

Independent Rates Oversight Committee - IROC
February 11, 2008

M I N U T E S

Roll Call

Chairperson Billings called the roll at 10:00, 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	X		
Todd Webster	X		
Gail Welch	X		

Ex-Officios

Augie Caires			X
Yen Tu	<i>arrived at 10:07</i>	X	

1. Non-Agenda Public Comment

There was no non-agenda public comment.

2. Approval of Minutes from January 14, 2008

Chairperson Billings called for a motion to approve the minutes. Mr. Newman moved and Mr. Peugh seconded, with Committee Member Nelson absent, and 1 member abstaining, the minutes were unanimously approved.

3. Chair Updates

Chairperson Billings reminded the Committee that if interested, please sign up for one of the 3 Subcommittees that have been established. He also added that the tour is February 22nd, to meet here at MOCII no later than 8:00am. Mr. Newman made a recommendation to have the City provide water for the monthly meetings. He also brought up the problems of quorums with the Subcommittees, with only few members involved, and stressed the need for more members to participate.

4. Staff Updates

➤ Water Department

Alex Ruiz filled in for Tim Barrett and introduced Rod Greek who gave a briefing on upcoming financing. Mr. Greek provided a handout titled Subordinated Water Revenue Notes, Series 2008A, which detailed the financing. He said this

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financing is going to Council next week, and is a private offering. Last year's private offering of \$57M is about to expire. This new financing should suffice for the next year of the CIP program, at which point we hope to be in the public market, and up to date on the financial statements. Mr. Newman asked what the word "Natural" meant under the item "Rate", Mr. Greek did not have an answer but would get back to him. Mr. Greek also provided a handout titled "Projects to be funded with proceeds from 2008A Notes" which included all projects intended to be funded with the \$150M. He added that projects are funded with 80% financing dollars and 20% pay- as you go (cash) money. Mr. Greek noted that the underwriters are JP Morgan who are very eager to work with the City. In response to questions, he stated that there are no penalties for past due financial reports, but there may be an impact of approximately 30 basis points, due to the unavailability of up to date audited financial statements. He did reiterate that the Water Department is in a strong financial position. Mr. Newman would like a status report of the projects on a regular basis. Mr. Greek responded that he will be bringing a status report quarterly to the IROC. Mr. Greek also said that in regard to pipe replacement, in the rate case it is anticipated to do 25 miles in 2008 and 20 miles each fiscal year thereafter.

➤ Metropolitan Wastewater Department

Bob Ferrier, Assistant Director, had nothing to report at this time.

5. **Designate a Liaison Representative to the Metro JPA**

A letter from the Metro Wastewater JPA was included in the packet dated January 30, 2008, inviting IROC to name a representative to sit in an ex-officio status on the Committee, to provide a liaison function. Mr. Newman volunteered and made a motion and moved, to appoint Chairperson Billings as the designated representative and himself as the alternate to have continuity. Mr. Peugh seconded. All were in favor.

6. **Excusing Committee Member Clemens from the meeting of January 14, 2008**

Tom Zeleny explained the purpose of this item on the agenda. The municipal code asked this body to set up an attendance policy, and the provision in the Bylaws is that one cannot have more than 3 unexcused absences. Therefore, there needs to be a mechanism of excusing absences. He offered another alternative such as changing the Bylaws, where the Chair would excuse absences and would state the reason of the absence on record. This will be revisited later in this agenda. For the record, Chairperson Billings relayed that Mr. Clemens was out of town and excused.

7. **Staff presentation on the process for seeking a waiver to secondary wastewater treatment**

Alan Langworthy, Deputy Director, Environmental Monitoring & Technical Services, gave a presentation covering about 35 years of clean water issues and

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the relationship to the City of San Diego. He gave a background of the Metropolitan Wastewater System, which includes the City of San Diego and 15 Participating Agencies, that each has its own collection system, which directs sewage to common facilities operated by the Metropolitan Wastewater Department that constitutes the Metro System. He discussed the 3 wastewater treatment plants, North City Water Reclamation Plant, South Bay Water Reclamation Plant and the Pt. Loma Wastewater Treatment Plant. He talked about the history of the plants on the past Waivers and the City's unique situation. Mr. Langworthy stated that the last waiver was renewed in 2002 and it expires in June of 2008. The new Waiver was submitted and after technical review of the ocean monitoring data by a scientific review panel that showed no negative impacts, the City Council voted 7-1 to resubmit the application. This was submitted on December 12, 2007. The EPA is reviewing and is anticipated that sometime in the July timeframe, there will be a tentative decision released, pending a public hearing between the EPA and the Regional Water Quality Control Board.

Committee Updates

a. Finance

Mr. Richardson briefed the Committee about their meeting of February 4, 2008. The committee discussed and agreed upon a summary of financial subcommittee expected tasks. The summary was distributed. He mentioned the City provided and briefly reviewed two reports for the Subcommittee's review and consideration. The first report was a Report to Management for Fiscal Year ended June 30, 2004 issued by a management consulting firm, and the second report was an independent accountant report on agreed upon procedures applied to the use of wastewater funds from bond proceeds, dated August, 2006. This would be an example of how IROC might consider approaching its responsibility for periodic review and assessing the performance of the Wastewater Department. The Subcommittee will schedule a more in depth discussion of this report at a subsequent meeting.

b. Environmental & Technical

Mr. Peugh said this Subcommittee met on February 4, 2008 and talked about the role and emphasis of the Subcommittee. They discussed the upcoming Performance Audit, and review of the RFP and Progress Reports, etc, as well as the process to evaluate and implement the recommendations of the Performance Audit. They hope to bring back information from past audits, which will help with this task. He mentioned the discussion of Potable Reuse Study, and even though the funding is not there, and is undermanned, it is still in the process of moving forward with figuring how to do the economic analysis, energy analysis, the flow study and how to put together a demonstration project. Grants are being applied for.

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c. Public Outreach, Education & Customer Service

Mr. Clemens reported that his subcommittee met on January 8, 2008 but did not meet in the month of February. Ms. Welch added that during the January meeting, they discussed the process of distributing the meeting minutes. She also said there was a follow-up item as part of the Public Outreach effort to better understand what the Water Department was currently doing for outreach and customer service. They brought some ideas to the table, which hope to have addressed soon. Alex Ruiz commented on this and offered to have Mike Bresnahan and Kurt Kidman give a presentation on the various outreach mechanisms and market segments the City has.

9. Proposed Agenda Items for next IROC meeting of March 10, 2008

Tom Zeleny suggested that as an alternative to voting on each absence, the Bylaws could be amended to allow the Chair or Vice Chair (in the Chair's absence) to excuse absences and state it for the record at the following meeting. He also proposed amending the Bylaws to enable the Chair or Vice Chair to step in at subcommittee meetings, in the absence of a committee member, for purposes of making a quorum for the standing subcommittees.

After weighing the options for distribution of minutes for standing Subcommittees, Tom Zeleny suggested that if minutes were taken at Subcommittee meetings, they should be approved by the Subcommittee and then given to Ernie Linares and Monica Musaraca to be included in the package for next regularly scheduled IROC meeting.

Mr. Peugh commented on the pipe replacement rate. He wanted to know how the department makes decisions on what is an appropriate pipe replacement rate when they do the rate case, and if there is real analysis in modeling that. Alex Ruiz answered that this is a portion of the Asset Management Policy as well as the Water Modeling Policy, given the age of the pipe, the development, break history, etc. There is an agreement negotiated with the state for a 20 mile annual replacement program. Mr. Ruiz agreed to come back with a full report on this.

Mr. Webster requested a summary of the top 5-10 projects in terms of cost and priority to the City to understand what they projects are and why they are a priority. Ms. Welch requested a summary of how the projects add up for reclaimed vs. the other projects. Mr. Ruiz briefly explained a project the Water Department is working on which is the implementation of automated meter reading technology. This project is ready to go forward, and he is ready to come back to the next meeting with a presentation on the history and decisions of this project.

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Chairperson Billings suggested inviting UCAN to a near future IROC meeting, which may be useful to invite Surfrider or Coastkeepers to give their perspective on the waiver process.

10. IROC Members Comments

Chairperson Billings acknowledged that Mr. Newman will not be the Chair of the Finance Subcommittee. Mr. Newman announced that the new Chair will be Charles Richardson. Augie Caires mentioned the Metro Commission is having their annual Planning Session either May 1 or May 8, if anyone is interested. He will be sending out an Agenda in advance. Mr. Kubota mentioned that he went on the Imperial Valley session. He said it was a very informative and interesting session from the water supply perspective of the Colorado River. He encourages members to take advantage of this opportunity if it presents itself.

Adjournment of IROC

At 11:58, Chairperson Billings called for a motion to adjourn, Mr. Newman moved and Mr. Peugh seconded, unanimously the meeting was adjourned.

Next Meeting: March 10, 2008, 10:00 a.m. – 12:00 noon.
Location: Metropolitan Wastewater Department, Auditorium, 9192
Topaz Way, San Diego, CA 92123 – (858)292-6300