

Independent Rates Oversight Committee – IROC

May 21, 2012

MINUTES

1. **Roll call**

Chairperson Peugh called to order the regular meeting of the IROC at 9:30 a.m. Monica Foster conducted a roll call and a quorum was declared. Attendance is reflected below:

| Member | Present | Absent |
|---------------------------|---------|--------|
| Jim Peugh, Chair | X | |
| Don Billings | X | |
| Christopher Dull | X | |
| Andy Hollingworth | X | |
| Jeff Justus | | X |
| Jack Kubota | X | |
| Michael Ross | X | |
| Irene Stallard-Rodriguez | X | |
| Todd Webster | X | |
| Gail Welch | X | |
| Ex-Officios | | |
| Luis Natividad, Metro JPA | X | |
| Ken Williams, City 10 | X | |

Department representatives present: Roger Bailey, Director; Tom Crane, Assistant Director, and Tom Zeleny, Deputy City Attorney

2. **Non-Agenda public comment**

None.

3. **Approval of Draft Minutes from April 16, 2012**

Action: Chairperson Peugh asked for a motion to approve the Minutes as submitted. Vice Chair Hollingworth moved to approve as submitted, Member Ross seconded. Motion passed 9-0.

4. **Chair updates** – *Chairperson Peugh*

- Chairperson Peugh asked Ernie Linares what the date the IROC Report will go before NR&C. Mr. Linares indicated it will be the 3rd Wednesday in June, he will forward the information to IROC.

5. **City Staff updates**

Roger Bailey

- On Thursday, the San Diego County Water Authority will propose a rate adjustment. He indicated the City has not made a decision on recommendations; however, the Cost of Service Study is underway, after discussion and assessment, a decision can be made regarding the recommendation to Council in the coming months.

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Jim Fisher, Assistant Director, Water Branch

- Update on water main breaks CYTD: 36 vs. 38 last year. Nothing significant to report.

Ann Sasaki, Wastewater Branch

- Update on sewer spills CYTD 17 vs. 19 last year. On a FY, 31 vs. 40 last FY. This includes 2 small spills this month.

6. Recycled Water Master Plan 2010 Update

Note: Presentation of Items 6 and 7 were combined. Marsi Steirer, Deputy Director of Long Range Planning & Water Resources, referred to provided slides, noting the City Council adopted the Water Reclamation Ordinance in 1989 and a conceptual Recycled Water Master Plan in 1992. Other initiatives included the Beneficial Reuse Study that was approved in 2000, as well as the Recycled Water Master Plan update in 2005 in conjunction with the Water Reuse Study in 2007. Last, the 2010 Recycled Water Master Plan update was completed in combination with the Recycled Water Study.

Jennifer Casamassima, Recycled Water Program Manager, indicated the Recycled Water Master Plan (Master Plan) is a requirement in the Water Reclamation Ordinance that must be completed every 5 years. She then gave an overview of the Master Plan status. She noted some conceptual facility and distribution system expansion opportunities and costs associated. She reviewed the current system and referred to a graph showing the system-wide recycled water beneficially reused annual average in MGD.

She gave an overview of the North City Phase II Expansion effort. She then reviewed the market assessment of demand, where data was reviewed and telephone surveys were conducted. She shared a map of recycled water demands and focus areas as well as a graph of the North City Plant seasonal demand analysis. She concluded by indicating the Master Plan is a guiding document for hard target market potential customers. She noted they will continue to connect infill customers along existing distribution pipelines and work with customers along the Phase II pipeline. The expansion should be complete by 2015. Future steps will be defined in the 2015 Master Plan after the Indirect Potable Reuse (IPR) decision is made.

Amy Dorman, Senior Civil Engineer presented the summarized results of the Recycled Water Study (Study). She gave a brief background, and listed the Study objectives. These included identifying opportunities to increase recycling of wastewater for IPR and Non-IPR for a 2035 planning timeframe, and determining the extent recycling can reduce wastewater flows to the Pt. Loma Wastewater Treatment Plant (PLWTP) and implementation costs. She then summarized stakeholder involvement. She noted it was a very diverse group of stakeholders, and it seemed all were satisfied with the results.

In terms of Non-IPR reuse opportunities, she indicated the total reuse carried forward in the reuse alternatives was 18 MGD. In terms of IPR, groundwater recharge and reservoir augmentation was looked at along with several groundwater basins and determined they are too small or insufficient data to support scoping out. For now, the San Vicente

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Reservoir and the Lower Otay Reservoir were selected. She noted when identifying possible locations to treat the water, Harbor Drive, Mission Valley, and Mission Gorge are considered for new facilities. She then described the advantages of these locations.

Ms. Dorman then summarized what the Study's reuse alternatives (all 5) could accomplish, as well as the costs. She then listed some of the reuse benefits, with a total of all savings of approximately \$1000 per ac-ft, which could reduce the net cost of reuse as low as \$600-\$800. She referred to graphs detailing the comparison of costs of producing recycled water to the projected cost of imported water and listed the implementation factors. Demonstration Project results will be out later this year and included will be the regulatory criteria for San Vicente Reservoir augmentation. Also, reuse will have an impact on the capacity at Pt. Loma, so it is anticipated implementation will be integrated with permit renewal strategies.

Last, Ms. Steirer reviewed the Study roll-out presentation schedule as follows: In May, it was presented to the Metro JPA, Technical Advisory Committee, IROC today, and Natural Resources & Culture Committee on Wednesday. In June, will go before City Council, submit the final Study Report to the Coastal Commission in July, with a future presentation to the Coastal Commission to be determined later.

Ms. Steirer requested the support of the 2010 Recycled Water Mater Plan update in compliance with the Water Reclamation Ordinance, and to support the Recycle Water Study as fulfilling the Cooperative Agreement.

Ex-Officio Member Williams seems extremely favorable, and asked if the cost includes moving the water to San Vicente? Ms. Steirer indicated yes, it is an all in cost. He asked if there are any variables that could increase the cost. She indicated the implementation factors play a roll, including the approval by elected officials.

Vice Chair Hollingworth asked when the poll was conducted. Ms. Steirer indicated approximately 15 months ago, with strong favor of support (68%), the County Water Authority will be conducting another poll this summer and would like to tag on to that.

Member Webster commented there is an unintended consequence to reducing the flow to Pt. Loma related to TSS and BOD concentration levels. He indicated it is possible we would have to move to secondary treatment in the future, and should be anticipated. Ms. Dorman indicated there was analysis done, addresses those concerns.

Speaker: Katelyn Hailey, San Diego Coastkeeper, commented they were heavily involved in this process, appreciated of the work the City has done, and are very pleased with the Study and looking forward to timely implementation. She indicated to the best of her knowledge, that San Diego Coastkeeper is satisfied with the results.

Speaker: Dawn Guendert, Surfrider stakeholder, gave a brief summary of her history with the recycled water attempts in San Diego, specifically IPR. She commented there is

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frustration with the speed of moving forward, however, the City has completed two studies and IPR is the best path to go, economically and technically feasible, and the demonstration plant will supply the DPH with the data necessary for approval. Last, she urges IROC to show support for this project, and urge the City Council to move forward to the next steps. She added that Surfrider is satisfied with the results.

ACTION - ITEM 6: Member Ross moved to approve and support the Recycled Water Master Plan, Member Webster seconded. Motion passed 8 (in favor) – 0 (oppose) -1 (abstention, Hollingworth).

7. **Recycled Water Study Final Report**

This presentation was combined with Item 6.

ACTION - ITEM 7: Member Kubota moved to approve and support the Recycled Water Study Report, Member Welch seconded. Motion passed 8 - 0 -1 (Hollingworth)

8. **FY2013 Public Utilities Proposed Budget**

This item was heard out of order, following Item 15. Lee Ann Jones-Santos, Deputy Director, directed members to the handouts in the packet, “FY 2013 Proposed Budget”. She asked, since this was provided in advance for review, if there were any questions or comments. She added that a link to the actual budget document on the City’s website has been sent to each member, and to note that when it is reviewed, it includes the CIP details for each individual project. Also, the archived Budget presentation is on the City’s website, which was presented on May 4 (Operating Component) and May 4 and May 11 (CIP Components). Questions were answered at that time.

Tom Haynes, Budget Program Manager, reviewed overhead slides which were included as handouts. He briefly reviewed the comparison of the FY12 and FY13 proposed Operating Budgets. He pointed out reductions and increases over the past couple of years. He noted it is anticipated to have a reduction in the Water Purchases Budget of approximately \$3M in the May Revise, actually a correction to account for drafting of local water that is anticipated. He added the Budget does not incorporate any adjustments for any future rate increases from the County Water Authority, which is still being evaluated.

He then pointed out slides containing graphs related to a 3-year history of expenditures by different categories for Water and Wastewater, and asked if there were any questions, please forward them. Total expenditures in comparing FY13 proposed Budget (Wastewater) to the FY12 Budget. He showed an overall increase of approximately \$14.9M, primarily in the Contracts category. He pointed out the basis of some of the increases.

Lastly, Mr. Haynes referred to the 3-year history of the CIP Budget. He noted for the Water side, the proposed budget (\$81.9M) relatively unchanged from the FY12 Budget or projected expenditures for the current year. For the Wastewater side, the CIP Budget

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(\$70M) is slightly higher than what was budgeted for FY12, but approximately \$33M less than what is currently projected to be spent. He added if there is a need for additional information, he will provide.

Member Peugh asked in regard to the variance between budget and actual CIP expenditures. Ms. Jones Santos replied part of this is an incorporation of the carry-forward from a prior year. She showed, if there are funds already budgeted in the annual allocation for Pipe Rehab, for example, this was left there, and only added the additional monies needed, then will plan to spend approximately the same amount each year. In short, due to the CIP carrying year to year (not an annual operating budget), unless it is brought to City Council to de-appropriate.

Member Hollingworth asked Ms. Jones Santos to briefly comment on her indication at the Finance Subcommittee earlier, the Department was going to de-appropriate \$117.2M or will it be proposed to City Council to do this? Ms. Jones-Santos explained that during the Subcommittee earlier, an update of the CIP program was presented. In doing an extensive evaluation of continuing appropriations, which was promised in the Annual Report review, \$117.2M was identified to request de-appropriation from City Council which will result in a transfer of \$22.4M moved from the DRES. She noted this does not equal cash. The review of encumbrances and appropriations will continue, as this was only Phase I.

9. **Cost of Service Study Project Plan**

Due to time constraints, this item was tabled to the next IROC meeting.

10. **FY2012 Third Quarter Capital Improvement Program Report**

Due to lack of time, quarterly materials were provided, no questions were asked.

11. **Report from IROC ad hoc committee on reviewing Municipal Code §26.2001 on the Role of IROC**

Chairperson Peugh indicated the mark-up of the IROC Ordinance that was headed by the Ad-hoc Committee, which consisted of himself, Member Stallard-Rodriguez, and Member Welch, was provided. He asked for concerns or suggestions for modification. Members collaborated and offered the following substantive and non-substantive amendments (**ACTIONS** included):

#1: Section 26.2003(a)(2). Add that IROC may change the work plan, based on comments and feedback from the Natural Resources & Culture Committee. Chairperson Peugh moved, and Member Welch seconded. Motion passed 7 (in favor) – 1 (opposed) – 1 (abstention) (Hollingworth).

#2: Section 26.2001(a). Added underlined text “public utilities department planning and operations . . .” Chairperson Peugh moved, and Member Kubota seconded. Motion Passed 8-0-1 (Hollingworth).

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- #3: Section 26.2001(a). Deleted “and affordable utility services provided by the public utilities department.” Chairperson Peugh moved, and Member Ross seconded. Motion Passed 8-0-1 (Hollingworth).
- #4: Section 26.2001(b). Motion to strike this subsection. Member Kubota moved, and Member Billings seconded. Motion failed 2 (Kubota, Billings) -7.
- #5: Section 26.2003(a)(2): No motion was made to change the May 1 date to “starting Sept. 30, 2013.” May 1 date remains.
- #6: Section 26.2003(a)(2)(B) and (C): Delete both (B) and (C) and replace with new (B) that reads: “An annual review of the use of water and sewer fund revenue including water and sewer rates, grants, and bond proceeds.” Chairperson Peugh moved, and Member Billings seconded. Motion Passed 8-0-1 (Hollingworth).
- #7: Section 26.2003(a)(4): Change subsection back to its original language which reads: “Provide advice on the efficiency and performance of Water and Wastewater systems on a regular basis.” Motion passed 6-3 (Ross, Webster, Hollingworth).
- #8: Section 26.2003(a)(6): Add the underlined text “efforts and deposits to, and withdrawals from, the ...” Chairperson Peugh moved, Member Kubota seconded. Motion passed 8-0-1 (Hollingworth).
- #9: Section 26.2003(a)(7): Add the underlined text “to be hired by the City to audit ...” No vote taken, non-substantive change.
- #10: Section 26.2003(a)(8): Add the underlined text “City staff related, but not limited to budget and finance . . .” Chairperson Peugh moved, Member Welch seconded. Motion passed 8-0-1 (Hollingworth).
- #11: Section 26.2003(a)(3): Delete subsection (3) and replace with “Review factors, drivers, and cost structures of any proposed changes to City water or sewer rates.” Member Ross moved, and Member Dull seconded. Motion Passed 8-0-1 (Hollingworth).

Chairperson Peugh made moved to adopt the suggested Ordinance change with all of the approved comments. Member Ross seconded. Motion passed 8-0-1 (Hollingworth Abstain)

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12. **Subcommittee Reports:**

a. **Finance**

None.

b. **Environmental & Technical**

None.

c. **Public Outreach, Education & Customer Service**

None.

13. **Metro/JPA – Report out – Luis Natividad**

None.

14. **Selection of IROC Chairperson**

Chairperson Peugh opened for nominations for the new IROC Chairperson.

ACTIONS: Member Billings nominated Member Welch as IROC Chairperson, Member Dull seconded. There were no other nominations.

Member Dull moved to close the nominations. Member Kubota seconded. Motion passed 9-0.

Member Stallard-Rodriguez moved to accept Member Welch as the IROC Chairperson. Member Kubota seconded. Motion passed 9-0.

15. **Selection of IROC Vice Chairperson**

Member Peugh opened for nominations for the new Vice Chairperson.

ACTIONS: Member Kubota nominated Member Billings as the new Vice Chairperson. Chairwoman Welch seconded.

Vice Chairperson Hollingworth nominated Member Stallard-Rodriguez as the new Vice Chairperson. Member Stallard-Rodriguez declined the request. There were no more nominations.

Member Dull moved to close the nominations for the new Vice Chairperson. Member Kubota seconded. Motion passed 8-1 (Hollingworth Opposed).

Member Dull moved to accept Member Billings as the new Vice Chairperson. Chairwoman Welch seconded. Motion passed 8-1 (Hollingworth Opposed).

16. **Water Forecasting Cash-flow Reporting Template**

This item was tabled to the next IROC meeting.

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17. Proposed Agenda items for next IROC meeting

- Water Forecasting Cash-flow Reporting Template
- San Diego County Water Authority water increases
- Cost of Service Study Project Plan

18. IROC Member's Comments

None.

Chairperson Peugh adjourned the meeting 12:03 p.m.

Minutes submitted by: Monica Foster, Administrative Aide II