



Independent Rates Oversight Committee (IROC)

January 20, 2015

MINUTES

1. Roll call

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

Members:	Present	Absent
Irene Stallard-Rodriguez, Chair	x	
Don Billings, Vice Chair	x	
Craig Chapman <i>(departed at 11:00)</i>	x	
Christopher Dull		x
Gordon Hess	x	
Jeff Justus		x
Jack Kubota	x	
Tiffany Mittal	x	
Jim Peugh	x	
Gail Welch		x
Ex-Officio Members:		
Jim Paisley, Metro JPA	x	
Ken Williams, City 10		x
Yen Tu, City 10 Alternate <i>(departed at 10:45)</i>	x	

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

2. Non-Agenda public comment

None.

3. Approval of Draft Minutes of December 15, 2014

Chairwoman Stallard-Rodriguez asked for a motion to approve the Draft Minutes of December 15, 2014.

ACTION: Upon motion by Member Peugh and seconded by Member Kubota, motion passed 6 (in favor) -0 (opposed) – 1 (abstain – Mittal).

4. Chair updates– Chairwoman Stallard-Rodriguez

- Recent facility tours of Pt. Loma Wastewater Treatment Plant and the Environmental Monitoring & Technical Services Lab was an amazing experience. She commented that the DNA lab was fascinating, and incredible to know the Department has incorporated this. Member Kubota shared the City staff was very enthusiastic and extremely knowledgeable and commended the Department.

5. City Staff updates – Tom Crane, Assistant Director – for Director Razak

- Commended many staff members involved in two examples of recent main breaks. She described in detail, the amazing work involved to complete these challenging jobs which can be time consuming and strenuous work. She indicated in one of the breaks mentioned (Pt. Loma area) the emergency crews

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arrived in 7 minutes which is amazing, repairs took approximately 10 hours due to complications. She then invited forward and recognized, those in attendance, the emergency crewmembers involved in these recent breaks and commended their great effort and expertise put forward. She added that the Mayor went to the location and was very pleased with the way the work was progressing.

The second highlighted recent break was in the Little Italy area close to restaurants and the trolley area which needed to be shut down. She described the break and noted that this was caused by a private contractor doing improper work. Again, she recognized the emergency response team that participated in the great work involved to make sure there was minimal impact to the citizens.

Director Razak added the customer service provided during these types of emergencies including how fast they respond, how quickly they work, and how in touch they are with those around us is extremely important. She also recognized and thanked union representatives Nancy Roberts from the Municipal Employees Association, and Frank Pitarro of American Federation of State County Municipal Employees, Local 127 for their great assistance.

- Ended 2014 on a high note with Council unanimously approving the submittal of the Waiver application as well as the Cooperative Agreement with the Environmental stakeholders, Pure Water milestones, and Pure Water technical services consultant. Implementation of Pure Water is on its way. With a lot of activities going on, John Helminski, Assistant Director, has been added to the team.
- Just ended the fourth bad drought year in California. 2015 may bring allocations if there is no substantial rain/snow pack.

Chairwoman Stallard-Rodriguez commented that she was impressed with the conservation messaging during the recent rain spell. She added even though we get some rain, we are definitely still in a drought and need to conserve water. Member Peugh asked if much rain was captured to benefit the reservoirs. Director Razak indicated unfortunately there was not enough water to make a difference.

Water Main Breaks

Isam Hireish, Deputy Director

- Presented slides showing main breaks for the year, as well as by comparison by material type over the past 5 years. During the last quarter of the last calendar year, there were 18 main breaks opposed to 24 the same period the previous year.

During the 2014 calendar year, there were 75 main breaks opposed to 89 the prior year. This is partly due to the number of main repairs completed and the miles main replacement for the CIP program.

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Member Mittal asked what percentage of the pipes are asbestos cement (AC) that are being replaced, and is this tracked. Assistant Director Amen indicated yes there is a program, and currently a condition assessment is underway. Phase I is complete, and about 240 miles have been identified to be replaced that are scheduled as part of the Cost of Service Study with an average of 30 miles to be replaced yearly. Phase II of the AC Condition Assessment results will be finalized approximately April, 2015.

It was asked if breaks are counted that are caused by contractors work. Mr. Hireish indicated no, those breaks are called 723, and there is a different list for this. Director Razak suggested that it would be useful information if the percentage of the total number of pipelines in the system was listed. Mr. Hireish concurred. Mr. Hireish added that regardless of the type of break, the goal is to cut down the response time, shut down time, lessen the impact to customers, insuring that they are not out of water for long periods of time.

Member Mittal asked if there is any coordination with the road improvement plan, if the pipe replacement should be done together. Mr. Hireish and Ms. Amen indicated yes there is coordination to bundle projects.

Member Peugh commented about valve replacement and the importance of it. Mr. Hireish concurred and reiterated the benefits of the valve replacement program, and added recently introduced was a new method called “Linestop” which the pipe can be cut from both sides of the valve, so the valve can be replaced without having an impact to customers.

Sanitary Sewer Spills

Agnes Generoso, Deputy Director

- Statistics for 2014: Only 28 spills, which is unprecedented and the lowest spill total on record to date, and puts the Department as one of the top 3 agencies (having over 1000 miles of sewer pipe) in California.
- One public water spill which was a very minimal spill.
- Two canyon spills, one in Juniper and one in Chocolate Canyon and very minimal.
- Cleaned over 2000 miles in 2014.

Vice Chair Billings commented that these records are phenomenal, and would like to see this type of information in the media. Director Razak indicated she has communicated with the Mayor’s Office, awaiting the State of the City Address to conclude and are planning to do a media event. The division has done an outstanding job cleaning the mains and just being aware and on top of it.

Member Mittal added it would be helpful to mention in the media event, the comparison against other large cities in the country, so the public can relate. Chairwoman Stallard-Rodriguez commented that it would be great if a media reporter could go on a ride along to show the public what it takes. Director Razak concurred.

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Member Peugh asked what the mandate is for cleaning pipe. Ms. Generoso indicated that the Consent Decree states to clean all of the pipes every 5 years. Some are touched more frequently.

6. **Mayor and Council Staff comments**

This item was not heard.

7. **City 10 – County Water Authority update** – *Yen Tu, Alternate*

- Yen is now assigned as a Metropolitan Delegate, one of four. She will meet in Los Angeles at the MWD meeting, representing the San Diego County Water Authority. They are tremendously prepared by staff to represent.
- State water allocation was at 5%, and now is at 15% and hopes the trend continues. Although the drought continues, as it is still very dry.
- After results of a survey, the Hispanic community still has a low number of their awareness to conservation. They asked that staff put a lot of emphasis on reaching out in more ways.

Director Razak indicated she is happy to report that water use dropped by over 25% for the month of December as compared to same month last year.

8. **Pure Water San Diego Update**

John Helminski, Assistant Director, reminded members that City Council approved an As-needed contract with Montgomery Watson Harza (MWH) in November, which will run through the 5-year program and will include all elements and Task Orders 1 and 2.

Mr. Helminski reviewed and described each of the key components to Task Order (TA) 1, these include: goals and objectives; key performance indicators; integrated City-Consultant organization structure; project delivery, program monitoring and reporting; quality and value management plans; overall program risk assessment; and plan for maximizing participation of emerging and small local business enterprises.

He indicated that MWH has provided pricing on the Scope of Work for TO 1, and this is routing internally, and will be issued by the end of January. The final sub task contained in TO1 is program validation. It is anticipated that program validation will be completed in the May/June 2015 timeframe.

Mr. Helminski then reviewed and described each of the key components to TO 2 which staff is laying out the Scope of Work currently, and is moving forward. TO 2 is for preliminary design of the North City Advanced Water Treatment Plant, preliminary design of the North City Reclamation Plant expansion, equipment prequalification testing of the Advanced Water Treatment and pipeline alignment evaluations of the North City for Indirect Potable Reuse (IPR) and Direct Potable Reuse (DPR). The goal is to authorize MWH to begin work approximately 20-24 days following the approval of TO 1 with a completion timeframe of late 2016/early 2017. Preliminary estimate for completion is 18 to 24 months.

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He described the environmental review process which the internal review is underway with the Development Services Department. He added that the notice of preparation of the Programmatic Environmental Impact Report (EIR) was distributed late November, and public scoping meetings were held in mid December. Comments from the public have been received. The next steps are to incorporate the comments, internal routing, and release of the Draft in January 2016, and certified by September 2016. He added this timeframe goes beyond the desired timeframe, so discussions with staff from the Mayor's office and the Planning Department are needed to compress the timeframe to avoid overlap with Project Specific EIR's.

Member Kubota asked if in TA 2, if Direct Potable Reuse and Indirect Potable Reuse would be looked into? Mr. Helminski concurred, on parallel paths. Member Kubota suggested describing terms such as "Direct", "Indirect", and "potable" in public outreach would be helpful as some customers may not understand the difference.

Vice Chair Billings asked about governance structure, and is there a committee that oversees this or a stakeholders that have participated in this process. Director Razak indicated the entire process is planned in detail; for example Executive staff, Senior staff, consultants, along with MWH have met weekly and then bi-weekly going over tasks, strategies, structure, etc., as well as meeting monthly with the Technical Advisory Committee to help draft steps, milestones, timelines, etc. Also, there have been meetings with a working group consisting of City "Champions" and more. She added there will be continued dialogue with IROC as this moves forward.

Ex-officio member Peasley asked if this Contract has gone to Metro JPA and/or Metro TAC (Technical Advisory Committee). Lee Ann Jones-Santos indicated there is a subcommittee of the Metro JPA that is reviewing not only the engineering plan, but the costs as well. The goal of the Metro JPA, is to bring the information and financial contributions for the Participating Agencies, by February/March timeframe. She indicated a presentation has been given to Metro TAC, with additional information.

Ex-officio member Peasley asked if this was a Sole Source Contract, or competitive. Director Razak indicated it was competitive, and the panel consisted partially of members of Metro JPA. Five teams were interviewed, and it was a very robust process.

9. Pure Water San Diego Outreach Presentation

Brent Eidson, Deputy Director, provided handouts for the metrics of the latest outreach efforts, as well as a list of all interviews conducted with the stakeholder representatives. He presented the Program statistics through the end of 2014 including speaker's bureau presentations, community events, facility tours, social media, and more. He also described how reaching out to the public in the various ways is such a success, especially with the new technologies and apps on the web.

Mr. Eidson indicated there are 25 members representing a diverse group of San Diego organizations that meet, and topics included San Diego's water portfolio, program costs, the Pt. Loma waiver, outreach, Indirect/Direct Potable Reuse regulations, etc.

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He described other ways of outreach such as youth connections through Project SWELL, USD class projects, Boy and Girl Scouts of San Diego, children's tours, and community events.

He added there have been 19 support letters from stakeholder groups, as well as 233 support cards have been received from individual stakeholders that support the Program, requesting to be added to the mailing lists, or request a presentation.

Mr. Eidson shared great news that the Department was awarded the Edward L. Bernays Silver Public Affairs Award from the Public Relations Society of America San Diego/Imperial Counties Chapter (PRSA) for its public outreach program.

Member Mittal indicated she is impressed with the outreach to the youth, as media can only reach so far. She asked if there was any coordination with the public school districts for better involvement. Mr. Eidson stated that Project SWELL is an established joint program that is involved in this type of outreach. However, the City does not have a stand-alone effort, as is also a resource issue at this time. He indicated that working through Project SWELL and the Boy/Girl Scouts is pretty successful at this time. There is a lot of planning and ideas for current and future outreach.

Member Kubota asked if the USD students are on board with Pure Water. He indicated that by the end of the team efforts, and education, in his opinion yes.

Vice Chair Billings asked if it is stressed to the public that understanding that they are most likely already drinking and using the product is very important, and they need to have trust. Orange County for example uses this process, where many of us frequent. Mr. Eidson concurred and indicated this is part of the outreach communication, we may be using reservoir augmentation or direct potable reuse, etc. but it is the same type of product.

Member Peugh asked if there is any type of advertising testing done. Director Razak added that there are plenty of organizations promoting water reuse. The media seems to zoom in on San Diego, because when successful, many other agencies will move in the same direction. She indicated that continuing education, advertising, outreach, etc. is very important to develop trust, and partnerships moving forward. We want to make sure this is successful today, and far into the future. Member Peugh commented it would be great to find some type of graduate school that could attempt to find some ways to use social media so it is as effective as it can be, because the cost is minimal.

Member Mittal asked if the USD Program is annual, or on a continual basis. Mr. Eidson stated this was new this year, and unfortunately the professor only teaches in the fall. So this will continue next fall. There have also been opportunities for staff to do guest teaching at UCSD as well.

Chairwoman Stallard-Rodriguez asked what type of follow-up is done on stakeholder interviews, for example some were reached 3 years ago. She also commented that there are large middle-eastern communities, and are they being reached. Mr. Eidson indicated

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yes, they are circling back to revisit the stakeholders. He added that he will look into the middle-eastern community outreach efforts being done.

10. Public Utilities Customer Survey

This item was deferred to the next IROC meeting of February 17.

11. Discussion: Cost of Service Study Update

Lee Ann Jones-Santos presented an update on the Cost of Service Study (COSS), indicating that it was discussed in more depth, in the Finance Subcommittee this morning. They talked about last COSS, and how rates were developed as well as reviewed the data tables that provide revenue and expense, debt coverage ratio, and financial metrics.

She indicated currently, the numbers are being updated for the FY16 proposed budget, and finalizing the CIP program with Engineering & Program Management Division and Public Works Engineering. Other things being incorporated includes the impact of drought base rates, and the impact of any allocations that come down from the State. Other costs being reviewed are the impact of Desal and the QSA with the San Diego County Water Authority (SDCWA) and how the increase of fixed expenditures could be offset by additional fixed revenue.

The Fiscal Sustainability Working Group at SDCWA has been turned over to the Finance staff and the General Managers to develop recommendations to take to the Board. Director Razak, herself, and other staff are very involved in this process. Ms. Jones-Santos added they are working with a small subcommittee with the Metro JPA to make sure Prop. 218 is met and all requirements with the Cost of Service principles for Pure Water.

Currently, all of these components are being incorporated into the COSS, and will be providing updates to IROC, the timeline for rolling out any proposals to take forward and also making sure the IROC's Finance Subcommittee is kept up to date on all changes from the rate model and revenues and expenditures from 2014-2015 rate increase. The timeline has not been finalized at this time.

She indicated that the proposal that may be recommended with the Mayor's office would include a 5-year COSS for rates that would include pass-throughs from SDCWA, the Desal implementation, water system requirements for CIP/O&M adjustments, and Pure Water impact to the CIP Program. In addition, any updates for recycled water. This package will be taken forward with the updated numbers. She added that as soon as the Mayor's office releases the proposed budget, this will come to IROC for review as usual.

Last, for the Finance Subcommittee she indicated that she would put together the data table information and how it ties to the COSS report, which will help them during review.

Member Billings suggested the Finance Subcommittee have special meetings to discuss the COSS, as done in the past. Member Hess concurred, and any other members are welcome to attend if quorums of other subcommittee meetings are met. Also, a special

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IROC meeting can be held if needed. Ms. Jones-Santos indicated as the timeline becomes clear, she will work with the Finance Subcommittee Chair to determine what meetings are needed.

Ex-officio Member Peasley asked if the Draft report from Black & Veatch has been distributed to the recycled agreement customers. Ms. Jones-Santos indicated it has not, as it was not approved by the City as of yet. Ex-officio Member Peasley commented about the impact that the high rates for recycled water has for the Participating Agencies. He asked about the fairness of the purchase pricing for it. Ms. Jones-Santos indicated part of the requirements of the City is to charge a fair price for the cost of the service that is being provided. She noted while following 218 regulations, providing a fair price and it provides a benefit to potable water, the appropriate price needs to be charged for the product. Ex-officio Member Peasley agreed, and is in hopes that the Report reflects they are paying for what is received, while following 218. Member Peugh concurred, and indicated that it is unfortunate that IROC cannot review and/or advise on the information ahead of the adoption.

Vice Chair Billings commented that if IROC has a viewpoint about what “fair and equitable” would look like, IROC can certainly draft this up and submit. He added it is always difficult, since people have their own perception. He indicated that he is confident that the information will be fully vetted, and confident that the various stakeholders are fully aware of where things stand and have done scenario analysis. He added he believes IROC has had opportunities to weigh in and express opinions. Director Razak stated that a package is being put together that is fair, equitable, legal, and has as much flexibility as possible. Also, outside of other cities, there are many large users within the City of San Diego that are dependent on recycled water, and it is recognized and incorporated in the development.

12. Subcommittee Reports

a. Finance – Gordon Hess, Chair

- Discussed back ground to the COSS
- Reviewed the Subcommittee’s presentations and goals, and have a new working scorecard tool to utilize
- Discussed what the impact of City’s Climate Action Plan the might be on the Department in particular, the Financial side of for example, the Pure Water Program. He will request a briefing of the Climate Action Plan for the full IROC to understand the Plan and possible financial impacts on the Department
- Status update of the Subcommittee’s portion of the IROC Work-plan

b. Infrastructure and Operations – Jim Peugh, Chair

- Presentation of the Enterprise Asset Management Project, discussed how the Department intends to put together condition assessment, maintenance, CIP planning, and how this fits into an SAP module
- Presentation on the Partnering
- Presentation on the Condition Assessment, approximately \$8M worth over 139 miles of old pipe which is very helpful toward the Enterprise Asset Management
- Presentation on upgrades to Pump Station 2 which is a great investment

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- Discussed the Subcommittee's portion of the Annual Work-plan

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

No meeting was held.

13. Metro/JPA Report Out - *Jim Peasley*

There was no meeting, however he commented a new Chair will be selected in the February meeting as well as four new members coming on due to election results or term limits.

14. Proposed Agenda Items for next/future IROC meeting

- Presentation on the City's Climate Action Plan
- Public Utilities Customer Survey, and how to address what is learned

15. IROC Members' Comments

- Member Kubota thanked David Bryant for the great recent tour of the Pt. Loma Plant and the Laboratory. He added that staff during the tours was outstanding.
- Tom Zeleny, Deputy City Attorney, introduced Christine Leon who is the newest member of the Department's legal team. She was a Chief Deputy Attorney, with being the head of the Land Use Litigation Unit, and brings some very unique skills to the Department and is a very good addition to the team.
- Chairwoman Stallard-Rodriguez commented that Beth Murray did attend the tours as well, and was she is glad to have her as part of the team.
- Chairwoman Stallard-Rodriguez commented the artwork reflected in the Auditorium is a great addition and very impressive to use snapshots from the different facilities. She added the drought friendly landscaping projects all over the facilities and labs are fascinating, and great that there is a partnering with Cuyamaca College, etc., and that the upgrades are basically at no cost to the rate payers. Communities can actually visit, and see what types of landscaping they can do in their homes to save water.

Meeting adjourned at 12:00 p.m.

Minutes submitted by: Monica Foster