



Independent Rates Oversight Committee (IROC)

April 20, 2015

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1. **Roll call**

Chairwoman Stallard-Rodriguez called to order the regular meeting of the IROC at 9:35 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:		
Ed Spriggs, Metro JPA		x
Jim Peasley, Metro JPA Alternate	x	
Ken Williams, City 10	x	

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

2. **Non-Agenda public comment**

None.

3. **Approval of Draft Minutes of March 16, 2015**

Chairwoman Stallard-Rodriguez asked for a motion to approve the Draft Minutes of March 16, 2015.

ACTION: Member Welch moved to approve as submitted. Member Dull seconded. Minutes passed 7 (in favor), 0 (oppose), 2 (abstain - Billings, Justus).

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

- Thanked Members Peugh and Hess for attending with her, the Committee on the Environment. In attendance for support were members Billings and Kubota. Presented was the 2016 Work-plan which was well received with a lot of discussion.
- She attended Earth Day at Balboa Park, was pleased with the large Pure Water booth that was frequented. Wastewater also had a large booth with a lot of great information shared.

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5. City Staff updates – *Tom Crane, Assistant Director*

This item was heard out of order, following Item 7. In Director Razak's absence, Tom Crane, Assistant Director introduced John Helminski, Assistant Director of Potable Reuse, who provided an update on the current drought.

Mr. Helminski indicated that the Mayor issued an Executive Order on April 1 in regard to the drought. A proposed rulemaking will come out on April 28, which will go forward to the State Water Board on May 5-6 and approved. PUD is currently working on the second draft which will be shared with the Mayor's office this week. The State originally proposed a 4-tier structure; however PUDs recommended a 6-tier structure. The State ultimately recommended a 9-tier structure. The amount of our conservation was reduced from 20% to 16% which is an improvement but more items will be requested such as credit for reclaimed water, and Desal to provide additional reductions in conservation percentage.

He elaborated on details related to the average use of water. An internal group has been formed to look at water use. Park & Recreation is the largest user at this time. Meetings will continue to decide how to approach water conservation internally, aside from the Executive Order.

He described some of the State measures related to customer's cumulative target water reductions, and fines. Member Justus asked how customers will account for growth of a family or live in a home with no outdoor water use to meet the required reduction target. Mr. Helminski currently there is no accounting for this situation at this time, and noted that the understanding is that the fines are to the City of San Diego (Retail provider) at this time.

Ex-officio Member Peasley commented that the drought is an act of Mother Nature; however the lack of water supply is caused by man in his opinion. He suggests focusing on the supply rather than the demand, as the City and CWA has. The rest of the state needs to put more effort into this so those of us who are doing their best are not overly punished.

Vice Chair Billings commented that it is important to maintain credibility and refrain from "feel good" measures. He suggests helping the customer base understand how to obtain the goals specific to them, or perhaps task the local colleges with developing apps or tools to educate and keep the customer involved. He commented that the Department and the City leadership need creditability, and recommends figuring out what reductions are necessary and how an average customer can get there more so than creating strict rules.

Tom Crane, Assistant Director, indicated that customers now have tools online to figure out how to help with conservation, which he described where to find this online. It is a great help, is very easy to understand and the ability to map progress.

6. **Mayor and Council Staff comments**

None.

7. **Water Main Breaks and Sanitary Sewer Spills**

Agnes Generoso, Deputy Director, presented information on the sewer spills. She indicated beginning this calendar year, the Department is no longer reporting under the Consent Decree, however, is now reporting under accordance with State Board standards. In the reports going forward, will include sanitary sewer spill back-ups (SSB) to private properties (when the cause is a stoppage in the City's asset).

1st Qtr for this calendar year:

- 9 - sewer spills with 2 being SSB
- Total volume of near 4,000 gallons of which nearly 70% recovered (1300 gallons released)
- No spills to canyons or public waters

Isam Hireish, Deputy Director of Water Construction & Maintenance, reported on water main breaks from this last quarter indicating there were 17 water main breaks opposed to 27 this time last year. He provided a report showing main break details by material type, and by months. He added extra information included in the report is the number of contractor hits, as requested by IROC which is differentiated by a separate spreadsheet.

Member Welch commented it would be interesting to see the estimated volume of water lost associated with the breaks. Mr. Hireish concurred, as only rough estimates can be determined.

Vice Chair Billings asked if benchmarked, what would be a sustainable expectation. Mr. Hireish indicated that with the replacement of the cast iron mains as planned with 45 miles per year, that goal should be sustained. He added it is impossible to control the number of breaks as there are so many factors, but that replacement of the cast iron mains and valve maintenance is very important.

Ms. Generoso elaborated on the work put forward to sustain the goals, and announced that at the end of April, the Department is scheduled to receive from CWEA the statewide Large Collection System of the Year award, which is the second time received in the last 3 years, and unprecedented in the history of CWEA, which confirms the PUD's Grade A.

Member Peugh asked if there are sensors in the water lines to detect chlorine levels in the water, and is this done online in order to save water during the process. Mr. Hireish indicated samples are taken onsite, as the testing has more requirements involved. He added that he does not have specifics on the onsite testing or lab details available at the moment, but can get more information if requested.

8. **CIP Program Update**

Rania Amen, Deputy Director of Public Utilities, introduced Marnell Gipson, Assistant Director, and Richard Leja, Deputy Director of Public Works. Provided was a progress update of the CIP delivery of FY15. The Report included dashboard information, project

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highlights for Miramar Clearwell improvements, Upas Street pipeline replacement, and a detailed update of the Water and Sewer mileage goals. Also included was capital spending of the CIP for asset type compared to the Cost of Service Study for FY15. Ms. Amen pointed out the new look of the Report tables as well as the format.

Ms. Amen acknowledged the Infrastructure & Operations Subcommittee for working closely with them to design the new format which will give a comprehensive understanding and insight of the challenges of the CIP delivery as well as portray better accomplishment of it.

Mr. Leja introduced the new Report format. He reviewed snapshots of the Water and Wastewater project updates showing projected expenditures compared to actual expenditures and encumbrances. He then brought attention to several spreadsheets showing added information by request of IROC. He reviewed a breakdown of assets by project type compared with expenditures, comparison of FY15 COSS to actual expenditures for Water and Wastewater, as well as described the schedule of COSS vs. Actuals and then pointed the Change Order log in detail.

Member Peugh added that this Report has been developed for quite some time with the assistance of the Infrastructure & Operations Subcommittee, and is still a work in progress and still look forward to additions in the future. Several IROC members thanked the Department for the hard work on structuring this Report making it very useful.

Mr. Leja described streamlining and CIP delivery methods and various ways to deliver CIP projects and what is being changed to make them even better. He listed some of the methods such as: Design method, Design/Build process, Multiple Award Construction Contract (Design/Build by task order), As-Needed, Job Order Contracting (JOC), and Sole Source Contracting. He also briefly described the short-listing, RFP, and bidding processes.

He indicated the streamlining measures will be presented to Council tomorrow; he introduced Marnell Gipson, Assistant Director of Public Works Engineering to give a review of the process improvement and streamlining.

Marnell Gibson indicated the streamlining process is in alignment with the Mayor's goals with the State of the City address, and his strategic plan and multi-year Capital Plan presented in January. She indicated the current CIP value is about \$3.2B, and delivered is approximately \$300M dollars worth per year. Previously, 13 streamlining measures were implemented, focused with a need for Council action. She indicated that 13 additional measures have been developed, as well as 7 measures including cash management, new ideas will be pushed forward to greatly improve delivery. Five measures in totality will require Council action.

She described several process improvement and streamlining measures such as: online bidding (Planet Bids) with e-signature. This will allow bids to be submitted

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electronically, and can be calculated quickly, eliminate human error, and have less bid protest; dedicated CIP teams and authority for CEQA and permitting; increased use of Job Order Contracts; increased average Public Works contract size; expanded City construction crew usage for small construction; portfolio approach for consultant authorizations; use of current construction contracts for planned resurfacing; and expanded use of MACC contracts. The longer term (2016) process improvement measures include electronic review process for the Mayor's actions (PA2625); Park General Development Plan (GDP) reform for minor work; standardization of fire stations and comfort station designs; batch/options contracting; and concept based selection of Design-build teams.

Ms. Gibson reviewed estimated individual project schedule savings benefits which may average up to 15 weeks for most projects, and up to 24 weeks for specific projects with an estimated overall CIP cost savings of between \$3M-\$9M dependant on the mix of project types. She then listed and described the CIP Cash Management process improvements such as Capital budgeting; encumbrance; Certification of Funds Controls; and Commercial Paper (CP).

Member Dull asked what level of security is in place for the electronic bidding process. Mr. Leja indicated that Planet Bids uses a web based application with high security measures in place. The Department has worked extensively with the Department of IT as well. He added that live people will still be part of the process. Tom Zeleny, Deputy City Attorney, added that court opinions say the City is not liable for lost profits, only for the bid preparation costs.

9. Public Utilities Customer Survey

Brent Eidson, Program Manager of External Affairs, indicated that last summer the Department contracted with Competitive Edge Research & Communication to conduct this customer survey. This will be a baseline to determine the customer's perception and satisfaction of the services, programs, and reliability that the Department provides for the community. This survey was to understand why satisfaction and dissatisfaction exists, and to identify preferred responses to drought, and find out what the community as a whole thought, rather than only customers. The sample size was 602 residences done by random telephonic digit dialing in San Diego during the period of July 10th -14th, 2014 with the survey lasting approximately 10 minutes.

Mr. Eidson noted that it was interesting that the importance of certain aspects of the survey (water cost, conservation, environment, etc.) varied depending on the location of the residents who responded to the survey. He reviewed the averaged results for topics covered in the survey which included importance of water issues, media exposure, reliability of water service, knowledge of billing, perception of price and fiscal responsibility, awareness and usage of customer programs, awareness of Pure Water Program, customer care and call centers, and Department performance. He noted that overall satisfaction of the Department is fairly high (72% of respondents gave an A or B grade), and this sets a good baseline for going forward.

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He reviewed some of the complex contributing factors to having varying perceptions of the Department's image which can be things like age, gender, income, area, household size, etc. He then went over some of the results of key topics of the survey and also shared the topline results of the survey.

Member Welch commented that in one of the questions of the topline results handout, it showed that 11% "heard a lot" about the Pure Water Program and 34% "heard some". She asked if the Department will be improving in the outreach of this important project. Mr. Eidson reiterated that there has been quite a lot of outreach since this survey has concluded, and if the survey was repeated at this time the numbers would be much higher most likely. There continues to be outreach, working in the community, events, speaker bureaus, tours, etc.

Member Peugh suggested trying to find a way to reach the customers that do not pay a water bill, in saving water such as renters where the landlord pays this bill. Also, perhaps a study on submetered customers vs. those who are not would be helpful. Mr. Eidson concurred.

10. FY16 Proposed Public Utilities Budget

Lee Ann Jones-Santos, Deputy Director of Finance, and Seth Gates, Program Manager, presented an overview of the process and next steps of the FY16 Proposed Budget. Ms. Jones-Santos indicated there are four funding sources in the Department which are General Fund, Water Fund, Muni Fund and Metro fund. She provided a document containing significant budget adjustments from the previous year. She noted that the Budget brought forward was developed and submitted in December so it does not include the drought impacts, recommendations are being discussed and once released it will be shared with IROC.

Next steps are to present to Council on May 5 with the proposed Budget, which will not include drought impacts. The State Board votes in early May, once that occurs, the Budget and the COSS can be updated, with a target of releasing information on the COSS in late spring/early summer.

Mr. Gates referred to provided materials and briefly reviewed the total budget for Water and Wastewater from FY15-16. He pointed out some key items such as the total number of employees is basically the same for both fiscal years; the sale of water has increased approximately \$21M since FY15 primarily due to no use of local water in addition to rate increases; for expenditures, the purchase of water has a \$20M increase mainly due to the full year's impact of the FY15 rate increase from the San Diego County Water Authority. For the Wastewater side he pointed out there is about an \$18M reduction in revenue from FY15 mainly due to a decrease in reimbursements from State Revolving Loan fund proceeds; for expenditures there is an \$8M increase due to energy and utilities (SDG&E rate increases compounding the energy and utilities expenditures for FY16 proposed Budget); for the FY16 CIP Budget for Wastewater, total CIP new appropriations are approximately \$113M which was the same in FY15, and for Water the total

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appropriations for FY16 are approximately \$119M which is a \$19M increase from FY15 Budget.

Member Hess asked for the next steps in regard to presenting to Council in May. Mr. Gates indicated it will be taken to the Budget Review Committee which is a question and comment period for the Council. After review as presented by the Mayor, additional next steps include the Mayor's May revision to the Budget presented on May 19th and then the budget must be adopted prior to July 1 by the Council.

Member Peugh asked how staff members of the City Council are getting information to address items they see in the Mayor's proposal. Mr. Gates indicated that it is a combination of the Office of the Independent Budget Analyst and direct contact from the City Council staff.

11. Subcommittee Reports

a. Finance – Gordon Hess, Chair

- Discussed details of the Budget, focusing on overlying sales and purchases which may change due to the impacts of the drought. Also reviewed overtime and services and look forward to seeing the CIP section. This will be discussed in greater detail

b. Infrastructure and Operations – Jim Peugh, Chair

- Presentation on Water main breaks and spills
- Discussed construction projects at the Metro Biosolids Center
- Presentation on utilities and emergency preparedness, safety, security and training
- Discussed both advanced metering and submetering. He learned that the City is interested in moving ahead with advanced metering.

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

- Brent Eidson discussed the Governors Executive Order on mandatory water reduction and City's action. She added that Director Razak presented the same report to the Committee on the Environment which was televised and can be viewed online
- Discussed submetering requirements

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

- Shared that the Water Academy is a series of 4 classes provided by the San Diego County Water Authority for citizens. It has received very high remarks, and class 3 of 4 is coming up. He can provide application for those members interested in attending.
- Referred to an article on water pricing and specifically drought. He urges members to read the article. The philosophy of the article is not heard very often, so it is interesting to see a different point of view.

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13. **Metro/JPA Report Out** – *Jim Peasley, Alternate*

This item was heard out of order and followed Item 6.

- At the April 2 Metro Commission/JPA meeting, the City of San Diego put forward a Facility Assessment Report. This Report describes improvements that need to be done within sewer system and facilities, as well as good findings within the sewer system and at the facilities. This may be of interest to IROC members.
- The Metro Commission/JPA will attend a tour at the Pt. Loma Water Reclamation Plant, as there are several new members. IROC members are welcome to attend as well.
- The City of San Diego presented information on the Pure Water outreach.

Member Kubota asked if the City's financial agreement with the JPA for Pure Water has been concluded. Ex-officio Member Peasley indicated he does not have that information. Lee Ann-Jones Santos indicated that there is a subcommittee of Metro TAC (Technical Advisory Committee) that has been convened for cost allocation, and are anticipating that information will be brought forward to the Participating Agencies in approximately 90 days. Diligent work has gone into the facility allocations to help break down the cost for Pure Water between water and wastewater.

14. **Proposed Agenda Items for next/future IROC meeting**

Please submit items by April 27, 2015.

15. **IROC Members' Comments**

Member Kubota noted that he learned there were various kinds of equipment that were idle because of a problem of the outsourced maintenance program. He asked if the Department's equipment is included in this. Mr. Crane indicated the Department's equipment is maintained by Fleet Services. Ms. Jones-Santos noted that there is a subcommittee looking at these services.

Member Welch commented that Qualcomm is having their annual Earth Day celebration fair on Wednesday at 11:00 a.m. Food and music will be provided.

Vice Chair Billings commented that there is a recent publication of the Public Policy Institute of California, Water in the California Economy and encourages members to read this. He indicated he will send out a link to the document.

Meeting adjourned at 12:15 p.m.

Minutes submitted by: Monica Foster