

Independent Rates Oversight Committee (IROC)

July 16, 2012
MINUTES

1. **Roll call**

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

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

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

2. **Non-Agenda public comment**

None.

3. **Approval of Draft Minutes from June 18, 2012**

Action: Chairwoman Welch asked for a motion to approve the Minutes. Member Peugh asked for a change to the last page which states, “Chairperson Peugh adjourned the meeting.” should read: “Chairwoman Welch adjourned the meeting”. Member Peugh moved to approve with said correction, Member Stallard-Rodriguez seconded. Motion passed 8 (in favor)-0 (opposed) -1 (abstained - Member Dull).

4. **Chair updates** – *Chairwoman Welch*

- June 27 met with NR&C to present the FY11 IROC Annual Report. NR&C unanimously approved the Report. She thanked Member Peugh for assisting her in the presentation, as well as Member Kubota for speaking as a citizen.
- She and Vice Chair Billings presented to NR&C the IROC Ordinance changes and recommendations. The San Diego County Taxpayers Association (SDCTA) also presented their version. The IROC version will be going forward to City Council without recommendation due to the 2/2 vote. She noted Chairman Alvarez asked that IROC work with the SDCTA, and recommends an agreement that one version go forward to City Council. She, Member Billings, and Tom Zeleny, Deputy City Attorney, will meet with SDCTA July 23 and will report back to the full IROC.

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5. **City Staff updates**

Ann Sasaki, Wastewater Branch

- Update on sewer spills for FY12, 36 vs. 40 last FY. For CY2012, 23 to date. She noted the last spill was July 1, caused by asphalt in the sewer main. She noted that when some of these instances occur due to construction activities (or vandalism), if we can identify the contractor is responsible, we bill them for the cost of responding to the spill. Currently, the Department is looking into being able to fine contractors for causing these types of spills, so they can be deterred.

Stan Medina, Deputy Director, Construction & Maintenance Division

- Update on water main breaks CYTD: 48 vs. 48 last year this time. For FY10, 132 vs. 94 for FY11. He gave a brief summary of a recent large main break at the San Diego Airport. This was a 16" cast iron transmission main. Getting access to the actual site was difficult due to the number of security escorts needed from the Airport Authority. This water main will be replaced and relocated to the City's right-of-way on a project which begins this September.

Tom Crane, Assistant Director

- Informed IROC Members that multiple construction contracts will be awarded through the new design/build procedures adopted to execute group jobs more rapidly. He noted interviews will start next Monday through Wednesday, and we expect to award approximately 5 contracts shortly thereafter.

6. **Informational Report on Water Budget Based Billing**

Marsi Steirer, Deputy Director, introduced Rick Giardina, Red Oak Consulting. Handouts of the presentation were provided, and she noted that this is the same presentation provided to NR&C in May.

Luis Generoso, Water Resources Manager, gave an update to the Project's efforts. He reviewed the Water Budget Based Billing Pilot Study (Study) and indicated the Study was to develop a water budget methodology to reasonably predict water budgets for Single Family Residential (SFR) properties. Red Oak Consulting was hired in January 2012 to validate the results of the Study and how to expand to other customer classes.

Mr. Giardina presented an overview of the water budget based billing, including the history of the structure. He noted that as times have changed, billing structures and economics have changed as well. He referred to handouts and explained that there is a greater movement toward budget and individualized structures looking at indoor and outdoor use. He then described the individual allocation of both indoor and outdoor water use.

He referred to a chart reflecting the Water Budget Tiers 1-5, showing the most efficient allocations and the least efficient (excess water use). He noted the intent of the billing structure is to recover the cost to provide service, meet State legislation, recognize local conditions, convey a clear message to the customers, revenue accuracy and stability, and

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accomplish water efficiency and customer equity. These elements are all important to have a sustainable structure.

He then summarized what drove the Pilot Study. He indicated the key assumptions were to look at 3 areas of the community - approximately 900 accounts, and assess how these accounts would have performed under a Water Budget Based approach with the assumption of 60 gallons per capita per day, an average of 4 people per household, and adjustments such as parcel size, etc.

Last, he added the Pilot Study concluded that 80% of the bills would have met their allocation in opposite fashion, and 20% would have been using water in excess of their allocation. They found that the approach/methodology was valid, the key assumptions were reasonable and appropriate, water budget values are reasonable and will be finalized during Tasks 2-5, and Water Budget Based billing is feasible for SFR customers. He added he believes customers will want to see where the pertinent information is coming from that make up the characteristics of their water use. So as we move forward, this will be an important part of the process.

Mr. Generoso concluded with the next steps. He indicated Red Oak is finishing the remaining 3 Tasks by assessing the applicability to other customer classes; hurdles to implementation; and conservation programs that will complement water budgets. The Report is due to NR&C in the fall of 2012 to talk about the results of those remaining tasks. Last, will go to City Council in approximately February 2014.

Vice Chair Billings asked who is driving this project and why are resources being spent on it. Ms. Steirer indicated that there is an interest on the part of the Department as well as a number of stakeholders, including some council members and external community members. She reminded IROC that this was part of an EPA study in the past, to evaluate this at a global level.

Vice Chair Billings also asked, in terms of how the budget factors are set per household, if the cost for individual allotments of water will vary per customer depending on the factors. Mr. Giardina concurred, and elaborated how the process would work depending on factors of efficient water use vs. non-efficient water use. Vice Chair Billings disagreed with the way the water is allocated by factors. He indicated it would encourage unwise land use, as well as have undesirable subsidy implications in his view. Last, he suggested tiered rates would be the better scenario; so in short, those using more - will pay more.

Member Peugh commented that it is good that it has a conservation goal; however, it seems to be lost in the process and the goal to this program is not anywhere near adequate for this region. He noted that the default number per household used in the factoring shows to be 4 persons. He added the average number of residents per dwelling unit is 2.9 persons. He suggests by a conservation point of view, the arbitrary number should be 3 rather than 4. He also suggested the group should research what the average water use

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per capita in other countries that have a climate much like ours to compare. Last, he indicated he is concerned about the conclusion that 80% of people have water-wise outdoor use already. He believes this is inaccurate, and it should be lower.

Ex-Officio Member Williams commented that he believes this is consistent with the Irvine Ranch approach which was discussed with IROC several years ago. He asked in regard to the assumption of 4 persons per household, will this number remain the same across the board, even if 2 are only living in the household. Mr. Giardina stated for the Pilot Study yes. He indicated this is a policy decision, and these assumptions will be revisited as we move forward and give further consideration to this approach. He indicated through this process tools will be created to allow the IROC and City Council to look at assumptions and how to vary them.

Ms. Steirer stated after they report to NR&C in the fall, they will come back to present to IROC. Vice Chair Billings indicated he does not believe this concept is a good idea, nor why money should be spent on exploring it any further, perhaps a letter should be drafted to the Mayor and City Council, explaining our position. Tom Zeleny, Deputy City Attorney, suggested this could be a future Agenda item. Chairwoman Welch indicated this should go forward to the Infrastructure and Operations Subcommittee for their next meeting.

7. **Public Utilities Department FY13 Strategic Initiatives**

This item was tabled to the next full IROC meeting.

8. **Results of IROC's Direction Setting Meeting**

Nancy Rosenfeld, Organizational Effectiveness Specialist III, and John Gavares, Strategic Support Services Manager, presented an overview of the results of the June 11, 2012 direction setting meeting, while referring to detailed handouts in the packet. The main focus of that meeting was to establish key priorities and match them with the appropriate subcommittees, for focus of the next two to three years along with mechanisms leading to achievement and accomplishment of priorities. She noted 10 IROC members participated in this process.

She reviewed the highlights of the brainstorming that occurred at the meeting which included proactive tactics to perform optimally as a working committee, as well as content. She noted that two of the subcommittees' names were renamed and approved at the last full IROC meeting. (Finance Subcommittee remained the same; Environmental and Technical Subcommittee was changed to Infrastructure and Operations Subcommittee; and Public Outreach, Education & Customer Service Subcommittee was changed to Outreach and Communications Subcommittee.)

IROC members followed along with the detailed handouts as Ms. Rosenfeld and Mr. Gavares reviewed and described the listed 19 Priorities. It was noted the Priorities were listed in order that they were voted on. Next steps will include confirmation that

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subcommittees are matched appropriately to the priorities, and then will begin implementing the Meeting System and Practices presented.

Mr. Gavares congratulated the IROC members for achieving having identified the important priorities. Vice Chair Billings added that looking out for rate payers requires a comprehensive understanding of the environment and the rate drivers

Member Peugh suggested for Priority 6, changing the words “public profile” to “capability”. He also suggested combining Priorities 6 and 17 in the future. Last, he in regard to Priority 9, the subcommittees should include Finance as well.

9. CIP Prioritization Criteria Update

Guann Hwang, Deputy Director of the Engineering & Program Management Division, introduced Mark Nassar, Senior Civil Engineer of Public Works, and Vien Hong, Associate Engineer of Public Utilities, who presented the update of the City-wide prioritization update. Detailed handouts were provided.

Mr. Hwang gave background to the current Council policy 800-14. He reminded IROC that when the sub-criteria list was developed for Water and Wastewater, it was discussed with IROC several times, and input was gathered and is well developed.

Mr. Nassar gave an overview of the effort to improve the Council Policy 800-14. He noted there are two CIP Prioritization factors which are Transportation, and Non-Transportation. He then indicated the Council policy 800-14 represents all asset types in the CIP. An audit was performed in 2011 for CIP and Public Utilities, the recommended improvements are in response to the audits as well as proposed enhancements by the asset owning departments.

He then referred to his slides and handouts, he listed a summary of the Office of the City Auditor’s (OCA) recommendations, and the CIP Review and Advisory Committee (CIPRAC) recommendations, noting that CIPRAC is made up of asset owning and service providing departments that evaluate all projects to be included in the fiscal budget. He indicated the Citywide CIP Prioritization team lead is the Engineering and Capital Projects Department, which works closely with all of the asset owner representatives.

Mr. Nassar then listed the proposed changes in response to the Audit and CIPRAC recommendations, as well as the proposed categories. He reviewed a table outlining the proposed CIP 800-14 Asset Categories which now closely match the asset owning departments with clear grouping. He also reviewed a table outlining the proposed factors and weights for non-transportation (8), and transportation factors (7). Included were the proposed consolidation of both factors and redistribution of the values.

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Last, Mr. Nassar reviewed the implementation timeline needed to be ready for the February FY14 budget hearing. If more time is needed, the current policy is effective and can be used.

Mr. Hong indicated these new factors will need to go through several committees for support, approval and Council adoption. He asks for IROC's support for the new factors, which will be further defined into sub-criteria for the Water and Wastewater projects similar to what was done for the current established department CIP prioritization criteria. He then gave a recap and reminded IROC how the current criteria were developed.

He indicated the next steps are to work with the Citywide Prioritization team on the 2nd Amendment for approvals and Council adoption; staff will develop Water and Wastewater sub-criteria; obtain input on sub-criteria and associate weights; and finally, implementation.

Vice Chair Billings commended the team for this outstanding effort.

ACTION: Member Peugh moved to support the new criteria, Vice Chair Billings seconded. Motion passed 9-0.

10. **Subcommittee Reports:**

a. **Finance – Andy Hollingworth**

None, last meeting was cancelled.

b. **Infrastructure and Operations – Todd Webster**

- Discussed update to various CIP projects.
- Discussed selection criteria, and sub-criteria just discussed in item 9.

c. **Outreach and Communications – Gail Welch**

None, last meeting was cancelled.

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

None, last meeting cancelled.

12. **Update on the status of IROC's Proposal to revise its Municipal Code Language**

Chairwoman Welch stated is a meeting she and Member Billings will be attending, and will bring feedback back to IROC for review and discussion.

13. **FY12 Annual Report Preparation Plan**

Chairwoman Welch indicated that during the June 27 NR&C Committee Meeting, IROC was commended for bringing the final Annual Report forward earlier than last year. She would like the Subcommittees to consolidate their input, discuss at their next subcommittee, and provide feedback to her as soon as possible. She suggested an Ad-hoc meeting can be organized. She then shared brief information and Council Member comments from the NR&C meeting. She added that the meeting is on City TV, and encouraged all members to view if possible. Last, she indicated IROC should look at the

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current structure of the Annual Report, keeping all comments in mind for future recommendations.

14. **Selection of IROC Subcommittee Chairpersons: Finance; Infrastructure & Operations; and Outreach and Communication**

Chairwoman Welch stated that the current chairs of the Subcommittees could remain, unless other members would like to volunteer, or are nominated. She encourages all members to serve on a subcommittee if their schedule allows it.

Member Webster announced that his term as Chairman for the Infrastructure & Operations Subcommittee ends early next year, and for professional and personal reasons will be leaving IROC then. He offered to remain in the position for the remainder of his term, if requested, or can assist throughout the term if another member has interest in the Chair position sooner.

Chairwoman Welch indicated she would like to step down from her position as Chairwoman of the Outreach and Communications Subcommittee immediately.

ACTION: Chairwoman Welch nominated Irene Stallard-Rodriguez as Chairwoman of the Outreach and Communications Subcommittee. Member Kubota seconded. Motion passed 9-0. Member Stallard-Rodriguez accepted.

Chairwoman Welch asked for other nominations or volunteers for the other Subcommittee Chair positions.

ACTION: Member Stallard-Rodriguez recommended Member Hollingworth continue in his position as Chairman of the Finance Subcommittee. Chairwoman Welch seconded. Motion passed 7-0-2 (abstained: Billings/Kubota). Member Hollingworth was not present.

ACTION: Member Webster nominated Member Peugh for the Chair position of the Infrastructure & Operations Subcommittee, as he offered to assist Member Peugh until the term ends early next year. Member Dull seconded. Motion passed 9-0. Member Peugh accepted.

15. **Should IROC or its subcommittees meet in the month of August?**

After Chairwoman Welch confirmed with IROC members and City Staff, there were no critical items needing to be heard in August. She asked for a motion for IROC to go 'dark' in August.

ACTION: Vice Chair Billings moved for IROC to go 'dark' in August, Member Peugh seconded. Motion passed 9-0.

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16. **Proposed Agenda items for next IROC meeting (Note: Agenda items due to Chair by August 30, 2012)**

- Public Utilities Department Asset Management Plan
- Public Utilities Department Strategic Initiatives
- Annual Report Implementation Discussion
- Revised Municipal Code language regarding the mission and responsibilities of IROC.

Mr. Crane noted in regard to the Audit from the Office of the City Auditor, all Department key recommendations are reported on by the Public Utilities. He offered to bring the status report (as of June 30) of the CIP Audit to the Infrastructure and Operations Subcommittee, and another status report in October (as of September 30). These are routinely reported to the Comptroller's Office, who then reports them to the Audit Committee. Chairwoman Welch concurred.

17. **IROC Member's Comments**

- Member Peugh commented that the Union Tribune, Sunday edition, had a large informational article on water supply. He stated it is on the web and worth reading. He also indicated the subcommittee workloads should be looked at, to properly disperse items in regard to the workshop prioritization study.
- Member Kubota commented and in regard to the QSA in Imperial Valley, there were strong comments made that in November, there may be a majority on the board that will want to terminate the QSA or alter it.
- Member Peugh indicated the subcommittee workloads should be reviewed to properly allocate responsibilities in accordance with the IROC prioritization workshop.

Chairwoman Welch adjourned the meeting 12:03 p.m.

Minutes submitted by: Monica Foster, Administrative Aide I