.

Adjournment of IROC

At 12:02, Chairperson Billings called for a motion to adjourn, Mr. Newman moved and Mr. Peugh seconded, the meeting was declared adjourned.

Next Meeting:

February 11, 2007 – 10:00a.m. – 12:00 p.m.

Location: Metropolitan Wastewater Department, Auditorium, 9192 Topaz Way, San Diego, CA 92123 – (858)292-6300

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Attachments herein:

Item 8: Exhibit A: Final IROC By Laws