

Independent Rates Oversight Committee – IROC
May 17, 2010
MINUTES

1. Roll Call

Chairperson Billings brought the meeting to order at 11:01 a.m. Monica Musaraca called the roll and a quorum was declared. Attendance is reflected below:

Member	Present	Absent
Donald Billings, Chair	X	
Tony Collins	X	
Christopher Dull	X	
Andy Hollingworth	X	
Jack Kubota	X	
Jim Peugh, <i>Acting Chair</i>	X	
Irene Stallard-Rodriguez	X	
Todd Webster	X	
Gail Welch	X	
ExOfficios		
Scott Tulloch, Metro JPA		X
Augie Caires, Metro JPA, <i>Alternate</i>	X	
Ken Williams, City 10		X
Yen Tu, City 10, <i>Alternate</i>	X	

2. Non-Agenda Public Comment

There were no non-agenda public comments.

3. Approval of Minutes from 4/19/10

Chairperson Billings asked for a motion to approve the Minutes of April 19, 2010 with no corrections. Committee Member Welch moved to approve, Committee Member Kubota seconded the motion and unanimously, the Minutes were approved with no correction.

4. Chair Updates – Chairperson Billings

No updates to report at this time.

5. City Staff Updates , Alex Ruiz, Interim Director

Mr. Ruiz invited Luis Generoso to give an update on water use reductions, meeting CWA allocations and the water waste investigation results. He provided a handout including a chart outlining Citywide billed consumption and that of Residential, Commercial/Industrial, Irrigation customers, and City Government. The handout compared April 2010 vs. April 2009 and the year-to-date FY10 vs. FY09. Billed consumption in April 2010 was 9.2% lower than April 2009, but year-to-date, Fiscal Year 2010 usage was averaging 11.7% lower than last year. The City is on track in meeting the CWA reduction goal of 8% for FY 2010.

He briefly summarized the water waste investigation opened through April 2010 which the results were 5,071. The top 3 water waste types reported were: watering wrong day or >3x/week; excessive irrigation, and water runoff. Only 59 were referred to Code Compliance, zero citations with fines were issued.

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Committee Member Peugh asked if a more extensive look can be given to commercial use. Mr. Ruiz stated it is very difficult, being there are so many avenues in the Commercial/Industrial category, but it can certainly be looked into and reported back. Committee Member Welch stated she would like to see more volumes to capture the really big users. Mr. Ruiz concurred.

Committee Member Hollingworth asked if he could get a copy of the proposed budget. Mr. Ruiz stated it is available online, as well as there should be an update coming in June. Chairperson Billings then inquired about the Recycled Water Pricing Study (Pricing Study). Mr. Ruiz indicated that the Council had approved the contract extension with Raftelis to complete the Pricing Study and that, per Council direction, the study is to be complete by July 20. Chairperson Billings indicated his desire that the IROC afford the opportunity to weigh in on the Study prior to its finalization. Mr. Ruiz stated that the IROC will be provided an opportunity to provide feedback and input into the Pricing Study prior to finalization. In addition, Mr. Ruiz indicated the full report would be brought back to the IROC after it was formally delivered from the Consultant as well.

6. Water Conservation Film Contest Finalists

Chris Robbins, Water Conservation Supervisor, presented the top seven finalists of 33 entries from its Second Annual Water Conservation Film Contest open to high school, juniors and seniors, and college students. He showed the 30-second films submitted by local student filmmakers, who walked the red carpet on April 14, 2010, at the IMAX Theater in Balboa Park as the Department screened the finalists. He noted each film was reviewed first by the City staff, then by a panel of 5 judges from the film industry. He revealed that Nohar Wahnische, a senior Communications major at UCSD, won the contest with her film, “3 Tips to Save Water.” All of the short films presented were amazing.

Mr. Robbins added the winning film will be shown during May and June at the Mission Valley AMC, Fashion Valley AMC, and Mira Mesa Edwards Theaters as public service announcements before summer feature presentations with a total of 15,328 spots over the 9 week campaign. This will be a great opportunity for public awareness.

7. B2G Water & Wastewater MOU

Tom Crane, Assistant Director, provided the updated B2G Water MOU and Amended Wastewater MOU in the packet. He began by verbally recapping the briefing that was presented at last month's IROC meeting and stated he is asking for IROC's support. He recapped the past efforts of meet and confer with Unions, Mayors Office and Metro TAC and asked if any of the members had questions. Chairperson Billings asked for a review of the bid in Table 2 which was verbally provided. He asked if profit and contingencies were included in the PMP and Mr. Crane acknowledged they are at 6% of the PE. Committee Member Hollingworth asked if this has gone to the Auditor, and Mr. Crane responded, no, this does not go to the Auditor, it is reviewed by the City Attorney's Office and Mayor's staff.

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In closing, Chairperson Billings asked for clarification of the out-of-scope and in-scope work. Mr. Crane answered the in-scope are items the LMP can control cost on, and the out-of-scope categories are shown in Table 2 (of the handout) and are untreated water, debt service, reserves and CIP.

Chairperson Billings thanked Mr. Crane for the extra time to read the materials, and asked for a motion to support the B2G Water MOU and Amended Wastewater MOU. Committee Member Welch moved, Committee Member Kubota seconded, all others were unanimously in favor.

8. Indirect Potable Reuse/Reservoir Augmentation Demonstration Project – Advanced Water Purification Facility Agreement with CDM

Marsi Steirer, Project Director, gave a brief overview of the purpose of the entire project. Copies of the materials were included in the packet. She stated this specific Contract is to hire a firm to design, procure, install and test one (1) mgd demonstration-scale advanced water purification facility at the North City Water Reclamation Plant. She added the coordination with State regulators is part of this process and on-going and are currently in the process of developing a regulatory strategy.

As she referred to her slides she reviewed the project description and background. She stated that associated with today's item, Request for Proposals were issued in February, interviewed 4 firms on April 9 in which CDM was selected on April 21. She went over the Contract budget pointing out the contract amount for the Water Purification Facility is \$6.6 million, and with the canopy and on-site electrical cost, we are right in range with the original estimate.

She described the scope of work to design, procure, operate and test the facility, and one of the first tasks for the firm will be to develop a Testing and Monitoring plan with testing protocols, as well as provide a cost estimate for the full scale facility and prepare a 12-month of operation report.

Ms. Steirer requested action today, to support the AWP Facility Consultant Agreement with CDM, as well as the use of \$6.6 million from Water CIP Budget to fund the Agreement with a contract duration of 2010-2013.

Committee Member Welch asked when the operation and testing may begin? Ms. Steirer stated this will go to Council in July then after the NTP is issued in the September timeframe, equipment would then be installed and operational in 2011. After all is working well, the 12 months of operation will begin. associated with testing and monitoring. During reporting time, it is important to continue with public outreach and operation of the equipment.

Chairperson Billings asked if the excess monies would go into the DRES? Mr. Ruiz answered yes, the revenue is coming in, grants will offset the revenue requirement, we will then report back to the IROC and NR&C and the balance

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would roll to the DRES. Tom Zeleny, Deputy City Attorney, added to keep in mind, this is funded by the one rate increase for this particular project.

Committee Member Peugh moved to support the Contract and the use of the funds. Committee Member Collins seconded, all were unanimously in favor of support.

9. Sub-Committee Reports

a. **Finance – Subcommittee Chair Hollingworth**

- Today, met with CFO of the Metropolitan Water District regarding their cost structure, revenue structure and rate structure. The subcommittee will be writing a policy recommendation to Mayor and City Council based upon what was learned.

b. **Environmental & Technical – Subcommittee Chair Peugh**

- May 10 meeting, discussed efforts led to the dramatic reduction in sewer spill from 2000 to now. Very informational.
- Discussed cyber security related to the Department. There are not as many potential threats as one may think.
- Discussed the L.A. Times article which was distributed.

c. **Public Outreach, Education & Customer Service – Subcommittee Chair Welch**

- May 10 meeting, met with Marsi Steirer and Kats & Associates communication team to discuss the Reservoir Augmentation Demonstration Project. Reviewed their communication plan as well as the elements of the plan.

10. Metro/JPA Report Out – Mr. Caires, JPA

- Neither Chairperson Billings nor Mr. Caires attended the last meeting. Nothing to report.

11. State Revolving Fund Loan for the Otay Water Treatment Plant Upgrade & Expansion (Phase II Project) from the CDPH

Jeanne Cole, Interim Program Manager, Rates & Finance, provided a handout and presented. She gave a brief description of the project stating the upgrade of the Otay Water Treatment Plant (OWTP) Phase II which will address the problem of meeting the current and future California and Federal water quality regulations. She then briefly described the Phase II upgrades. This is a \$15 million dollar project that will be funded with both a State Revolving Fund Loan (SRF) and a Grant. The SRF loan of \$7 million will be going to NR&C June 16.

Ms. Cole briefly described the 20 year SRF Loan vs. financing with a 30 year Bond. The City's Debt Management staff conducted a comparison of the SRF Loan and Water Revenue Bond funding.

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Considering the total debt service of both methods of finance, the SRF loan would be \$4.2 million less over a 20 year term versus financing with a bond over a 30 year term.

She added for the 30 years, considering the total debt service of both methods of financing, the SRF financing would save rate payers \$4.2 million over the life of the loan. This is based upon a TIC of 4.7% over 30 years for bonds, equaling a total debt service of \$13.2 million. The SRF loan with a TIC of 2.57% over a 20 year period results in a debt service of \$9.0 million.

12. Water Facilities Master Plan Status

Amy Dorman, Senior Civil Engineer, provided a copy of the presentation she referred to as well as the Project Ranking Results. She gave a brief overview of the Water Facilities Master Plan CIP prioritization process. She pointed out information listed in the tables provided, including Council criteria and sub-criteria. She then reviewed the listed Project Ranking Results. She described the few slides which consisted of percentage of projects by facility type and by objective. Last, she described the forecasted CIP expenditure.

Ex-officio Member Tu asked in the priority of the scored list, if grant funding is received for a project, would that change the scoring of this project and move it up on the list for full funding, or partial funding for example (*referred to item #26 on the Ranking Results*)? Ms. Dorman stated Grant Funding opportunities were taken into account along with all other criteria. It depends on how it performed in total.

Committee Member Peugh stated the Master Plan Study includes the water supply portfolio, he asked if the projects include increases in capacity? Ms. Dorman stated sizes recommended are based on 2030 demands for facility capacity needs. She added in regard to the supply portfolio, this is being studied separately as part of Long Range and Water Resources Plan.

He also asked if there had been thought of the possibility of the system being substantially better or less costly in the long run, if assumed a higher estimate for the full cost. Mr. Crane summarized the concept for level CIP program funding targets over a period of ten years. This is important to attempt to achieve, given constructing a consistent cost of service, stabilized rates and consistent, level workload for the external City departments (E&CP and P&C) responsible for actual contractual project development and construction.

Committee Member Peugh inquired about the optimal rate of investment, and that this could this be another approach. Mr. Ruiz indicated the goal is to sustain a long term CIP Program, again considering constraints on E&CP and contracting, as well as make sure how much additional bond fundings may be needed, how much to cash fund, rate increases and affordability for our customers, etc. All of these elements must be taken into consideration when developing the CIP project targets.

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Chairperson Billings indicated he would like to see a presentation on the process at a future meeting. Ms. Dorman concurred.

13. Election of IROC Chair/Vice Chair Positions

Chairperson Billings took this opportunity to express his appreciation to work with a fantastic group of individuals on IROC, and the City staff and their hard work and dedication that needs to be noticed. He added it was his privilege to serve as Chair of IROC.

He proceeded to the election of Chair of IROC by nominating Committee Member Peugh, adding he has great respect for him and has done an excellent job with his Subcommittee, and running the full IROC Committee in his absence. Mr. Peugh also gives a great devotion to the community and feels he would do well in the Chair position.

Chairperson Billings moved to elect Committee Member Peugh as Chair of IROC for the next term. Committee Member Kubota seconded the motion. He then asked for any other nominations, there were none. All other members voted in favor to elect Committee Member Peugh as Chair of IROC.

Ex-Officio Member Tu thanked Mr. Billings for his Chairmanship during the past 2 ½ years.

The newly elected Chairperson Peugh asked for nominations for Vice Chair. Committee Member Stallard-Rodriguez nominated and moved to elect Committee Member Hollingworth as Vice Chair. Committee Member Collins seconded the motion, all other members voted in favor to elect Committee Member Hollingworth as Vice Chair of IROC.

14. Proposed Agenda Items for Next IROC Meeting

Please send to Chairperson Peugh and Ernie Linares via email.

15. IROC Members' Comments

Committee Member Dull recognized Marsi Steirer in her recent appearance in several newsletters. Committee Member Kubota thanked City staff for the Protecting our Resources tour recently to lower Otay Reservoir. He stated it was an excellent tour and very informational and impressive.

Adjournment of IROC

At 12:52 Chairperson Peugh adjourned the meeting.

Recording Secretary: _____
Monica Musaraca