

Independent Rates Oversight Committee (IROC)

November 18, 2013

MINUTES

1. **Roll call**

Chairwoman Welch’s called to order the regular meeting of the IROC at 9:35 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	
Ex-Officio Members:		
Luis Natividad, Metro JPA <i>(left at 10:50)</i>	X	
Ken Williams, City 10	X	

City representatives present at dais: Halla Razak, Director; Tom Crane, Assistant Director; Tom Zeleny, Deputy City Attorney

2. **Non-Agenda public comment**

None.

3. **Approval of Draft Minutes of October 21, 2013**

Chairwoman Welch asked for a motion to approve the minutes of October 21, 2013. **ACTION:** Member Peugh moved to approve as submitted, Member Justus seconded. Motion passed 6 (in favor) - 0 (opposed).

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

- Thanked Subcommittees for working on completing their Draft Annual Report portions. All materials have not been reviewed; therefore approval will be scheduled for next IROC meeting.
- Hearing for the rate increase at City Council will be this Thursday at 10:00 a.m. where she will comment. She appreciates IROC members’ involvement.

5. **City Staff updates:** *Halla Razak, Director*

- Halla Razak, Director of Public Utilities, commented that she is happy to be on board; she comes from over 25 years of public service. She indicated two most important things is to ensure that the sewer and water rate payers continue to have the best service possible at the most reasonable cost, as well as ensure that City employees have the right atmosphere and environment to provide the best service possible. She is excited to work with IROC.

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Sewage Spills/Water Main Breaks Update:

Agnes Generoso, Interim Deputy Director, Wastewater Collection Division:

- Sanitary spill overflows to date: 40 vs. 33 at the same time last year.
- Cleaned over 2000 miles of mains, reminder that the EPA requirement in the Consent Decree is 1500 miles to be cleaned.
- Response time remains at under 20 minutes.

Stan Medina - Deputy Director, Water Construction/Maintenance Division:

- Fire hydrant knock-overs: calendar year thus far: 84 vs. 88 at the same time last year. Last year total for the calendar year was 104.
- Water main breaks: calendar year thus far: 80 (45 were asbestos/concrete pipe, 17 cast iron) vs. 77 at the same time last year. Last year total for calendar year was 102.
- 2 major breaks:
 - Miramar Road/Distribution Road; Joint blowout - AC Pipe; approximately 2.5 hours to turn off.
 - 7100 Country Club Drive in La Jolla, 35 minutes to turn off; 60 year old AC pipe.

Member Kubota asked about a break shown on a news channel regarding a Carmel Valley Road area. Mr. Medina replied:

- Carmel Valley Road/Camino Del Sur; 6" blow-off of a 24" steel transmission main; approximately 2.5 hours to shut down due to hydraulics involved; 11 year old pipe.

Pt. Loma Waiver Update:

Ann Sasaki – Assistant Director

- The permit expires in 2015, a new application must be in no later than the end of January 2015 – staff is working on this with the various components
- Meeting set next week with the Participating Agencies and environmental community regarding the current strategy for the next application.
- Environmental Monitoring & Technical Services Division is looking at data needed for permit applications.
- Looking at consultants we may need assistance from for the application.
- IROC Member Peugh is a stakeholder on the Committee.
- Next IROC meeting will come back with progress.

Vice Chair Billings asked if the City is also amending Federal statute (Clean Water Act) to make sure this strategy actually will be recognized. Tom Zeleny, Deputy City Attorney indicated yes, this is our hope to do so.

Chairwoman Welch commented it would be nice to have another tour once the new members are aboard, as well as periodic technical briefings as data is compiled. Ms. Sasaki concurred.

6. Mayor and Council Staff Comments

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None.

7. City 10 – County Water Authority Update

- Metropolitan lawsuit is still on target to begin the trial in December, and expected a written opinion in January. Very likely to have an appeal which would likely complete in 12 months.
- Water outlook: Continues to be dry for the 3rd year. Lake Meade and Lake Powell are less than half full, and with continued dryness in the Colorado River at some point could see cut-backs.
- San Vicente Dam raise is scheduled to be complete in December 2013 and will get another update at the County Water Authority (CWA) meeting this Thursday.
- Bay Delta Conservation Plan: Educational meetings continue as it is a very complicated situation, with no official time table. How the final decision is to be made is unclear, but could be decided by a referendum of the people, a vote of the legislature, or perhaps the State Water Project Contractors could make the decision to proceed or not. In any event, it seems the end water users will cover the cost.
- Carlsbad Desal Project is targeted for June 2015. The cost of the project is approximately \$1 billion; to transmit the water from Carlsbad to the system is approximately \$80 million (8%). CWA is not obligated to make any payments on this, until water is available. Therefore, Poseidon has this responsibility until then. If there are interruptions in the future, Poseidon again, has the responsibility to make those payments.
- Fiscal Sustainability Committee: Information was distributed earlier of the general key principles that were passed by the Board. He added that in regard to the Sustainability Committee and the decision on the Desal rates, one will not be dependent on the other – these are parallel efforts.
- Member Agency Workgroup is dealing with the Desal rates issue, to determine what the rate structure is going to be for the Desal water. There are currently 9 different alternatives, one being from the City of San Diego. The schedule is to have a recommendation to the A&F Committee of the Board in March 2014, with a target for the Board to vote in June 2014.

Member Peugh asked how well City staff members are represented in the Workgroup. Mr. Williams listed Lee Ann Jones-Santos, Marsi Steirer, and Cathy Peroni, and there are approximately 1-2 members per agency.

Vice Chair Billings asked for the CWA current rate increase amounts. Ms. Jones-Santos indicated so far the CWA has approved for calendar year 2014, an increase of a 2.6% for untreated, and 3.5% for treated.

8. Potable Reuse – 90 Day Update

Marsi Steirer, Deputy Director, Long Range Planning & Water Resources, introduced Alma Rife who heads the outreach efforts, as well as Amy Dorman, Project Manager. Ms. Steirer indicated that this presentation was made to NR&C Committee in July. She

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gave a brief background of the Water Purification Demonstration Project and the Recycled Water Study, mentioning the consistent and overlapping next steps associated with these projects.

Ms. Steirer referred to maps displaying what is currently being explored in terms of the feasibility and associated studies. Direction received from the City Council is to determine a preferred implementation plan and schedule for potable reuse options with a goal to maximize local water supply and reduce flows to Pt. Loma. Detailed site studies are being performed, as well as reservoir studies. She reviewed the combined next steps of the project tasks, and added that outreach efforts will continue.

Ms. Rife indicated that branding is being researched, so the community has a better understanding. The terms such as indirect/direct potable reuse, will now be referred to as “Pure Water San Diego” which is in line with the website and easier to relate to.

Last, Ms. Steirer indicated that the vision of the implementation strategy is to continue to work on completing the Potable Reuse Project tasks to culminate in an implementation strategy; emphasize flexibility and adaptability; integrate concepts of indirect and direct potable reuse options; identify IPR-DPR decision points; balance schedule and costs; and sustain current momentum.

Vice Chair Billings asked in regard to the San Vicente Dam Raise, were there issues with contractors, which caused a delay in filling the dam. Ex-officio Member Williams indicated the refill is expected to take place over 3 years. One constraint is a group that monitors this process has to follow safety precautions. Also, there must be enough water to refill the dam.

Chairwoman Welch asked in regard to a reference of grant funding to reimburse operational costs, if this grant money is received in FY14, how this will affect the Cost of Service Study (COSS). Ms. Steirer indicated that the Prop 84 grant that will fund the follow-on work is not included in the COSS, because the grant is between the State and the California WaterReuse Association, and the City’s primary role is to provide access to the Advanced Water Purification Facility. This funding will pay for facility operators, equipment, chemicals, etc.

9. Discussion: Service Warranties of America

Ms. Natasha Collura, Director of Corporate Partnership Program, gave a brief background of the Corporate Partnership. She added that the Corporate Partnership goal is to generate cash and in-kind services for the City of San Diego. She noted that they also do this with other corporations.

Ms. Collura explained that this type of program came to their attention when the City of Phoenix launched their program, and approximately 175 municipalities participate in the program, which is endorsed by the National League of Cities.

This opportunity was taken to educate the public of their water/sewer line responsibility. She indicated that after a Request for Sponsorship was issued for a Service Line

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Warranty Protection Partner, the company chosen (Utility Service Partners Private Label, Inc. (USPPL)) was researched extensively and conducted due diligence along with the City Attorney review and input.

She then provided an informative Report to the City Council which provided detailed information of the process. Also, a news story was shared via internet which notes that the advertisement letter sent to customers to buy into the voluntary sewer pipe insurance plan, has the City's seal jointly with the private company on the envelope and letter, but is actually coming from a private company. It also notes the City partnered with a private warranty program to help educate customers, offer a financial solution with a discounted rate should the consumer choose to do so, and to help compensate the City with funds that will go directly to City essential services (Police and Fire).

Ms. Collura reviewed the entire process leading up the selection of the provider, outreach efforts, etc., noting there has been some great feedback from customers and plumbers. Ex-officio Member Williams commented that after hearing more about this program, he is more educated and would most likely be supportive of it.

Member Kubota commented that after doing more research, he feels that selecting a company for the City to partner with seems like an "endorsement". He believes customers should definitely be educated, however, he does not believe it is a good business practice of the City to partner with an outside company. Ms. Collura added it is an endorsement, and use of the City logo is approved by City Council with public comment, and approved by the Office of the Mayor, in order to take place.

Member Stallard-Rodriguez asked how many applications have been received, and what percentage that is of the water users. Ms. Collura stated she does not have the percentage at this time, however approximately 4000 users have signed up and about 8 have already filed sewer claims. She added that regular updates will be provided to City Council. Member Stallard-Rodriguez expressed her disappointment with getting the education out to the public before this was program was released.

Vice Chair Billings concurred and added this program should not have been the vehicle to educate customers. Also, he indicated that his sense is that with an endorsement, the City is taking on a reputational risk, and he would have voted against it.

Member Peugh asked if other companies wanted to offer a similar service and advertise, but not be endorsed by the City, would this be allowed. Tom Zeleny, Deputy City Attorney, indicated yes, other companies have the right to make any offers to the residents directly as long as they have proper local licenses, etc.

Member Peugh asked if after the 3 contract years, and the 2 additional optional years that USPPL has with this program, will it go back out for new bids. Ms. Collura stated yes, if this program is successful and continued, it would have to go out for solicitation. Member Peugh asked in regard to the impact to the Customer Call service, how will be these costs be handled. Brent Eidson, Program Manager of External Affairs, indicated

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that after speaking to Michael Vogl, Deputy Director of Customer Support, the impact is negligible at this time.

Member Justus asked how often USPPL will send mailers out. Ms. Collura stated it would be two per year. He commented that there is confusion as to whom the mailers are coming from. He pointed out that the letters are designed in a fashion that looks as though it is coming from the City as one of its programs, rather than from USPPL. She indicated this was vetted through the City Council and the letter sent out was the final outcome.

Member Billings commented that with the \$1.7 million dollars generated with this program, he is hopeful that \$1.7 million will be offset by this amount of saving for the Public Utilities partner customers.

10. Update on Cost of Service Study Outreach

Brent Eidson, Program Manager of External Affairs, gave an update on the outreach efforts as well as some of the community feedback regarding the rate increase for the purchase of water. He mentioned that following a presentation to City Council and working with Katz & Associates, it was recommended a target goal of having 2 meetings per Council district (18 meetings total). So far 16 meetings have been held. He noted that since the distributed memo to IROC dated November 7, 2013, two more locations have been added, one being Encanto, which Ex-officio Member had requested. Also, direct mail has been out to over 261,000 water customers.

He shared that at the presentations, the majority of the community members have a good understanding of their water supply and the rate challenges. There were many questions about the lawsuit between the San Diego County Water Authority and the Metropolitan Water District, as well as questions about what we are doing for our own water independence and reliability. He indicated this gave a great opportunity to reply about the potable reuse efforts, desalination project, and conservation while maximizing our use of local water.

Mr. Eidson also noted there were questions related to the new proposed tiered rate structure. Data received from Black & Veatch was able to be relayed, which was helpful in educating the communities. To characterize the meetings, they have gone well and customers expressed their thankfulness for the information shared. Last, the some community members asked for annual updates on water concerns and with the Public Utilities Department.

He added that there is a protest opportunity under the Notice of Public Hearing. He indicated for more information and updates, there is a great deal of information on their website at <http://www.sandiego.gov/water/conservation/>. Member Stallard-Rodriguez commented that she did attend a community meeting given by Brent Eidson, and it was a wonderful presentation.

Vice Chair Billings thanked staff members for their efforts, and commented that doing this outreach to educate the customers on a regular basis is beneficial and essential to the

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ability of this organization to plan in the long term, and execute properly having the public understand this, and the value they are getting, so they can support the investments that the Department has to make. Mr. Eidson added there is lots in store for future outreach.

11. International Association for Continuing Education and Training – Award/Training Section Update.

This item was tabled to the next IROC meeting, due to time restraints.

12. Capital Improvement Project (CIP) Prioritization Policy update

Vien Hong, Associate Engineer, and Mark Nassar, Deputy Director, gave an update of the amended Council Policy 800-14 – Citywide CIP prioritization Policy adopted by Council this month. Mr. Hong noted that last July 2012 they introduced the amended Council Policies which included the proposed factor for prioritized City CIP projects. Since then, there have some changes due to stake holder input. He will incorporate detailed information at a future meeting.

Mr. Nassar presented a brief background of the policy, which was originally adopted in 2007 for Transportation and Storm Water projects, and was amended in 2008 to include all asset types. He noted weaknesses that were identified by the 2011 CIP Audit, 2012 Department Audit, and by stakeholders, and listed the areas of improvement. He also listed the stakeholders that provided input.

Mr. Nassar summarized the amended enhancements, and listed the 4 new asset categories. These included Enterprise-funded Assets and Mandated Programs, Mobility Assets, Public Safety Assets, and Neighborhood Assets. He then reviewed the 8 new prioritization factors. In summary, the four categories and eight prioritization factors are weighted uniquely and distributed by value. He reviewed the breakdown of new weighted factor values. He then described the project phases for budget inclusion.

Mr. Nassar concluded with review of the implementation schedule. He noted the target is to have the new adopted Policy applied on all of the new CIP projects that are going into the FY15 budget. Also, with the approval of Council, these proposed projects can be scored and submitted to the proposed budget. He added that Council and the Infrastructure Committee will be doing a 1-year-after implementation from the adoption date get a status, and will continue with b-annual reviews.

Vice Chair Billings asked who does the scoring and is it challenged. Mr. Nassar indicated it is initially scored by the asset owners, and is challenged by the CIPRAC Committee (made up of all asset owners) after review. Vice Chair also asked if the results of the ranking can depend on how the project is defined. Mr. Nassar stated yes, there is a ranking priority on certain types of projects.

Vice Chair Billings also asked for clarification on giving weight to those projects mandated or emergency projects. Mr. Nassar indicated those projects are evaluated differently, however are then ranked by the other criteria. Vice Chair Billings commented in his opinion these should be removed and done first. Mr. Hong concurred

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and added that those projects that are court ordered, IROC asked them to be removed from the sub-criteria list, so they will not be listed.

Member Kubota commented that he would have liked to see the Public Safety and Health assets categorized. Mr. Nassar indicated that in their review these comments will be shared with Council. Vice Chair Billings added he feels this is an improvement, and believes the prioritization technique is necessary.

13. CIP Quarterly Report

Darren Greenhalgh, Deputy Director, Tung Phung, Senior Engineer, and Angela Colton, Program Manager, were present to present the first FY2014 CIP Quarterly Report. Mr. Greenhalgh reviewed the Program highlights for Water and Wastewater. He noted that so far on the Water side, 3.82 miles have been awarded of cast iron main, with a goal of 30 miles this fiscal year. For the Wastewater side, so far 2.3 miles of rehabilitation of aged sewer mains have been completed with a goal of 45 sewer miles this fiscal year.

Mr. Greenhalgh indicated that to improve the CIP process, streamlining measures include changes to the Muni Code to allow Job Order contracts related to pipeline construction and asphalt paving be issued with increased Contract and Task Order dollar limits. This will make the procurement process to deliver projects more efficiently. Additionally, the contract award amount for non-architects and engineers is being raised. All of these changes will speed the delivery of projects and reduce the costs related to the approval of these contracts.

Last, Mr. Greenhalgh referred to materials provided; these included detailed spreadsheets for the FY14 Change Order Log noting scope changes; Financial and Scheduling Data for all CIP projects showing Water, Muni, and Metro sorted by cost. He noted that any projects running later than 6 months, or that have changes in excess of \$1 million are highlighted by IROC's request. Also, he is currently working on a supplemental report that will identify each of the projects in that Crosswalk that had more than a \$1 million and what the changes were.

Chairwoman Welch commented that it is difficult to track the expenditures in the spreadsheets in comparison of what is listed in the Cost of Service Study, since the information changes so often. Tom Crane, Assistant Director, offered that once the fiscal year is complete and the expenditures are cleared, a list can be developed showing the original and completed expenditures. This will help take care of IROC's obligation to see that how the Department executed based on the original COSS. Chairwoman Welch indicated she may need a snapshot of this information for presentation to Council. Mr. Crane concurred.

Member Justus asked about the 4 improvement processes for the CIP. He asked if they are currently in place, and if so when did they go into place. Mr. Greenhalgh indicated the contract that is in place now went to Council to get improved. He stated they are processing an Ordinance now that would change the Muni Code that would allow the Mayor to award these contracts. The Infrastructure Committee approved that in October,

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the first Council hearing was late October, and the second reading will be the next month or two.

Member Justus asked if there are multiple contracts in mind ready for the Mayor to sign as soon as that takes place. He added that by looking at the information, we are not on target for the year. He asked, if this is not in place for quite some time, how the goals will be met. Mr. Greenhalgh indicated that a contract was moved last spring and approved, and is in place now. This will help, and he is confident the goals will be met.

Member Kubota asked for clarification on several items in spreadsheet. Mr. Phung gave clarification.

14. FY2013 Annual Report

Chairwoman Welch indicated this item will be delayed until next IROC meeting of December 16 for approval.

15. Council Policy 400-15 Water Related Issues

Chairwoman Welch indicated this item is related to IROC reporting twice per year to City Council. This has been discussed in all subcommittee meetings and she understands IROC will be providing updates of the Annual Work-plan, as well as be prepared to issue current issues and coordinate with staff for potential questions Councilmembers may be interested in. She would also like to have updated information on current ongoing issues and items.

She indicated the goal is to present updates to City Council for the IROC Annual Report, Annual Work-plan and half-year update.

16. Subcommittee Reports

a. Finance – Chairwoman Welch for Andy Hollingworth, Chair

- Reviewed the Annual Report comments.

b. Infrastructure and Operations – Jim Peugh, Chair

- Detailed presentation on the Optimization Study
- Discussed the Crosswalk information discussed today. There were recommendations made to show changes of \$1 million or more
- Update on the CIP Program
- Discussed transforming the Rate Case into an actual planning spreadsheet that can be produced
- Asked the Department to look into what a tolerable level of water conservations is for health and economics.
- Discussed Council Policy 400-15
- Discussed the Subcommittee's portion of the IROC Annual Report

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

- None.

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17. **Metro/PA – Report Out**

None.

18. **Proposed Agenda Items for next IROC meeting**

- Item 11 will be tabled to next meeting
- 2013 IROC Annual Report
- Update on the Enterprise Asset Management Program

19. **IROC Members' Comments**

- Vice Chair Billings suggested a monthly update on where we are in terms of conservation, and asked if this is data is tracked. He stated that knowing what is feasible, and perhaps benchmark against other cities' consumption patterns, for example. Member Peugh added knowing what is feasible to preserve public health, and a functioning economy, which can change over time.

Vice Chair Billings suggested this idea going to the Infrastructure & Operations Subcommittee meeting to discuss and have staff develop a metrics that could be worth reporting on. Mr. Crane would like to discuss to learn which data is desired, as there are different types of data collected. He then commented that production data will be coming to the next Infrastructure & Operations Subcommittee meeting as well. Mr. Eidson added that there is additional funding for conservation messaging but not developed yet. One piece is to educate on the value of water, and to use water wisely.

- Member Stallard-Rodriguez asked for an update on the new IROC member appointments. Chairwoman Welch indicated that City Council has asked for input from their respective offices, and believes all 3 current IROC members seeking to be reappointed are part of those nominations.

David Bryant, IROC Coordinator, indicated that the Interim Mayor's Office sent out letters of request to the Council Offices for nominations which were due back on November 15. All 3 current member's names were submitted along with 3 other individual names, with a total of 6. He is uncertain of the date this will go to City Council. Six of the members must reside with the city limits.

- Vice Chair Billings commented that a member of the public has a website water and infrastructure blog (<http://groksurf.com>) that is recommended for members to view. He added it addresses regional and local issues, and is updated often.

Meeting adjourned at 12:39

Minutes submitted by: Monica Foster