



Independent Rates Oversight Committee (IROC)

March 16, 2015

MINUTES

1. **Roll call**

Chairwoman Stallard-Rodriguez called to order the regular meeting of the IROC at 9:34 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	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 Peasley, Metro JPA –Alternate	x	
Ken Williams, City 10	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 February 17, 2015**

Chairwoman Stallard-Rodriguez asked for a motion to approve the Draft Minutes. Member Peugh made a correction to Page 5 – paragraph 6, in third sentence: “... to reflect realistic ~~timeframes~~ **timeframes** baseline levels of emissions”.

ACTION: Upon motion to approve the Draft Minutes as revised, by Member Peugh and seconded by Member Dull, motion passed: 7 (in favor) - 0 (opposed) – 1 (abstained – Welch).

4. **Chair updates**– Chairwoman Stallard-Rodriguez

- Reminder to members to submit Form 700 as soon as possible, the deadline is March 27.
- Experienced a ride-along with Water staff last Thursday, auditing valves. She thanked the Department for arranging the ride-along which was with Tia, a 27 year employee who was very noticeably appreciated by her crew members. Staff approached customers to notify them of the work to be done, and one customer thanked the crew and asked them to take a message to Mayor Faulconer to thank him for allowing the necessary work to be done. Chairwoman Stallard-Rodriguez was impressed by the customer service and the appreciation given.

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She noted that she was impressed that each valve checked that included a fire-hydrant, all seals were inspected, repacked the seals, and repainted which takes a lot of time and effort.

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

Announcements:

- It is anticipated there will be allocations from Metropolitan Water District in April, with the San Diego County Water Authority following. Depending on the percentage, the City will decide on its route. The City's Drought Task Force will continue to meet weekly, and will be ready to move into allocations which will be a first for the history for the Department and rate payer.
- Pure Water team and staff are all working well at the same location and making great progress with the various meetings and workshops.
- Looking at the Department's owned parcels. Marie Wright-Travis has worked diligently and has put together a team that gathered information and will systematically decide on what will be done with the parcels.

Fiscal Sustainability Update:

Lee Ann Jones-Santos, Finance Deputy Director, and Cathy Pieroni, lead staff person for City 10, presented a synopsis of the current work with the San Diego Water Authority on fiscal sustainability. Ms. Jones-Santos noted the hard work put into the Fiscal Sustainability Task force going on for quite some time.

She gave an overview of the process and recommendations by the General Managers and Finance Managers to take forward to the San Diego County Water Authority (CWA) Board of Directors, who initiated the Task Force and Managers Group to work on the rate impact of the Carlsbad Desal Project.

Recommendations of January 16, 2014 included defining fixed costs; allocation of storage costs revised from a prior 3-year rolling average of M&I water deliveries, to a 10-year rolling average; apply non-commodity revenue offsets to all revenue categories including treatment; and establish a fixed supply reliability charge based on prior 10-year non-concurrent peak amount of deliveries. The Board authorized in March of 2014, to defer final decision regarding how to apply debt and equity payments for Desal to the Administration & Finance Committee (A&F) for development of the FY16 rates, and to adopt an interim policy for FY15 rates and charges; maintain current policy for non-commodity revenue offsets; and to defer all of recommendations to A&F.

Ms. Jones-Santos described the Fiscal Sustainability timeline, and reviewed the City's guiding principles which provided the City 10 with guidelines of strong financial goals, balanced fixed revenue, regional costs, assist in decision making on behalf of the City, and more.

She indicated that the Working Group was tasked with providing a comprehensive recommendation to the Board with four different revenue scenarios presented to address

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the additional Desal cost. She described in detail the scenarios presented from Otay; City of San Diego; Olivenhain; and CWA strawman 1. She added that each scenario was a minimal change to the agencies, with the exception that the City's and Olivenhain's "sunset" (stops after time).

Ms. Jones-Santos then reviewed the impact from the pre-Fiscal Sustainability Task Force before the recommendation over a year ago, to after the changes brought forward from the Task Force (2014). She then reviewed the one-year impact analysis for 2025 that incorporates that the City of San Diego would have implemented the Pure Water Program for 97,000 ac/ft. She added that Pure Water would help provide the water supply for the growth in the region. She then gave a brief view of the four scenarios listed, and their impact on fixed revenue to fixed cost ratio.

She added that this recommendation supports the CWA's fiscal well being and in our best interest to make sure they have financial strength, and is a balanced recommendation to increase the CWA's proportion of fixed revenues. Additional components of Managers' recommendations are that the CWA's reserves should be used to manage annual sales volatility, as well as recognition of the reliability of Member Agency local supplies, discussions will continue in FY16 regarding the potential addition of a reliable local supply development incentive from the CWA to the member agencies.

Member Welch asked what the average increase to the customer would be. Ms. Jones-Santos indicated the cost has not changed; however it is where the charge goes for the City of San Diego's ratepayer and how long it is charged, in the fixed revenue. The fixed costs must be covered for a period of time, not to discourage agencies developing their own supply and investing in their infrastructure, etc. Director Razak added that the City wanted to create a structure that is fair to all agencies in that one is not carrying an undue burden for the cost of Desal and the water transfer. This effort is extremely technically dense and very complicated which is why the Working Group is so involved.

Ex-officio Member Peasley added that the CWA heard this item at their Finance Committee meeting last week, and asked for the vote of this item. Ms. Jones-Santos indicated it was unanimous in support of this recommendation. He expressed his appreciation for this work, and the allocation of the fixed costs.

Member Kubota asked in regard to the IID transfer of water, is this with winning the current lawsuit, or as-is now. Ms. Pieroni stated it is as-existing, with the positive news that if the CWA is successful with its rate litigation against MWD, it will actually reduce this reliability charge.

Director Razak invited Elsa Saxod, Chairwoman of City 10, to speak on this item. She added that Ms. Saxod and the City 10 have been instrumental in helping guide, staff, and brainstorm through this process every step of the way. Ms. Saxod commented this has been a very long and collaborative process, and she indicated she is very proud and satisfied with the results. She added they do not want the City ratepayers to pay for anything that is not pertaining to them, or more than they should be.

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She took the opportunity to thank Director Razak, Ms. Jones-Santos, and Ms. Pieroni for the help, direction, and staffing. She thanked them for all of their time and effort put into this process. She added that the collaboration, and teamwork between the City and the City 10 was extremely appreciated and she is very happy to have been part of this effort. They will continue to work hard for the ratepayers, as IROC does.

Ex-officio Member Peasley asked with CWA approval of this option presented today, are the costs of the Desal project decided? Ms. Jones-Santos indicated no, this will go forward to the Board for adoption. As part of this recommendation, in five years a re-evaluation would be performed for possible recommendations for the future. The cost of this proposal, if approved, will go into effect in January, for the 2016 rates.

Last, Director Razak added that this is a great win for the San Diego rate pay as well as the regional rate payer. She also commended and described the effort of Ms. Santos and Ms. Pieroni for their outstanding work put in, for fiscal sustainability.

6. Mayor and Council Staff comments

Alejandra Galvador, Mayor's Director of Federal Government Affairs and Water Policy, expressed her appreciation of the IROC and the value brought to the City and the rate payers. She acknowledged the importance of working together to ensure the protection of the interest of the rate payers, have transparency, accountability, and more. She thanked Director Razak, the Department, and City 10 that have worked closely with the San Diego County Water Authority on a regular basis to ensure the rate structures are as equitable and fair as possible. She added that the Mayor continues to have his strong commitment to protecting the interest of the rate payer, transparency, and having a strong partnership with IROC members.

7. Nominations and appointment to fill a vacancy on the IROC's Outreach & Communications Subcommittee

Chairwoman Stallard-Rodriguez nominated Ed Spriggs to fill the vacancy on the Outreach & Communications Subcommittee.

ACTION: Upon motion by Chairwoman Stallard-Rodriguez to fill the vacancy with Ed Spriggs, seconded by Member Dull, motion passed 8-0.

8. FY16 Work-plan

Finance Subcommittee - Member Hess, Finance Subcommittee Chair, indicated that during their meeting this morning, they discussed the Finance areas of focus. Prior to this, they have discussed the drought and the potential impact on water revenues and future rates, with reduced sales and supply allocation possibility. He stated another item would be added to the Finance section that was discussed and passed unanimously:

Add: Item #5: Drought Impacts. Monitor monthly water sales to determine impact of ongoing drought and possible allocation of supplies on the Public Utilities Department budget and plans. Develop recommendations as appropriate.

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Member Welch commented in regard to Item #1.d: “Research alternative rate structures for any or all customer classes.” She suggests commercial industrial are very engaged on this topic before IROC comes up with recommendations for commercial industrial.

Member Hess concurred.

Infrastructure & Operations Subcommittee - Member Peugh, Infrastructure and Operations Subcommittee Chair, indicated that no changes to the Draft are needed, only formatting and consistency as necessary.

Outreach & Communications Subcommittee - Chairwoman Stallard-Rodriguez indicated the Subcommittee voted to support the changes as printed. No other changes necessary.

ACTION: Chairwoman Stallard-Rodriguez asked for a motion to approve the FY 2016 Annual Work-plan with said changes and allow any non-substantive changes by David Bryant. Member Peugh moved, and Member Hess seconded. Motion passed 8-0.

9. **Public Utilities Customer Support/Call Center Update**

Mike Vogl, Deputy Director of Customer Support, and Brian Mosher, Customer Service Manager, presented the update on customer service as it relates to the Call Center. They reviewed progress with regard to staffing, service levels, customer satisfaction, and recent achievements and upcoming challenges.

Mr. Mosher reviewed the current staffing levels, noting there is an ample pool of candidates, and currently only 1 Customer Service Representative (CSR) vacancy is anticipated in the next few months due to a retirement. With the predictive recruiting and interviewing program, it has helped tremendously streamline the process.

Mr. Mosher discussed the current call volume, service levels and speed of answering for the week-ending March 8. He also reviewed overall customer satisfaction survey results which showed 94% of customers responded positively about agent interaction.

Some accomplishments/efforts listed were: implemented rate changes starting in January; completed phone changes and WAVE training; and launched the new Single Family Residential bill showing much more information and conservation suggestions. At the end of March, an app will be available for customers to easily view and pay their bill, as well as with a credit card on any mobile device; in April/May timeframe, the AMI user training will roll out; and in the June/July timeframe will replace the entire phone system with a much more functional and robust system.

Member Kubota asked if when paying with a credit card, will there be a fee. Mr. Mosher indicated that the vendor will charge a fee to the payer, and they will keep this as part of their services. The customer will be prompted with this notice before paying. There is no charge to pay using the bank account option.

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Ex-officio Williams commented this was a confident presentation. He asked where the 2 minute targeted wait time on average speed of answer came from. Mr. Vogl indicated it is a benchmark. He indicated with all of the past hurdles, training staff, and needed system upgrades, this made it challenging. Two minutes remains the benchmark at this time and with more automated options, fully trained staff, and system upgrades, the response time will improve and the goal time can be reevaluated.

Member Mittal asked what the overall staffing target is. Mr. Vogl indicated that it would be about 56 CSRs, with ready to pull candidates, and currently the Department is very close to this. She also asked if there is a quality assurance program on the service received. Mr. Vogl stated that the survey is a great tool for this, as well as with the new phone system, they will be able to track “first call resolution” and improved options for call backs.

Member Chapman asked what the process is when selecting a vendor for the credit card payment option. Mr. Vogl indicated all City Purchasing & Contracting requirements are followed, depending on the value of the contracts requires various levels of competitive procurement. However, in this case there is no cost to the City for this particular contract, therefore this did not go out for bid. The vendor also accepts full liability for return payments, which is highly unusual.

Chairwoman Stallard-Rodriguez commented regarding a presentation given in the Outreach & Communications Subcommittee meeting recently, she learned that when a customer calls, there is an option to press a key to avoid waiting on hold and to receive a call-back within 2 days. She stated this was unacceptable. Mr. Vogl indicated that the same CSRs that answer the phones are also returning calls; therefore that time frame on our busiest days is most realistic. This is being monitored, and with more staff added and keeping the positions filled, this may be reduced to a 1-day timeframe soon, with an ultimate goal to eliminate the need for call-backs all together.

Chairwoman Stallard-Rodriguez asked if the internet portal is being monitored in the case of issues with connecting to the system when attempting to use this tool, as she has experienced. Mr. Vogl indicated yes. She commented that customer service is the most important as well as a difficult job, and the Department does a fantastic job. Ex-officio Member Williams concurred adding that customer service is extremely important and if resources are needed to provide this, he encourages the Department to do what is necessary to meet the goals.

10. Subcommittee Reports

a. Finance – *Gordon Hess, Chair*

- Discussed the potential financial impacts of the drought and allocations, and the City’s process to implement ways to respond. The result was the addition to the Work-plan.
- Discussed expectations of the subcommittee in terms of the budget review at a high level.

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- Discussed the process of the Office of the City Auditor, as well as internal reviews within the fiscal year.

b. Infrastructure and Operations – Jim Peugh, Chair

- Presentation on emergency repair crews and the capability to respond.
- Presentation on the Condition Assessment contacts.
- Discussed the Long Range Water Supply.
- Approved the subcommittee's portion of the Work-plan.

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

- Presentation on Customer Service update.
- Update on the internal Branding effort, which is stronger than ever.

11. City 10 – County Water Authority update – Ken Williams

- Phase 2 of the MET trial begins in April, and most likely will have an appeal. Two issues for this phase has to do with how much damages are appropriate, and secondly, preferential rights (i.e. how much water is San Diego entitled to). Currently, MET indicates that the City of San Diego would be entitled to 18%. CWA believes that number should be 22%.
- Imperial Irrigation District (IID) petitioned the State of California to address the problems of the Salton Sea, but conditioned that if no resolution to the problems are found, then the water coming to San Diego should be cut off. The State will provide a workshop on the issues of the Salton Sea this week. The CWA's point of view is that there is no connection between the IID water and the problems of the Salton Sea. It seems unlikely that the State will make a ruling of this nature.

Director Razak added the Water agencies and the State of California, believes strongly that the Salton Sea is an important resource for California. It is also the responsibility of the State of California to do any restorations.

12. Metro/JPA Report Out – Jim Peasley, Alternate

- Ex-officio Member Peasley announced that Ed Spriggs is now the regular IROC representative, and that he will be the alternate member.
- Pointed out that nearly half of the Metro/JPA members are new and will have learning curves.
- Established the new Finance Committee.

Director Razak mentioned in regard to the Mission Valley site at Qualcomm, more than 50% of this is owned by the Water fund. She is fully engaged in looking at the appraisal, ensuring that the water rights stay within the City's ownership so the subsurface resource can be developed. She indicated they will make certain the Department and the Enterprise Fund gets the absolute correct value for exchange of that land. Member Peugh commented that he hopes the Water Department will look at river restoration as being a reasonable part of this when entering the appraisal process. Director Razak indicated they have made it a point to delineate the area in the River to completely keep it outside

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of the sale. This is not only for environmental reasons, but to ensure that we have enough riparian area where the watershed quality is correct and the resources protected.

13. Proposed Agenda Items for next/future IROC meeting

None. Chairwoman Stallard-Rodriguez asked members to submit any topics to her or David Bryant, IROC Coordinator, by March 23, 2015.

14. IROC Members' Comments

Member Kubota indicated that at the Infrastructure & Operations Subcommittee, Nancy Rosenfeld presented the Branding update for the internal program, and it was very informational. He also indicated the Pure Water Program was discussed, and the fact that there is a formal agreement now. He added it lists the Pure Water San Diego Project's deadlines and milestones which is great information for the IROC to view.

Meeting adjourned at 11:55 a.m.

Minutes submitted by: Monica Foster