

Independent Rates Oversight Committee – IROC
February 9, 2009

M I N U T E S

1. **Roll Call**

Chairperson Billings called the meeting to order at 10:02 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	
Christopher Dull	X	
Jack Kubota	X	
Barry Newman	X	
Jim Peugh	X	
Charles Richardson	X	
Irene Stallard-Rodriguez	X	
Todd Webster	X	
Gail Welch	X	
ExOfficios		
Scott Tulloch		X
Augie Caires, Alternate (<i>for Scott Tulloch</i>)	X	
Yen Tu		X
Ken Williams, Alternate (<i>for Yen Tu</i>)	X	

2. **Non-Agenda Public Comment**

No Non-Agenda public comments were made.

3. **Approval of Minutes from 1/12/09**

Chairperson Billings called for a motion to approve the minutes. Committee Member Newman moved, Committee Member Peugh seconded, with one abstention, the minutes were unanimously approved.

4. **Chair Updates**

Chairperson Billings reminded the Committee there is a series of public workshops starting this evening to talk about the water emergency and possible allocation plans. He also mentioned the Natural Resources Committee will be receiving a presentation from IROC on February 25, 2009 to discuss the Annual Report, and all are welcome. He stated Committee Member Newman and himself recently met with Andrea Tevlin of the Independent Auditor's Office. The meeting went well, and there may be opportunities to strengthen the relationship. He then asked any members who attended the Bay Delta trip, to comment on this during item 16.

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5. **City Staff Updates**

Water Department, Alex Ruiz

Mr. Ruiz did not have any new updates other than to reiterate the public workshops coming up. He stated staff has been focusing on the water supply situation, coming up with allocations that would be fair for customers. Forums will be held Monday, Tuesday and Thursday of this week, and are looking forward to the public's feedback.

MWWD, Bob Ferrier

Mr. Ferrier mentioned the Waiver is still being focused on, with the numerous updates, and also stated work is being finished on the offering statement and feasibility study. He then mentioned for calendar year 2008, the City finished with only 62 sewer spills, which is the lowest total in the history of the Department.

Chairperson Billings mentioned Ernie Linares will be sending out a memo written by Marco Gonzales in regard to the environmental community to explain from his perspective what the agreement is between the groups he represents and the City of San Diego. The memo states the environmental committee in no way views this agreement as their belief that advance primary is not damaging to the marine environment.

6. **Acceptance of New Members for the Finance Subcommittee**

Chairperson Billings stated there is no action required at this time. The Finance Committee has enough members, however, if members are interested in joining, feel free to volunteer. There were no new volunteers at this time.

7. **Acceptance of New Members for the Public Outreach, Education & Customer Service Subcommittee**

Chairperson Billings stated Committee Member Dull has volunteered to join the Public Outreach, Education & Customer Service Subcommittee. He asked for a motion to approve Christopher Dull as a new member to the Subcommittee. Committee Member Newman moved, Committee Member Richardson seconded, it was unanimously approved.

8. **Public Utilities Capital Improvement Program Update**

James Nagelvoort, Engineering & Capital Projects (E&CP) Deputy Director, Project Implementation, Technical Services Division, gave a presentation which was included in the packet. The Water and Sewer Capital Improvement Program addresses the replacement, rehabilitation, and repair of the Water and Sewer infrastructure necessary for providing ongoing water treatment & distribution services, sewer collection and treatment services. He gave background of the Infrastructure for Water and Sewer. He mentioned one of the main focuses of the CIP program is to replace the aging infrastructure and the remaining three

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elements that drive the CIP program are: the Infrastructure and policy needs; water and sewer rates; Department of Health Services Compliance Order; and the EPA Consent Decree. He listed the roles of the Water and Wastewater Departments as well as the four E&CP Divisions (Architectural Engineering & Parks, Right of Way Design, Field Engineering and Project Implementation & Technical Services). Mr. Nagelvoort pointed out a memo in the packet as well as spreadsheets covering FY08-FY10 Projects, as well as maps showing locations of the facilities. He went briefly listed ongoing projects and accomplishments, including rehab as well as future projects on the horizon.

In conclusion, he stated 2011 projects are in the works for identification but are not finalized at this time. Currently, the City is on schedule, however, struggles with sewer schedules and expenditures because of the projects behind schedule, but bids are coming in under budget. The good news is with this terrific bidding climate, the City may take 2010-2012 up to 60 miles per year to take advantage of this.

Committee Member Kubota asked about the bidding process and if Design-Build projects exist or if this process expedites things. Mr. Nagelvoort explained the bidding process and said the City has had many Design Build projects and listed a few. It doesn't necessarily expedite things, although it can have its advantages because with Design-Build in water pipe replacement, the date can be filed before you design the project which saves time.

Committee Member Peugh inquired about the case of low bidding or savings in projects, if the money would then go back to DRES. Alex Ruiz stated yes, savings in the projects will roll back to DRES. Then the City would come back to IROC to request the funds when needed at a later time. Committee Member Peugh then asked about Master Planning, Mr. Ruiz explained there is a contract with CDM to do Master Planning. He will be presenting an update on the Master Planning efforts next meeting. Committee Member Peugh requests the master plan to include cash flow and long term health of system as to compare the difference. Mr. Ruiz concurred.

Committee Member Newman asked who makes the decision of "replace vs. rehab". Mr. Nagelvoort stated the design engineer has the final authority in terms of rehab, but is in consultation with the client department in terms of their desires and goals. In regard to "rehab" he said for instance, they look for slope, capacity and televising the number of offset joints and cracks. This is determined during the design phase. Rehab is less expensive and there is new technology today with great products which makes the overall life of the rehab extensive, and worth it. Mr. Ferrier, from the client department perspective, a lot of the older pipes can be sound, but there are root intrusions etc., where the barrel of the pipe is still in good condition, which sufficient slope and capacity. Lining them rather than

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replacing them is sometimes the best option. This saves on disruption to the neighborhood, less expensive and a very viable choice. Ultimately, it always depends on the situation; the overall goal is integrity of the pipe.

9. **Adoption of the IROC's Annual Report**

Committee Member Kubota noted on page 9, it speaks about the reclaimed water in San Diego and the final statement is from the City's point of view, and if there is no impediment it is merely a comment. He also noted on page 20, references made to the SCMWD, he noted the official title is MWDS. Chairperson Billings briefly summarized the process to get to this point, and said this Report is the final result. Committee Member Newman moved to adopt the presented Final Report, Committee Member Peugh seconded, with not abstentions it was unanimously approved to publish.

10. **Subcommittee Reports**

- a. **Finance** – *Subcommittee Chairperson Richardson*
January 12th meeting notes are included in the packet. He mentioned City staff provided an oral update on the status of the audit of the City's Fiscal Year 2008 financial results; preliminary drafts of each department's DRES accounts which results will not be finalized until the audits of both department's financial performances for FY08 have been completed and reported on in the FY2008 CAFR in the middle – late March.
- b. **Environmental & Technical** – *Subcommittee Chairperson Peugh*
The main subject of the February 2nd meeting was about identification of the needs of the system, which was interesting discussion but a long way to go. He also mentioned discussion on the cost of water main breaks, which is not as costly as he initially thought. Also mentioned was that several of the Subcommittee Members attended the Bay Delta tour, which was a great learning experience and offered ideas for future discussion items for IROC.
- c. **Public Outreach, Education & Customer Service** – *Committee Member Welch*
During February 2nd meeting, discussed was the Water Department's plans for outreach including the library and stakeholder meetings by the Mayor. Also discussed was how best to engage the public to take action, perhaps proving at these outreach meetings tips to the consumers that quantify the savings. One concern was that the City consider what other members of the CWA district are doing to reduce their demand so what we are doing does not negatively impact business here in San Diego. Process water was discussed, and Patti

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Krebs is invited to speak today on this issue. The Water Department was asked to present the outcome of the public outreach efforts on allocations, to keep track of the success.

11. Metro/JPA Report Out

Chairperson Billings was not in attendance at the last Metro/JPA meeting. Mr. Augie Caires was present and mentioned Bob Ferrier gave an update on the Waiver, which is very important. He stated he did brief the Committee on the IROC's Annual Report and posed a question to have an IROC member do a presentation or report out to the Committee. No answer was given at that time. Committee Member Newman thanked Mr. Caires for all of his participation with IROC and other Committees.

12. Water Allocation Plan

Alex Ruiz provided a copy of the presentation which will be delivered at the upcoming public forums. He described what to expect in the upcoming forums over the next couple of days including what the allocation models may look like. It will be important to engage the public in a dialogue. The interest is to also get feedback from commercial, institutional, and the residential stakeholders. He stressed that public input is very important as the City has been asking for conservation for some time, and wants to create a strategy for fair and appropriate allocations for the customers. The status of the water supply will be presented as well as the environmental concerns. He stated one point that will be made is that drought is not a short term issue, but we as a region have to think about how we use water for the long term, and the behavioral changes that need to take place for future needs. Also to be mentioned are the updates of water regulations. Mr. Ruiz stated customers are still looking for more information on this, so communication has been a key to getting the word out such as the Department and Mayor's forums, the new website, bill inserts etc. There will be much more communication in the next 6 months as well. He wants to touch on water-wise development, and long-term vs. short-term development as well. He stated over the past 18 months, the City has put in the ground about 1,800 new meters which represents about 4,800 a/f in total demand.

Mr. Ruiz noted public response has not been sufficient when it comes to the water conservation 20 Gallon Challenge. The goal was for the city's overall to be down 10% and the final results were only down 4.9%. City facility and departments were down 9% which was close to target. Reductions are needed now. MET and CWA could implement a demand reduction more immediate than the July 1 date. He went over the tremendous penalties that will be given to the City if gone over the City's allocation. He described the 3 alternatives explored, which were behavior restrictions, pricing option, and allocation strategies. He noted to get a

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20% reduction, behavior restriction or the pricing option has proven not to be the best scenario. With this, allocation was gravitated toward as a team to get to the 20% target. Customers are not told how to use the water, but how much they can use. The allocation will be based on past usage, which will be fair and can be computed by July 1st as well as affordable to implement. Customers will also be given credit for past conservation in relation to the 20 Gallon Challenge as well as certain hardship variances. Mr. Ruiz pointed out if allocations are not met, there will be a penalty that mirrors the structure that the CWA has in place for the City. Finally, based on customer feedback, research, and available data, a strategy will be decided upon soon. He gave hypothetical scenarios on the establishment of the allocations using formulas considered. Last, he asks the public for feedback at the forums as to which strategy for allocation is preferred.

A Request to Speak slip was received from Mr. Jay Morley of San Diego. Mr. Morley expressed his concerns with the allocation structure that could affect customers like him, who have a vast area of landscaping to maintain, which also includes watering for protection from wild fires. He asks when arriving at a decision of the formulas utilized to determine the allocation, if the allocation can fluctuate by seasons over the division of 2 years past usage. He also pointed out that leaks and wasting are not always evident. He feels educating the public on how to detect leaks would be very helpful. He also added if customers have gardeners who may be wasteful of water, they should be more aware of their use during the morning hours when they are not home.

Committee Member Newman mentioned he has heard concerns from the public that each billing period is going to be an individual silo. Savings on one, will not benefit excesses on another, which is the City's thinking. Mr. Ruiz concurred, but stated there has been discussion on whether or not to allow the City to look at consumption over a given period of time. From the City's perspective, a signal needs to be sent to the customers when they are over using so the customer can cut back in use. He said we don't want customers to overuse water and just pay the penalties, the goal is to save water for future use. Committee Member Newman reminded the audience that the City is not in a "drought" which sounds like a temporary situation, but actually the rain is the anomaly.

Committee Member Welch asked Alex Ruiz if the way the information is relayed to the average customer, in regard to explaining the allocation, is displayed in an easier or more personal way it may be easier for the average customer to understand the impact. Secondly, she asked that some information be presented that provides the link to the City's website which talks about the water emergency and perhaps add some tips to the consumer with examples of what a difference it can make with simple adjustments. Mr. Ruiz stated the water conservation team will be there and will have brochures with this type of information. The last slide is designed to get them to the webpage, and he will also offer plenty of tips and

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information to help with reaching the target. Committee Member Webster also reiterated the importance of simplifying how the information is delivered to the customer, for instance speak in dollar savings etc. vs. cubic feet of water, it would be easier to understand. Mr. Ruiz concurred.

Committee Member Peugh mentioned it may be beneficial to consult with a social psychologist who specializes in conservation issues. Chairperson Billings concluded with stating it is not as difficult as people may think, to conserve water and really make a difference. Easy changes in behavior can meet this 20% challenge.

13. Funding Request for Fluoridation of City Water

Alex Ruiz introduced Jim Fisher from the Water Operations Division. Mr. Ruiz mentioned a memo that was circulated last week which was modified from “authorize and approve” to read for IROC to “support” the item. Mr. Fisher referred to the handouts and gave a brief presentation. He gave a background of the fluoridation of City of San Diego Water System covering from 1995 when State law amended requiring water providers with over 10,000 service connections to fluoridate their water supplies to early 2008 when the First 5 Commission offered the City of San Diego funds for the purpose of fluoridating the public water supply, the California Department of Public Health removing the exemption, requiring the City to begin fluoridating by May 13, 2010 and the City Council approval of the resolution and authorizing the Mayor to enter into negotiations and execute a contract with the First 5 Commission. Currently, they City is in negotiations and finalizing them now. The City of San Diego has prepared an RFP to procure a design/build team to design and install the required fluoridation equipment and anticipate issuing the Design/Construction NTP by July 1, 2009. He stated the Requested Action is to have IROC support to fund the Design/Build contract using DRES funds. All funds will be replaced in DRES fund upon completion of project and reimbursement from the First 5 Commission per the terms of the funding agreement. A Request to Speak slip was received from Mr. Richard Ledford representing the California Dental Association Foundation. Mr. Ledford introduced himself and asked IROC to approve this item.

Committee Member Richardson asked if the City is certain that the First 5 Commission has the capacity to meet the financial obligations to fund the grant. Mr. Fisher said yes, it has been reassured during a meeting recently. Language has been added to protect the City. Committee Member Peugh asked if this was legal in regard to some of the restrictions with spending money. Tom Zeleny, City Attorney, stated the laws on the City books now were passed by initiative some time ago. But State Law has pre-empted that. He said as long as the City has funding, there is no choice, and we must fluoridate.

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Committee Member Newman moved to support the fluoridation as presented and support staff's recommendation, Committee Member Dull seconded, all were in favor of support.

14. **Discussion on “process water and the unique issues that distinguish it from other commercial and industrial uses and from residential uses**

Patti Krebs gave an overview of the process water situation. She mentioned process water is used in manufacturing companies. She stated industrial facilities for many years have already placed a very high priority on addressing process water reductions. Facilities have been very serious about water conservation and have already undertaken substantive water use reduction measures. She then listed the necessities of process, ancillary, and potable water use that different types of manufacturing and industrial businesses are required to use for business purposes as well as health and safety codes.

Ms. Krebs introduced guests to give examples of process water use. Robert Bush, Quality Test Systems & Facilities Manager, Solar Turbines then spoke. He stated his company has been committed to water reduction for many years, and has very aggressive sustainability goals addressing water and environmental impacts. He mentioned since 2000, they have nearly doubled the output of the plant and still reduce water use by 6% in that period of time. About 60% of the water is related to process water and most is related to cooling and testing. He is concerned for arbitrary limits on what may be able to be produced, but nonetheless continue to look for alternative methods. He ended with the commitment to help solve the region's problem but the process water part of it is very difficult and limiting to deal with.

Sandor Halvax, BAE Systems, Director of Environmental Services gave a brief overview of BAE Systems, which included mission critical ship repair and modernization support to the U.S. Navy that are preplanned in advance. He stated they have eliminated most all fresh water cooling uses in the shipyard for quite some time because they are located on the San Diego Bay and salt water is produced for these activities. He listed examples of fresh water use activities that still remain, in order to meet requirements. He asks the IROC to recognize that some of the systems are vital to production activity that otherwise would cause the process to halt and could have an effect on the period of time those ships are in their facility.

In summary, Ms. Krebs added with some ideas because of the crises and process water does have to be addressed. She feels one idea is through water efficiency audits by third parties making facilities subject to audit findings. Another way would be through best management practices.

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Committee Member Welch asked if the industrial activities using reclaimed water are using as much as is available to them? Ms. Krebs stated it is proven that using the reclaimed water corrodes equipment. However there can be solutions to it, and is being looked at. Chairperson Billings asked for a rough idea of how significant process water is in a total cost of production, assuming no cut backs could be made. Mr. Halvax stated water itself is more of an environmental cost and is one of the lower cost items in the process. When combined with evaporative cooling, it becomes very cost effective. They are finding ways to eliminate the use of process water, so feels it needs to be investigated.

15. Proposed Agenda Items from Next IROC Meeting of March 9, 2009

Mr. Peugh would like to know more about IPR, which CWA should have a vested interest in another source of water supply. He would like to see what kind of economic participation they would consider for the IPR project. They may be a funding source going forward in the implementation. Please send your proposed agenda items to Chairperson Billings or Ernie Linares.

16. IROC Members' Comments

Chairperson Billings asked if any of the members wanted to share information of the Delta tour, it would be appreciated. Committee Member Webster mentioned the tour was extremely helpful, he learned San Diego gets about 25% of its water from Lake Oroville which is only a 29% capacity currently. This should tie in with the allocation discussions. He said the Department of Water Resources say they will only be allowing 15% of the 100% required to be coming to Southern California.

Mr. Webster also mentioned that the predicted model says within about 30 years there will be an 8.0 earthquake that could potentially wipe of a number of levies in the Bay Delta and the issue is a budget shortfall which could cause up to 10 years to establish a periphery canal. With this said, he feels we are on borrowed time right now, and the public needs to know what to expect.

Committee Member Peugh mentioned if there is a Bay Delta fix, we would be a significant contributor to this and is very costly. He hopes at some point IROC can have a guest that can share their knowledge on this long term issue.

Adjournment of IROC

At 12:15 Chairperson Billings called for a motion to adjourn, Mr. Newman moved, Mr. Peugh seconded, unanimously the meeting was adjourned.

Recording Secretary: _____
Monica Musaraca