

Independent Rates Oversight Committee (IROC)

May 19, 2014

MINUTES

1. **Roll call**

Chairwoman Welch called to order the regular meeting of the IROC at 9:38 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	
Craig Chapman <i>(arrived at 10:10)</i>	X	
Christopher Dull	X	
Gordon Hess	X	
Jeff Justus <i>(arrived at 10:00)</i>	X	
Jack Kubota	X	
Tiffany Mittal	X	
Jim Peugh	X	
Irene Stallard-Rodriguez	X	
Ex-Officio Members:		
Luis Natividad, Metro JPA	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**

No members from the public commented.

IROC Member Kubota commented in regard to the recent fires in San Diego, and the media coverage. He indicated that he has noticed that there is no media coverage of the effort that the Public Utilities Department performs to man the fire hydrants, check reservoirs, and notice the “silent partner” to the Fire Department that helps in these emergency situations. He urges IROC members to educate the community the involvement of the Department, and the support they provide in these situations.

3. **Approval of Draft Minutes of April 21, 2014**

Chairwoman Welch asked for a motion to approve the April 21, 2014 Minutes.

ACTION: Upon motion by Member Peugh, seconded by Member Stallard-Rodriguez. Motion passed 8-0.

4. **Chair updates – Chairwoman Welch**

- Encourages members to take the Water Purification Demonstration Tour at the North City Plant, it has new additions, and new elements to see.
- Members Billings and Stallard-Rodriguez, and she met with the Mayor to discuss the Annual Work Plan. Staff member Almis Udrys will be the point of contact for IROC in regard to water issues. Communicated the willingness to engage with the Mayor’s office more closely in the upcoming years. Other topics were Managed Competition and the desire for IROC to be involved sooner, and the importance of transparency. Information was well received.

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

- With regard to the recent fires, the City's Emergency Operation Center, and other Department staff worked diligently. Two fires were very close to two of the pump stations, but there was no damage. She will share the estimated amount of water used to help fight the fires. She indicated this total will be submitted to the State/Federal Government for possible FEMA reimbursement. Ultimately, the system did well, there were no pressure drops, and the responding staff did a great job.
- Beginning of May, Fiscal Year Budget was presented and approved by City Council, as well as complimented. Additional positions were requested for Pure Water Program. She and Maria Wright-Travis will be working with the Mayor's office to discuss the City's participation on the Joint Powers Association (JPA).
- Pure Water Program item will be heard at the San Diego County Water Authority Board, and she requests a resolution in support of the program. Also, first meeting for the appointed Pure Water Working Group. Approximately 50% were in attendance, and hope to have more attendance at the next meeting of May 28th.
- Department has been very busy internally, with the new Branding messaging. Brent Eidson commented that this effort has included four core commitments, which are QUALITY, VALUE, RELIABILITY, and CUSTOMER SERVICE. The next step is to bring the entire Department together in two meetings in June, to build excitement, and get the entire workforce on board with this important effort. He will report back to IROC next meeting.
- She must leave at 10:15 today to meet with Councilmember Alvarez.

Member Peugh expressed his concern with not having enough communication with the Mayor's office in the past, and asked how the communication will improve with the new Mayor in office. Director Razak indicated the Mayor's Office is putting together a Communications Department, and this should be helpful. They will concentrate on a unified message system, and upgrading the website to reach out to all customers. Also, all Public Information Officers will be centrally located in one location soon. She believes the communication with IROC should not change, and Almis Udrys should be more involved.

6. **Mayor and Council Staff comments**

None.

7. **City 10 – San Diego County Water Authority (SDCWA) update** – *Ken Williams*

- Drought Update: Stage 1 (voluntary request to save 20% of water use). Snow season is over, and the snow-pack is way below average. Colorado River precipitation is normal, however, in a long term drought. Locally, season is over and we ended at 38% of normal precipitation, which is very low.

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- MET Lawsuit Update: Judge's final written opinion has been issued on Phase 1. Next step is Phase 2 preferential rights and breach of contract. There should be an appeal, and a ruling by 2016.
- A Salton Sea presentation was given at the last Board meeting. A report was available, and he will share with members by request. He discussed the report's key points which are: The Sea is shrinking with less water available and evaporation which causes increased salinity. Also, with more of the shore being exposed, particles are being moved into the air by winds, causing another environmental impact. He noted that matters will be worse come 2018 when current water flows will be even further reduced. He described the QSA Agreement outlining the responsibility for restoration and mitigation. He noted the State has done studies on the restoration, and the expectation is that the State will come up with a funded restoration plan.

Director Razak commented that the mitigation plan was negotiated some time ago. She described what this entailed, and mentioned that the City and the County Water Authority are concerned because when the agreements were made, it was anticipated that California would have 15 years to come up with next steps – which is 2018. Water agencies have put in money for the mitigation but it was clearly stated in the Agreement that there is no responsibility to mitigate further than the dollar caps, nor further restoration efforts. At this point, the state of California has not done anything of substance. She also added if nothing is done, the salinity level will be too high for the fish to reproduce or live. This will cause a large environmental impact on the bird community as well. These issues are an ongoing concern, and hopefully a solution is on the horizon.

Member Peugh asked if the Sea is still able to be used with the ongoing issues. Director Razak indicated the City and the County Water Authority are communicating with the State to remind them that the State has willingly signed agreements taking on the full responsibility for additional mitigation and restoration efforts. Ex-officio Williams added that the County Water Authority is in the process of completing their responsibility for mitigation as well. Come 2018 there may be a legal challenge; however it is very clear that CWA has fulfilled all of their responsibilities.

8. 3rd Quarter CIP Update

Darren Greenhalgh and Angela Colton of the Public Works Department, along with Tung Phung of the Public Utilities Department presented the 3rd quarterly update. Mr. Greenhalgh pointed out the recent dashboard information outlining 8 new projects, and then reviewed the CIP project highlights and details. He pointed out that replacement of cast iron mains goal is 25 miles, and award projects are slightly ahead.

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Member Kubota commented that IROC would like to know what a nominal cost would be for a 16" pipe, to see the difference between what it costs to replace pipe on schedule vs. repair a broken pipe. Mr. Greenhalgh concurred.

Mr. Greenhalgh next reviewed in detail, the Water and Wastewater planned vs. expenditures, noting those ahead of schedule and those behind. He added for next quarterly update, he will add a combination of encumbered contracts plus expenditures to give a more complete understanding.

He pointed out the Wastewater completed miles are above expectations, but there are concerns with delays in getting some rehab projects out, and will be a challenge to meet the 45-mile goal. He indicated Sewer Mains are under-expended and not currently progressing sufficient to meet this year's goal. Member Hess asked what the issues were, and if this will cost the City more money. Mr. Greenhalgh noted that there were a number of difficulties last year, for example no contracts were awarded while Bob Filner was appointed until late February, pushing awards back. Also, some contractors have not billed in accordance with their construction schedules. He noted that there are plans to get caught up over the next 15 months.

Mr. Greenhalgh described the changes that have been made to make the specifications easier to read, more consistent, and tailored to each of the different kinds of funding sources. This should result in better bids going forward. He also pointed out other changes to the Report, and welcomes any more input.

Ex-officio Member Natividad asked if the percentage of contingency funds is the same for all projects, or do they vary. Mr. Greenhalgh indicated that typically the standard is 5%, unless there is a high degree of anticipated uncertainty.

Member Peugh asked if getting additional staff would help with the CIP progress. Mr. Greenhalgh noted that the City Council did give 30 more positions in the next budget, and this will help a lot.

Members Stallard-Rodriguez and Peugh asked for clarification on the CIP program as a whole, as well as clarification on some of the Change Order log high percentages. Mr. Greenhalgh indicated he would be glad to bring back more information, and perhaps would be best at the Infrastructure and Operations Subcommittee.

Vice Chair Billings commented that he would like to focus more on the contracting process, delays, etc. so IROC can get a better understanding of the issues. Mr. Crane added that the CIP Report that is available online is City wide, and offers a wealth of information. Also, there will be a meeting soon with senior staff from Public Works and senior Staff from Public Utilities to discuss partnering.

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Ex-officio Natividad thanked the Department staff for all of the hard work in preparing the detailed reports.

9. **City Reserve Policy**

Tom Haynes, Budget Manager, and Lee Ann Jones-Santos, Deputy Director, presented the Department's recommended revisions to the Reserve Policy for the Water and Wastewater Enterprise funds. Mr. Haynes gave an overview of the Reserve Policy, and described current Department reserves: Appropriated, Operating, Capital, Rate Stabilization, Department Reserve for Efficiencies and Savings, and noting there are no recommended changes in the Secondary Purchase Reserve.

He provided handouts, and reviewed all of the listed proposed changes, pointing out that two reserves are proposed to be eliminated. One is the Appropriated Reserve which is currently budgeted at \$3.5M annually, and recommends removing this as a formal policy from the reserve policy due to this being a budgeted and appropriated line item. He noted will continue to budget this amount for unanticipated operating contingencies.

Also, the Department Reserve for Efficiencies & Savings (DRES) is proposed to be eliminated as well. The balances will be fully drawn down in FY14 to cash fund the Water and Sewer CIP. There are significant administrative complexities in calculating the amounts that need to go into the DRES. The Department will continue to update IROC on CIP schedules, costs, and execution and other actions that result in savings or efficiencies, as well as work with IROC to propose amendment to Muni Code 26.2003 with respect to IROC's duties and functions.

He mentioned the office of the City Auditor is finishing their audit of the Department Reserves. Next steps, they will finalize a Report and the Department will provide Management Responses to their recommendations. They are recommending, through a separate process, elimination of the Appropriated Reserve and the DRES. He noted the Office of the IBA released their review of the proposed Enterprise Fund Reserve Policy and supported the recommendations. He added this will be presented to the Budget Committee this Thursday and then to City Council.

Member Hess commented that they had a good discussion this in the Finance Subcommittee, and with exception of the DRES fund, were in agreement with the recommendations. With regard to the DRES fund, there were differences of perspectives such as some wanted it removed, so had concerns about the visibility of the fund, etc. From his perspective after discussing at the meeting, he supports the staff recommendation. He asked any other Finance Subcommittee members for their comments.

Ex-officio Member Natividad asked if in future presentations, acronyms can be spelled out or provided in the documentation. Mr. Haynes concurred.

Member Peugh asked if \$5M is enough to fund the Emergency Capital Reserve. Mr. Haynes indicated that a large part of the program is in the main replacements, which are in the annual allocations, which tend to have sufficient money to address to address

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unanticipated needs that come up. This amount was contemplated being increased; however, the reserve was not used often enough to show a trend. He explained the use of the reserve further.

Member Mittal indicated her main concern was if the DRES fund was removed is there accountability to have the efficiency and visibility. She added that she is unfamiliar with the fund as she just came on board, so she would refer to the other members and their recommendations. She added if the purpose of this fund produces more inefficiencies to put the money into the fund, then it is defeating the purpose. Ms. Jones-Santos indicated the Department would continue to provide report outs on terms of the CIP program, and Operating Expenditures and Revenues, etc. in addition the Cost of Service Study would continue to be evaluated vs. what actually happened. Also, an annual report would also be provided to show projects that have been implemented in the Department.

Ms. Jones-Santos added that because the Department uses the Enterprise Fund, at the end of the fiscal year, any remaining funds stay with the Utility to be reprioritized. Member Billings added this benefits the rate payers going forward.

ACTION: Member Kubota made a motion to support the recommendations as stated. Member Billings seconded. Motion passed 10-0.

10. Selection of New IROC Chair and Vice Chair

Chairwoman Welch indicated she is not eligible to run for Chair, since she served two consecutive terms. She added that the next Chair would begin next meeting. She asked Tom Zeleny, Deputy City Attorney, to facilitate this item.

Mr. Zeleny opened nominations for the next Chair of IROC.

ACTION: Chairwoman Welch nominated Member Stallard-Rodriguez. No other nominations were made. Member Dull seconded. Motion passed 10-0

Mr. Zeleny opened nominations for the next Vice Chair of IROC. Gail re-nominated Vice Chair Billings, Member Kubota seconded. Motion passed 10-0

Member Kubota commended Chair Welch for her leadership in chairing IROC. Members concurred. He presented her with a special gift to show their appreciation of her leadership.

11. Subcommittee Reports

a. Finance – Gordon Hess, Chair

- He and Member Justis attended the City's Strategic Goals and Initiatives process. It was very engaging and great ideas that will help the staff, and look forward to the next meeting.

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b. Infrastructure and Operations – Jim Peugh, Chair

- Discussed the CIP
- Presentation on the Miramar Pipeline Condition Assessment, which was very impressive.

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

- Update on the Water Conservation, next projects will begin in June. There are a lot of outreach opportunities through the media. There will be cross marketing efforts as well to promote water conservations.
- Member Kubota mentioned that Vista Irrigations is launching a new program “Love Tap” involving educating the public that tap water is good to drink, and they have new outreach programs. Drinking fountains will be placed at fields and parks, etc. to promote drinking the water and save the environment from the accumulation of water bottles.
- Toured the Customer Service Department which was very nice, and informational. She encourages all members to take this tour.
- Marie Wright-Travis, Assistant Director was in attendance at the Outreach and Communications Subcommittee meeting. She welcomed Ms. Wright-Travis and looks forward to meeting with her more.

12. Metro/JPA Report Out

None.

13. Proposed Agenda Items for next/future IROC meeting

- Office of City Auditor’s potential to take recommendations from IROC for a performance audit.
- Discuss getting the Fiscal Year Annual Report completed earlier.

Chairwoman Welch indicated to have the items to her or David Bryant by end of May.

14. IROC Members’ Comments

Member Justus commented he was recognized, being on the design firm, and attended the grand opening of the new City water park. He indicated it was exciting, and the Mayor was present to support all of the County supervisors. He noted that Roosevelt’s great granddaughter was present to say some words about the commemoration of the new water park which also includes gardens, and a playground which is open to all of San Diego to enjoy. Member Kubota added it that the water park is using re-circulated water using an underground 80 thousand gallon tank.

Meeting adjourned at 12:20 p.m.

Minutes submitted by: Monica Foster