

Independent Rates Oversight Committee (IROC)

June 17, 2013

MINUTES

(PLEASE NOTE: The recording equipment used for recording this meeting was malfunctioning. Therefore, the minutes captured are at a minimum, and presentations for Items 5 and 9 are attached herein for reference.)

1. **Roll call**

Chairwoman Welch called to order the regular meeting of the IROC at 9:02 a.m. Monica Foster conducted roll call, and a quorum was declared. Attendance is reflected below:

Members:	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	
Irene Stallard-Rodriguez	X	
Todd Webster	X	
Ex-Officio Members:		
Luis Natividad, Metro JPA	X	
Ken Williams, City 10	X	

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

2. **Non-Agenda public comment**

Mr. John Pilch, representing San Carlos area Council and himself, commented that his community is not satisfied with the continuing City Water trucks driving through the neighborhoods, due to a contract the City has with SDG&E and their contractor, Beta Engineering, to supply water during construction in the area. He asked IROC to consider investigating the cost of this water, and where it is going. Chairwoman Welch indicated this can be addressed at the next Outreach & Communications meeting.

3. **Approval of Draft Minutes of May 13, 2013**

Chairwoman Welch asked for a motion to approve the Draft Minutes. Vice Chairman Billings noted on Item 3 of the minutes, the first line should begin to read, "Vice Chairman Billings asked for ..." rather than "Chairwoman Welch asked for ...".

ACTION: Member Peugh moved to approve the minutes with said correction by Vice Chairman Billings, Member Kubota seconded. Motion passed 7 (in favor) - 0 (opposed) – 1 (abstained, Dull).

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

- Recognized and thanked Ernie Linares for an outstanding job and contributions while working with IROC for the past approximate 7 years, being a tremendous source in many ways. This is Mr. Linares last and final meeting, he is retiring tomorrow. Other IROC members then wished him well and expressed their

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appreciation and support. A custom glass water-drop with a plaque was given to him, and he expressed his sincere thanks to all IROC members and City staff.

- Reminder that the Special IROC Workshop will be held on June 24, 2013 at 8:30 a.m. here at the MOC II facility.
- Congratulated Member Peugh who was recently recognized by the Coastkeeper organization at their annual awards meeting with the Lighthouse Lifetime Achievement Award for all of his work and dedication as an Environmental Champion on the Famosa Slough, Mariners Point, San Diego Audubon Society and a very long list of many of environmental conservation initiatives.
- Thanked today's presenters from the San Diego County Water Authority and the Metropolitan Water District for being here today.

5. County Water Authority (CWA) Presentation on Regional Water Resources and Issues

Maureen Stapleton, General Manager, of the County Water Authority (CWA) presented an update on Key Regional Water Issues. She followed along and provided detailed handouts of her entire presentation (see Attachment 1 for full presentation).

6. Use of Funds: Applying agreed upon procedures to Water and Wastewater Utility Funds

This item was heard out of order. This item followed Item 9 on this agenda.

Lee Ann Jones-Santos, Deputy Director of Finance, introduced Jeanne Cole, Program Manager of Rates and Finance Section, and Kevin Starkey, Macias & Gini present for this item. They provided a detailed Use of Funds report. Ms. Jones-Santos indicated that when this process began, proposals were submitted and recommendations went to Director Bailey. At that time, it was decided a more defined panel would be established and additional requirements would be added to the contract. Following these changes it was re-bid and recommendations went forward to Director Bailey, and the contract was awarded to Macias, Gini & O'Connell.

Kevin Starkey, Partner with Macias, Gini & O'Connell gave an informative overview of the engagement scope, their responsibilities, as well as a summary of the procedures performed. He indicated this was reviewed this morning in today's Finance Subcommittee. He noted a report of findings based on specific procedures performed and the results. He added they do not have a responsibility concerning the sufficiency of the procedures that have been defined. The accountant's role is to plan and perform the agreed-upon procedures as determined by management and to report the results.

Mr. Starkey reviewed the procedures performed, referring to the available Report on applying agreed-upon procedures to the Water and Wastewater Utility funds.

Ms. Jones-Santos commented that Macias & Gini is an accredited accounting firm who has prepared the City's CAFR for the last several years. If an issue or concern was discovered, the firm would have commented in the report and the issue would need to be addressed in the CAFR.

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Ms. Jones-Santos then referred to a hand-out of the Use of Funds Public Utilities Department response. She briefly reviewed the purpose, Water CIP financing, reconciliation to the CAFR, and Water CIP Program. The conclusion is success in securing grants and SRF loans, savings in O&M, met Department of Public Health Compliance Order, and completed treatment plant upgrades under budget.

ACTION: Vice Chairman Billing noted that Member Hollingworth had reviewed and accepted the Report, and Vice Chairman Billings then made a motion to accept this Report. Chairwoman Welch seconded. Motion passed 8-0.

7. **City Staff updates**

None.

8. **Mayor and Council Staff Comments**

None.

9. **Presentation: Overview of Metropolitan Water District (MWD) and Regional Water Supplies**

This item was heard out of order. This item followed Item 5 on this agenda.

Gary Breaux, Chief Financial Officer of MWD presented. He acknowledged Meena Westford of MWD, who was in attendance as well. Mr. Breaux referred to and provided detailed slides (see Attachment 2 for full presentation) for his presentation of an overview of water supply, five-year outlook, FY2012/2013 update, and an update of the Bay Delta.

10. **Subcommittee Reports:**

a. **Finance – Andy Hollingworth**

- Discussed refining the scope of the proposed FY4 Department Financial Overhead Performance audit.
- Ms. Jones-Santos' presented the Use of Funds for applying agreed upon procedures to Water and Wastewater Utility funds.
- Review of proposed format revisions to the Capital Improvement Program reports issued periodically to IROC
- Discussed the Comprehensive Annual Financial Report reconciliation and additional information

b. **Infrastructure and Operations – Jim Peugh**

- Discussed Wastewater Master Planning updates.
- Discussed Optimization Contracts
- Reviewed information related to the City of David proposal
- CIP reporting format follow-up

c. **Outreach and Communications – Irene Stallard-Rodriguez**

- Discussed scoping the Customer Service Division performance audit.
- Discussed ways to communicate to the public, where their money is spent.
- Discussed NR&C's feedback to the FY14 Work-plan.

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11. **Metro/JPA Report out**

- Mr. Scott Tulloch presented the history and information on the Pt. Loma Waiver, he may present to IROC at a future meeting.
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12. **Proposed Agenda items for next IROC meeting**

- Should IROC and its Subcommittees go “dark” in August
- Department response to today’s speaker John Pilch’s concerns
- Appoint an IROC member to make a formal presentation to the Mayor regarding the Phase II Cost of Service for Desalination

13. **IROC Member’s Comments**

- Member Stallard-Rodriguez shared her experience with 2 Department rides-along.
- Vice Billings commented on the MWD presentation, and suggested an IROC member be appointed to make a formal presentation to the Mayor regarding the Phase II Cost of Service for Desalination. Director Bailey concurred.

Meeting adjourned at 12:26

Minutes submitted by: Monica Foster