

Independent Rates Oversight Committee (IROC)
October 21, 2013

1. **Roll call**

Chairwoman Welch's called to order the regular meeting of the IROC at 9:37 a.m. Valda Leitch 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	
Ex-Officio Members:		
Luis Natividad, Metro JPA	X	
Ken Williams, City 10	X	

City representatives present: Tom Crane, Assistant Director; Stan Griffith, Assistant Director; Tom Zeleny, Deputy City Attorney

2. **Non-Agenda public comment**

None.

3. **Approval of Draft Minutes of September 16, 2013**

Chairwoman Welch asked for a motion to approve the minutes of September 16, 2013.

ACTION: Member Kubota noted a typo on Item 9, paragraph 6, should read: "We are now looking at a live stream discharge", rather than "We are not looking at extreme discharge". Member Peugh noted a change to Item 16, should read "Mr. Kubota attended the Metro 50th Anniversary...", rather than "... NR&C 50th Anniversary..." Minutes were approved without objection. 6 (in favor) – 0 (opposed) – 2 (abstained, Billings, Justus).

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

- Attended the September 25 NR&C meeting to present the IROC comments for the Water Policy Implementation Task Force Report.
- Public hearing at City Council will be on November 21 for the water rate adjustment, and she attends to represent IROC. She asked if members had any other items to be addressed during the hearing, please send to her.

Member Hollingworth commented in regard to the Water Policy Implementation Task Force, he understands they formed a working group comprised of 3 Council Members (Sherman, Lightner, and Emerald) to compromise on a proposal before it went to Council again. He asked if this is the understanding. Chairwoman Welch indicated that is her understanding.

Member Hollingworth asked if she knows the extent to which they are going to re-write the proposal. Chairwoman Welch indicated she did not have that information.

Brent Eidson indicated that the Interim Mayors office staff is involved in the working group, and the Department representative to the working group is Luis Generoso and he is very aware of the retrofit issues, and as financial issues arise, the Department will provide feedback and input.

5. City Staff updates – Tom Crane, Assistant Director

- Halla Razak will be the new Department Director on November 12. She is coming to us from the San Diego County Water Authority, and has been the Director for the Colorado River Project over the past 8 years. She was also an 18 year employee of the City of San Diego in the Engineering Department.
- Bob Mulvey is the Department's new Assistant Director of Water Quality. Mr. Crane then introduced Mr. Mulvey. Mr. Mulvey indicated that he comes from Chandler, Arizona as the Assistant Director for the Municipal Utilities Department, as well as he started a regional water system in Santa Fe, New Mexico during 2010-2011. Last, he worked as a Deputy Director in Bellevue, Washington. He added that he is new to the City, and is excited to work for the leading industry in Water, Wastewater and Reclaimed Water.

Agnes Generoso, Interim Deputy Director, Wastewater Collection Division:

- Sewer spills: YTD – 38 spills opposed to 33 at the same time last year. About 79% are caused by roots.
- Cleaned 1900 miles of pipe this year, EPA only requires 1500 miles.
- Response time to sewer related calls remains under 20 minutes.

Bernard Powell, District Manager, Water Construction/Maintenance Division:

- Fire hydrants knock overs: YTD - 73 opposed to 80 at the same time last year.
- Water main breaks: YTD - 74 opposed to 68 at the same time last year.

Member Peugh asked what the age of recent pipes that broke this month. Stan Griffith indicated the pipes varied from 90 – 106 years old. Members Peugh and Billings expressed they would like this information as well as the cause of the break provided during the updates.

Brent Eidson – Program Manager, External Affairs:

Pt. Loma Waiver update:

- The Department is now preparing for the technical aspect of filing a modified permit application, including preparing a scope of work.
- Working with the environmental stakeholders to develop potential legislation that would help achieve secondary equivalence.
- Internally working on facilities planning scenarios and determine where potable reuse facilities should go, and the potential costs.
- Engaging Real Estate Assets regarding the Harbor Drive site. There is an interest from them to be more aggressive, and the Department would like to get an appraisal of the site.
- Continuing to work with the Participating Agencies, discussing allocation of costs.

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- Goal to have legislation drafted and start to seek out a sponsor in Washington is the January/February timeframe.

Chairwoman Welch indicated that the public needs to become more frequently aware of Potable Reuse. Mr. Eidson added that one of the efforts underway is expanding the outreach.

Ex-officio Williams asked for the due dates for the Waiver. Mr. Eidson indicated the current permit expires the last day of June 2015. Due to the lengthy process, the application must be put in 6 months prior, and it approximately 1 year to prepare.

Ex-officio Williams asked what the outcome is if we do not get the legislation vote. Mr. Eidson indicated the waiver application can go through the regular permitting process at that point.

Vice Chair Billings complimented staff for the great efforts.

6. Mayor and Council Staff Comments

None.

7. City 10 – County Water Authority Update – Ken Williams

- MET lawsuit status: one week trial targeted for December
- Water outlook this year continues to be dry for the 3rd year, discussions beginning as to what measures will be needed for future dry years
- Colorado River hydrology presentation at the last County Water Authority (CWA) meeting. Key facts, last 11 years have been the driest in the last 100 years; Lake Powell and Mead are both less than half full. No restrictions on water deliveries are expected in 2014; however continued dryness could see cutbacks.
- San Vicente Dam Raise: Project almost complete. Target is December 2013, and the plan is to fill the reservoir over the next 3 years with some restraints.
- Bay Delta Conservation Plan is an effort to fix the Delta environmentally, and supply wise. CWA has had several educational meetings on this effort, and the effort is extremely complex and expensive. Final decisions are not made on who will pay for this.
- Carlsbad Desal Project is going well and on schedule, with a completion target date of June, 2015. No payments to be made until water is delivered, and CWA has until June, 2015 to establish Desal rate structure.
- County Water Authority Cost of Service Study related to Desal. 2 approaches: One is a Fiscal Sustainability Committee, ad hoc. The other is a Member Agency Work Group which consists of City representatives Cathy Pieroni, Marsi Steirer and Lee Ann Jones-Santos. Mr. Williams asked if IROC has other items to have an update on, to let him know.

Vice Chair Billings commented that the City's preferred alternative to the Cost of Service Study is preferred by the City, but he would like to see if is fair and equitable, and not just the least expensive. He also indicated he believes this will cause a 5% increase in rates. Also, Vice Chair Billings asked if all of the

members of City 10 are on record on supporting the City's alternative. Mr. Williams indicated there is no question that the City 10 group is representing the City. Vice Chair Billings asked if there is a roll for IROC in terms of weighing in on this, and if so when. Mr. Williams indicated he has ideas of how IROC could approach this, and may depend on the newly coming Director of Public Utilities. Chairwoman Welch indicated she is looking forward to being involved.

Member Hollingworth commented that the scope of this has been expanded, and he is comfortable that Ms. Jones-Santos and Ms. Peironi are appointed, and suggests retaining the services of Black & Veatch for review. Secondly, he asked if this issue can be a monthly agenda item for the Finance Subcommittee.

8. Update on Public Comment regarding code compliance issue

Member Stallard-Rodriguez commented that as a group, IROC should respond in some way when a customer comes before them with an issue. Ex-officio Member Williams concurred. Mr. Crane indicated this was discussed at the Outreach Subcommittee, and the Department has taken action. When a customer comes before the IROC, David Bryant, IROC Coordinator, will keep track of and follow to completion. This includes giving updates to IROC.

David Akin, Customer Service Compliance & Metering Manager, briefly described the issue that Mr. Tweet encountered, that was shared at the July 17 meeting. He indicated after some corrections were made to the area to allow the water meter to be replaced, Public Utilities has completed their work. However, there are still continuing issues for him to resolve with Neighborhood Code Compliance, due to his retaining wall encroachment in the right-of-way. He added that Neighborhood Code Compliance is also investigating other neighborhood encroachments in the area. He understands that Mr. Tweet has asked for a continuance.

Member Stallard-Rodriguez asked if since Public Utilities is satisfied with the work, how did this become a City violation for the neighborhood? Mr. Akin indicated the Department does work with Neighborhood Code Compliance from time to time, if the Department is not able to get reasonable compliance.

Mr. Zeleny added that there is more of a general City concern of keeping the right-of-way safe for public use. Even if private people built into this area, the City is still liable for anything that could happen in a dangerous condition. If the Department does not report any such knowledge, this can be used against the City in the event of a lawsuit.

9. Discussion – Service Line Warranties of America

Chairwoman Welch indicated there was a brochure that all rate payers received. Mr. Eidson indicated that this is not a Department program. Mr. Eidson commented that before this program began, the Department worked with staff from Corporate Partners on some of the messaging techniques, in an effort to try to minimize calls to the Customer Service representatives. He referred to information related to a KUSI "Turko Files" news segment.

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Member Hollingworth asked Mr. Eidson if this is a legitimate service being offered. Mr. Eidson indicated it is not a Public Utilities program, and just does not want the misperception to customers, that is a recommended program. However, there is no reason to believe it is not a legitimate company.

Mr. Hollingworth asked if due diligence has been done. Mr. Eidson stated that he understands that Corporate Partnership has. Mr. Crane added that Corporate Partnership is invited to come to the next IROC meeting to answer questions. Mr. Hollingworth asked what portion of the money would go to the City. Mr. Eidson indicated he does not have that information, but it would go to the General Fund. He added that when Corporate Partnerships come to IROC, this can be something they can comment on.

Ex-Officio Member Natividad indicated he has not has any success contacting this group to ask questions. He asked if there is an outreach program, and Mr. Eidson commented that his understanding is the outreach done was the two letters sent to each customer as well as a press conference. Mr. Crane added he will let the Director of the group know his concerns, and will get the contact information to him.

Member Hollingworth asked Mr. Eidson if he could check with Corporate Partnerships to get a copy of the business case where the feasibility is investigated. Chairwoman Welch, as a home owner, would like to be educated on some of the issues such as what the chances are that this would be needed? And what the average cost would be for repairs?

Stan Griffith, Assistant Director, added while the Department is not prepared to endorse or suggest this is for every homeowner, staff can provide some statistics of the number of calls, the types of calls, etc.

Mike Rosenberg, General Water Utilities Supervisor, offered information indicating that when residents call with a roots or grease back-up, they are instructed to call a licensed plumber. If the plumber has done his or her due diligence and the line is completely blocked, the licensed plumber can then call it in for a City crew to inspect and repair if necessary. Mr. Griffith added that residents are responsible for the lateral on their own private property, and the City will repair the private lateral as a courtesy to the resident in the City's right of way, if the plumber is unable to clear the pipe..

Vice Chair Billings expressed in concern and asked if the City has the ability to review the marketing materials before they are sent out, how many letters are sent out per year, and how do they price the product. Lastly, in regard to vendor management, how does the City monitor the company's performance, as well as how does the City back out if necessary. Mr. Eidson reiterated that these questions will go to Corporate Partnerships.

Vice Chair Billings expressed that he does not care for the City's policy of the homeowner being responsible to pay a plumber to find out if it is indeed in their lateral or the City's right of way. He asked if the Policy can be revisited perhaps to say that in the event the homeowner has expended money, and it turns out that it is not the homeowners' liability that the City would reimburse the homeowner for these costs. Mr. Rosenberg indicated that this is indeed the current policy, to reimburse the homeowner in the case that it is in the City's right-of-way.

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Ex-officio Williams commented that it is problematic to him for the City to essentially endorsing this company. He asked if the City receives \$250K annually. Vice Chair Billings indicated it is \$250K over a 3 year period total. Ex-officio Williams asked what the benefit to the City is to enter into this deal. Mr. Eidson indicated it is a financial benefit, to the General Fund.

Chairwoman Welch shared a handout of a screen shot from a KUSI News segment on this subject, showing the projected revenue. She asked if Mr. Eidson knew why there were revenue projections two (2) fiscal years prior, if the program just came out. He indicated this will be added to the list of questions to Corporate Partners.

10. Presentation of 2014 Strategic Initiatives

John Gavares, Strategic Support Services Manager, provided information related to the Strategic Initiatives report. He referred pages 18-19 of the provided Report and pointed out Appendix C, a snapshot of the FY14 Initiatives showing the 4 Goals, 10 Objectives, and 23 Strategic Initiatives. He then described the contents of the provided Report.

He indicated this is year 3 of a 5-year strategic plan, and the vision is to remain an industry leader in all areas. He listed the guiding principles which help influence the culture and climate of the Department, and then summarized the listed four strategic goals and corresponding initiatives.

Chairwoman Welch commented that she appreciates Mr. Gavares' presentations at the Outreach & Communication Subcommittee meetings relaying information about the Leadership Development Program as well. She also mentioned Member Peugh and Stallard-Rodriguez' have participated in the Strategic Initiative process.

Member Peugh asked in regard to Goal 3 (*Sustainable growth and economic viability*), the objectives and initiatives seem appropriate; however some jurisdictions have built their survival on growth which can cause problems once growth stops. He would suggest changing the word "growth" to something else in the future. Mr. Gavares indicated these goals are linked to the City's 4 Strategic Goals, which includes this same language, in order to be in alignment. But thanked him for the feedback.

Vice Chair Billings asked if there is a way to flag if any of these Goals are at risk. Mr. Gavares indicated a status bar (tracker) is used column with red, yellow, and green. This column is not shown here. Mr. Crane added that it is presented to the executive team every quarter and a status is given from Mr. Gavares' team and sponsors involved. Vice Chair Billings applauded the effort, and this shows.

11. Review/Approve draft letter to City Council regarding current vacancies and expired terms

Chairwoman Welch referred to a provided draft letter addressed to Council President Pro Tem Sherri Lightner and City Council regarding the expired IROC member terms, and request for reappointment of three identified current members who have indicated that

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they would like to continue. She indicated this is an action item to send this letter to advise the City Council.

She indicated that Member Dull had given some grammatical edits, and asked for any other comments.

Member Peugh commented he would like another sentence to be added to the first paragraph indicating that these are roles that IROC thinks are important for the success of fulfilling our mission.

Vice Chair Billings commented in the first paragraph, adding "...three important..." before "...currently vacant positions for..." in the second line.

ACTION: Vice Chair Billings moved to approve sending out the proposed letter as revised. Member Peugh seconded. Motion passed 8-0.

12. Discussion – FY2013 Annual Report

Chairwoman Welch thanked the Subcommittees their hard work on finalizing their respective portions. She indicated the goal is to have the Draft Report available for review at the November full IROC meeting. She asked all Subcommittee members to continue finalizing their portions.

13. Discussion – Council Policy 400-15 water related issues

Chairwoman Welch indicated that the IROC requirement is to report to City Council on a semi-annual basis for the purpose of discussing water issues related to its activities as outlined in the San Diego Muni Code, Chapter 2, Article 6, Division 20. IROC does report to City Council annually for the Annual Report.

She asked for suggestions on how best to fulfill this requirement. Mr. Zeleny indicated a Powerpoint and written material could suffice. Member Dull suggested the Annual Work Plan would be a great opportunity as well. Member Peugh indicated he believes this is a serious effort, and would like IROC to fulfill this as soon as required.

Mr. Zeleny commented that it is difficult to get on the Docket, and to keep this in mind. He recalls that IROC has been there a couple of times this year.

Member Hollingworth asked if a letter could suffice, and would like some issues discussed with City Council such as the Wholesale Cost of Service Study, and the Water Implementation Task Force.

Chairwoman Welch asked Subcommittee Chairs to have this on their upcoming Agendas to come to a consensus as to what the Report to City Council should entail. Mr. Zeleny stated he will get back to IROC if a letter would work, rather than a meeting at City Council. Chairwoman Welch asked for comments on the Draft letter.

Member Peugh commented in regard to point 2, Page 4, regarding conservation, he has an issue with the verbiage. Chairperson Welch asked him to bring his concerns up at the subcommittee meeting.

14. Subcommittee Reports

a. Finance – *Andy Hollingworth, Chair*

Nothing to report. No meeting was held.

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

- Discussed the Management and Field Academy.
- CIP Review and follow up for FY2012 Baseline. He said staff indicated it would be difficult to have multiple baselines for spending and calendar. Staff will base all future reporting on the FY14-15 Cost of Service Study, however did develop a Crosswalk which traces back to the 2012 baseline, as well as other helpful information for both cost and schedule.

Members Billings and Hollingworth asked for clarification on the Crosswalk, Mr. Crane indicated this is scheduled to be discussed at the next Finance Subcommittee.

- Discussed the funding for water distribution valve maintenance, which remains an issue.
- Discussed the Annual Report Subcommittee portion.

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

- Brent Eidson presented information on Prop. 218 notices. They went out to 17 group outreach communities on October 4. She would like to see the schedule of the community meetings. Mr. Crane indicated he will get the draft sent to IROC. He also provided updates on the Cost of Service Study, conservation, and social media. He also mentioned there was a Platinum award for the Utility Excellence for the Association of MWA in 2012, as well as the American Society of City Engineers Outstanding Civil Engineering achievement.
- Discussed the Public Utilities Training section for continuing education and training, she would like this to come across the full IROC, as this is an accredited program, and an excellent program.
- Discussed the Annual Report.
- Discussed how to follow up with community ratepayers that come before the IROC.

15. Metro/PA – Report Out

Nothing to report. Chairwoman Welch indicated she did not attend.

16. Proposed Agenda Items for next IROC meeting

- Annual Report.
- International Association for continuing Education and Training presentation.
- Quarterly CIP Report, including variances for FY14 baseline.

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- Corporate Partnership staff presentation and justification for program (Business Case distribution), as well as a description of their process, and outreach program information.
- Potable Reuse update.
- Pt. Loma Waiver update.

17. IROC Members' Comments

- Member Kubota would like to have back-up materials from the last meeting, regarding recommendation of an approval to the Black & Veatch contract and Cost of Service. Due to a time constraints, the back-up materials were not provided.
- Member Hollingworth commented he is very pleased with the way the IROC Committee is going, and it continues to get better.

Meeting adjourned at 12:10 p.m.

Minutes submitted by: Monica Foster