

Independent Rates Oversight Committee – IROC
October 13, 2008

M I N U T E S

1. Roll Call

Chairperson Billings called the meeting to order at 10:03 a.m. Monica Musaraca called the roll and a quorum was declared. Attendance is reflected below:

Member	Present	Absent
Donald Billings, Chair	X	
Linda Cocking	X	
Jack Kubota		X
Barry Newman	X	
Jim Peugh	X	
Charles Richardson	X	
Irene Stallard-Rodriguez	X	
Todd Webster	X	
Gail Welch	<i>arrived at 10:06</i>	X
ExOfficios		
Augie Caires, Alternate (for Scott Tulloch)	X	
Yen Tu		X

2. Non-Agenda Public Comment

Ms. Tu extended an invitation to the Chair and Subcommittee Chairs of IROC, from the City 10's representative to the County Water Authority Board, to attend the December 17 briefing day for an opportunity for the IROC to see what they do on a monthly basis to prepare for the CWA meeting. The following day will be the actual Board Meeting, where Cathleen Pieroni, CWA, would be happy to be a tour guide for those interested. Committee Member Newman added the importance of better communication amongst the IROC members, for those opportunities to be guests at MET or MWD sponsorship of MET tours and forums. Chairperson Billings concurred. Ms. Tu stated she will be sending out details via email soon, as well as information on other tours she is aware of.

3. Approval of Minutes from 9/8/08

Chairperson Billings called for a motion to approve the minutes. Committee Member Newman moved, Committee Member Richardson seconded, with Committee Member Kubota absent, and 1 abstention, the minutes were unanimously approved.

4. Chair Updates

Chairperson Billings announced the resignation of Committee Member Clemens effective immediately. He also stated the Mayor's office and City Council have approved the addition of Christopher Dull as the newest member to the IROC. Also mentioned was the tour of the Orange County IPR Facility, which was discussed in the Environmental & Technical Subcommittee last week. After responses were compiled by Karry Wetherby, she confirmed the date of this tour to be Friday, December 12, 2008, details will follow.

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5. **City Staff Updates**

➤ *Water Department, Alex Ruiz*

- Water supply situation continues to be a challenge. According to CWA and MET, there is enough water through the end of this calendar year and into the Spring. However, early next year, there may be an allocation by MET, depending on a number of factors. MET may exercise the methodology on how that call on an allocation reduction works itself through the various wholesalers, CWA and the member agencies. Mr. Barrett is at MWD presently, getting updates. The City of San Diego is still monitoring the success of the 20-Gallon Challenge program, still at a 6.3% overall reduction from last years demands. The City, as an agency, has been at 11.2% year over year, and by September, at 12.8%. The City is doing everything possible to manage its resources effectively. Messages are continuing to be put out in a variety of ways to spread the 20-Gallon Challenge word.
- Prop-218 Notice hearing for the rate increases is scheduled for November 17, 2008. Responses are due up until then, but must be in writing. Approximately 2000 letters have been received, expressing opinions on the rate increases going forward.
- A meeting is scheduled with the Mayor following this IROC meeting, he will be presenting how the current financial situation may impact the City of San Diego, both general fund and enterprise funds. He stated he will bring information back at the next available opportunity.

Committee members asked questions in regard to water reductions. Mr. Ruiz stated the City is currently working on an allocation strategy for individual customers. Also, working internally and with CWA staff and other member agencies to determine how they will best approach the situation. This study should be available within 30-60 days. He mentioned that Multi-family situations are more difficult because of the master metering. The City will be working with them to perhaps offer sub-metering programs for example. IROC members voiced their suggestion of looking into this more aggressively. Mr. Ruiz agrees that this is important, and noted that most of the conservation will be coming from irrigated landscape usage, which is from single family dwellings. Committee Member Newman shared his concerns of new building of multi tenant units, and his desired possibility of future amendments to building codes. Mr. Ruiz stated it is being looked at. Chairperson Billings suggested a letter be written from IROC, Committee Member Newman agreed.

Ms. Gavaldon mentioned the City is working closely with Development Services and other departments, as well as looking at landscape ordinances. She stated at a later date, updates or briefings can be made available. Committee Member Webster inquired about the letters received in regard to the Prop. 218 Notice. He asked if it is possible to share the concerns that are submitted. Mr. Zeleny stated a tally is recorded of the current results, but as a practice, have not shared individual protests prior to the close of the

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hearing. Committee Member Webster asked if there was a percentage that could be shared, and what the rate payer's thoughts and concerns may be. Mr. Zeleny added most likely, there will not be individual expressions as to why they are protesting, however, letters can be mailed in, but is unlikely.

- *Metropolitan Wastewater Department, Bob Ferrier*
 - Awaiting the waiver decision, expected in November.
 - Spill totals are under this year from past years.
 - Ready to start the budget cycle for next fiscal year.
 - Working on the consolidation efforts.

6. **Nomination and Appointment of Chairperson for Public Outreach, Education & Customer Service Subcommittee**

Chairperson Billings nominated Committee Member Welch, to take resigned Committee Member Clemens' position of Chair, on the Public Outreach, Education & Customer Service Subcommittee. Committee Member Welch accepted. Upon requested motion by Chairperson Billings, Committee Member Newman moved, seconded by Committee Member Webster, with Committee Member Kubota absent, all were in favor.

7. **Department Consolidation**

Mr. Ruiz and Mr. Ferrier provided a handout in the packet, of the presentation from the September 22 Consolidation Business Meeting. He gave a brief background of the Department Consolidation and explained the purpose of the business meeting that was held. He said the vision and consolidation objectives are to consolidate like functions between the Water and Wastewater Departments to improve processes/support and identify efficiencies. Part of the approach entailed identifying work groups for consolidation, conducting the preliminary study, establishing a steering committee, and to convene stakeholder and business meetings.

Mr. Ruiz outlined the proposed Public Utilities Organization Chart, and then went over the proposed organization of the divisional structures within each of the Divisions, pointing out all of the various sections within. He then listed near future and longer term areas of study. He pointed out this process is challenging and cannot be done at once, given so much going on in the organization at this time.

Mr. Ferrier went over the organization charts, describing the various sections that will be looked at next. He talked about transition planning, which would focus on timing, project planning and process including personnel actions, service expectations, timeline, etc. He stressed because of the merging, it is very important and ongoing to work closely with Unions, Labor Relations, Personnel Department, and Business Offices, etc. He also mentioned "temperature checks" with the various sections, to make sure all is going well and will continue to have joint meetings between sections as needed. Mr. Ferrier reiterated this was the actual presentation to the employees, and there were opportunities for questions and answers as well as comment cards distributed. All answers and

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information were provided on the City's intranet, and also met with labor organizations and presented this to them, as well.

Committee Member Newman commented on the last organization structure slide, currently imposing IROC as a staffing responsibility of the Internal Control Section. He suggested IROC be shown as an independent status. Alex concurred. Committee Member Newman then asked where reused water and/or re-purified water will be in the distribution of responsibilities. Mr. Ruiz stated the Engineering and Program Management along with long-range planning group that will be reporting to him as the Assistant Director over the Support Operations. There is a report underway with regard to how those two divisions may look in the future, which should be concluded in the near months. He stated as many operations as possible will be centralized in this division, without duplicating any efforts that were more efficiently performed in the other divisions. The system is continuing to expand, so you never know what the future will hold.

Committee Member Richardson asked what the overall expectation is in regard to the consolidation - greater operational efficiency or cost reduction, in relation to the goals set. Mr. Ruiz stated Jim Barrett has identified goals, and looks at processes for efficiency and improvement and staffing. He pointed out the many Water and Wastewater Department position cuts over the past years. He said Mr. Barrett recognized setting a target to cut 20% was pretty aggressive, so he set a goal to cut 10% per unit, along with efficiencies and processes to improve. As a whole, this re-organizational structure has been reduced 10%. Committee Member Richardson added that looking at it from an oversight perspective, he would like to see this quantified in terms of dollar savings in terms of what percentage of the annual budgetary cost of both units is going to be reduced as a result of this. However, some of the savings have to be recommitted to areas of activities that need to be done, that have not been able. In short, he feels IROC needs to be presented with what the ultimate accomplishments are in terms of reductions and costs, aside from head count. Mr. Ruiz stated he will come back with this type of outline at IROC's request. Mr. Ferrier concurred and expressed his appreciation for the comments.

Committee Member Peugh asked where system vulnerability and risk reduction fit in to the planning process. Mr. Ferrier stated this is done on a daily basis, within all divisions. He listed examples of daily operational planning as well as financial and CIP project planning requirements.

8. Bid-to-Goal Program Overview

Mr. Ferrier provided a handout in the packet and gave a brief overview of the evolution of the Bid to Goal program, which was a strategy to improve efficiency and effectiveness and was pioneered in Metro in the late 1990's. This received excellent audited results and positive recognition. He mentioned the intent of the program was to combine the

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best features of private and public models, pointing out the key features. He then touched on the history of Agreements up to the current status. The process of the Bid –to-Goal is to create a Statement of Work, Competitive Market Analysis by an external entity who will then develop a Private Market Proposal which is their best estimate of what a private entity would bid, then the City, with labor management partnership, would have the opportunity to bid to meet that statement of work at a cost that is competitive.

Mr. Ferrier stated this is a 5-year agreement with annual opt-out bid vs. expenditures calculated audited results of: 8 key service levels, divisional goal results and variance between bid and expenditures. The statement of work is compared to the budget savings that are generated. The Labor-Management Committee votes on the distribution of the funds and the use of them, which need to be approved by the Department Director.

For the Water Department, Mr. Ruiz stated they parallel very closely to the efforts that had been put in place for the Wastewater Department. He added the Customer Support Division was the last division to be included in what had traditionally been the Bid-to-Goal process, and uniquely within their contract, was a Certification of Substantial Conformance. This would ensure that for the Customer Support Division going forward, they would achieve the level of service expectations in a variety of areas.

Mr. Ferrier then gave a brief status of the current Bid-to-Goal for both the Wastewater and Water Departments. Mr. Ruiz mentioned the integration of the Bid-to-Goal process within a consolidation is a challenge. He pointed out that the Customer Support Division is in current contract that does not expire until 2011. The Operations Division’s contract expires this year. This will be a good opportunity to incorporate a department wide Bid-to-Goal process. This will take some agreement with the Union. Chairperson Billings suggested the Finance Subcommittee meet in the future on this item.

9. Water Supply Assessment Process

A copy of the presentation was included in the packet. Due to time constraints, Committee Member Richardson pointed out the first half of the presentation were basically background information, and suggested quickly covering key slides. George Adrian, Water Resources Policy & Long Range Planning, gave a brief background of the Water Supply Assessment (WSA). He pointed out it is a state requirement under Senate Bill 610 and 221. The intent was to create a better link between water supply availability and certain land-use decisions, and requires documentation of adequate water supplies for larger projects. He stated the WSA is a 20-year look ahead. Any proposed projects that would demand an amount of water equivalent to, or greater than, the amount of water required by a 500 dwelling unit project would require a WSA. He mentioned the state could change this to 250 in the future.

He then gave a brief background on how the Water Department develops its water demand numbers for the future. Jumping ahead, he talked about the WSA Challenges which are unanticipated potable water demand and the current water supply situation. He

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stated the Water Department has looked at basically creating a fund and trying to establish what the dollar amount for that fund would be to create new water supply, over and above what is currently planned. Mitigation measures are downsizing project, commit to LEED Standards, Green Building Standards, and can they do recycled water for irrigation. Also mentioned was the participation on the Regional Water Supply Offset Program, with SDCWA holding meetings with member agencies on a potential regional program.

Mr. Peugh requests this item be visited again, covering more history on the kind of mitigations used in the past and forecast of the future. Mr. Adrian concurred.

10. IROC Performance Audit (Report Card)

Ernie Linares stated this item was discussed at length in this morning's Finance Subcommittee meeting. He reminded IROC that many approaches were considered over the last several months, and in a prior meeting IROC voted to adopt the "Report Card model" which amounts to a series of performance measurements, as well as a methodology to grade the performance of both utilities. Subsequent to this action, Committee Member Richardson provided the IROC and staff with a new format, in a document titled "Annual Performance Report" (provided today) which essentially intends to satisfy the performance audit obligation, as well as being a strong foundation for the annual performance report. Mr. Linares stated there has been a lot of positive feedback from staff on the new format. Committee Member Richardson stated that this approach measures trends in terms of performance within both departments, and takes into consideration an overall assessment at a higher level. Chairperson Billings believes the "Report Card" is very important and should be used as input along side Committee Member Richardson's alternative.

Darlene Morrow-Truver clarified that Committee Member Richardson's document would be the official "Report", with the matrix used as support, since an actual report is to be submitted to an Auditor. Mr. Richardson concurred. He suggests once we shape what the Performance Report is going to be, that would be an element an Auditor should look at. Upon motion by Chairperson Billings, Committee Member Newman moved to concur to move forward with the alternative format Committee Richardson submitted, not precluding issues necessary to be added from the "Report Card". Committee Member Stallard-Rodriguez seconded, with Committee Member Kubota absent, all were in favor.

11. Subcommittee Reports

a. Finance

Committee Member Richardson referred to his meeting notes of September 8 included in the package. He noted during the meeting they were presented with a proposal to replace, update and expand the Water and Wastewater Departments financial software used to establish analysis and allocation of rates among users and

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customers. Subcommittee members feel such an upgrade is needed, and unanimously recommends that IROC approve the proposed contract today. Chairperson Billings asked for a motion to approve, Committee Member Richardson moved, Committee Member Newman seconded, with Committee Member Kubota absent, it was unanimously approved.

b. Environmental & Technical

Committee Member Peugh mentioned a few items discussed at his meeting of September 2. He mentioned the Orange County Sanitation District tour was discussed and decided the entire IROC should attend. Also discussed was the Risk Analysis & Security Issues, there was a vulnerability analysis performed by the department in 2002. The Subcommittee asked for more information, focusing on the vulnerability of above and below Pump Station II. Also mentioned was a question raised by Committee Member Kubota, when more ECPs are moved from the departments, will there be a communication problem? City stated there was plenty of vertical communication and did not pose a problem.

c. Public Outreach, Education & Customer Service

On behalf of Committee Member Clemens, Committee Member Welch stated during their last meeting of October 6, they discussed opportunities and strategies to raise public awareness of IROC, establish the identity and the independence of this credible organization as soon as possible. Also discussed was taking a proactive role vs. a reactive role, such as utilizing KPBS or Union Tribune or other forms to highlight IROC as an independent advisory committee. Other ideas were to reach out to City Council Members and build good rapport with them in this outreach effort. She mentioned the water bill insert as well, and the timeliness of getting it out with the next water bill, the annual report and the formation of an Ad-Hoc subcommittee, as well as the format of the report.

12. Water Bill Insert

Chairperson Billings referred to the two versions of the draft Water Bill Inserts. He stated the selected version would be inserted possibly in the November mail out. This would be the first introduction to the rate payers directly through their bill. Committee Member Richardson gave his preference of Draft #2, noting he would like the title to read “IROC Serving the Interests of all Water and Wastewater Customers”, several Committee Members concurred. Committee Member Newman suggested an editorial change of “... environment and science fields” to “...environmental and science fields”. Committee Member Welch suggested “housing” be added. Chairperson Billings asked for a motion to approve this Draft with the recommended changes. Committee Member Newman moved to approve, Committee Member Richardson seconded, with Committee Member Kubota absent, all were in favor.

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13. **Should IROC Create an Ad Hoc Committee to Take the Lead on Preparing the Annual Report to City Council?**

Chairperson Billings proposed the Ad Hoc Committee be composed of himself, and the three Subcommittee Chairs or their designee. Chairperson Billings asked for a motion, Committee Member Newman moved, Committee Member Welch seconded, with Committee Member Kubota absent, all were in favor.

14. **Proposed Agenda Items for Next IROC Meeting of November 10, 2008**

Committee Member Peugh asked for further discussion on Mitigation Measures Related to Water Supply Assessment Process for a future Agenda item. The IROC can forward any other suggestions via email to Chairperson Billings or Ernie Linares.

15. **IROC Members' Comments**

Committee Member Webster asked Committee Member Richardson, in regard to the discussion of updating software during the recent Finance Subcommittee meeting, "Why is it necessary to get the general IROC approval for this item?" Committee Member Richardson stated the Subcommittee is not empowered to approve, it is brought to the full IROC for approval with recommendation. Committee Member Richardson reiterated the importance of the approval. Committee Member Webster voiced his concerns with voting on an item that has not been presented in full to the IROC.

Adjournment of IROC

At 12:08 Chairperson Billings called for a motion to adjourn, Mr. Newman moved, Mr. Peugh seconded, with Committee Member Kubota absent, unanimously the meeting was adjourned.

Recording Secretary: _____

Monica Musaraca