



## Proposed Revision of Independent Rates Oversight Committee (IROC) Municipal Code

Presentation to Audit Committee– March 5, 2012

## Background



FOR IMMEDIATE RELEASE  
February 15, 2007

### FACT SHEET

#### **MAYOR SANDERS DETAILS PLAN TO SAFEGUARD WATER AND WASTEWATER RATEPAYER FUNDS**

#### **INDEPENDENT OVERSIGHT, OUTSIDE AUDITS AND SAVINGS FUND INCLUDED AS MAYOR'S FULFILLS PROMISE TO THE PUBLIC**

#### **SAFEGUARD PLAN OFFERED IN ADVANCE OF COUNCIL VOTE ON CRITICAL NEW RATES**

Mayor Jerry Sanders has announced the details of his plan to install safeguards for protecting the ratepayer funds used by the City's water and wastewater systems. The safeguard proposal was delivered to the City Council in fulfillment of the Mayor's pledge to detail the new protections in advance of the Council's February 26 vote on rate increases for both systems.

The Mayor's safeguard plan includes five specific elements:

- Creation of a new **Independent Rates Oversight Committee**
- Installation of a "**Dedicated Reserve from Efficiencies and Savings**" to help offset future rate increases in both systems.
- Annual **financial audits** for both systems

## IROC FY 2011 Annual Report – “Key Recommendations”

1. The Department should continue its aggressive efforts to educate the public about water conservation and monitor the results of those efforts (See Page 7).
2. IROC recommends that the Department continue its public outreach campaign to explain the value, need, and safety of IPR based on the Demonstration Project (See Page 7).
3. IROC urges that the Department proactively provide information to the public and the media about the costs and need to adequately fund operation and infrastructure for our water and wastewater systems (See Page 7).
4. IROC urges that the Department fully stabilize the SAP system prior to seeking competitive bids for Managed Competition for the Customer Service System, based on reasons of finance and customer service (See Page 8).
5. IROC recommends that the Department perform additional strategic performance audits to identify potential savings and improvements, especially related to monitoring and maintaining water distribution valves and purchase of chemicals (See Page 8).
6. IROC recommends further promotion of gray water reuse (See Page 9).
7. IROC would like to review the results of the updated Long-Range Water Resources Plan in early 2012 and the Water Shortage Contingency Plan to compare for consistency with Capital Improvement Program plans (See Pages 9-10).
8. IROC recommends the Department review their water and sewer rates by a producing a long term cash flow forecast taking into account forecasted inflation rates, costs, and schedules for the Department and its CIP Program; and when the current levels of continuing appropriations and encumbrances will actually be expended (See Pages 10 – 16).



### 2001 Ordinance Creating PUAC (Public Utilities Advisory Commission)

“It is the purpose and intent of the City Council to establish a City Public Utilities Advisory Commission to serve as an advisory body to the Mayor, City Council and City Manager on policy issues relating to the oversight of department operations including, but not limited to, resource management, planned expenditures, service delivery methods, public awareness and outreach efforts, high quality and affordable utility services provided by the public utilities departments of the City of San Diego, including Water and Metropolitan Wastewater Departments. It is the vision of the City Public Utilities Advisory Commission that there is a maintained high level of public confidence in the City of San Diego’s utility services because the services are provided in the most cost effective and environmentally sensitive way.”



**2006 Ordinance Creating IROC**  
(Independent Rates Oversight Committee)

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“It is the purpose and intent of the City Council to establish the **Independent Rates Oversight Committee** to serve as an advisory body to the Mayor, City Council and City Manager on policy issues relating to the oversight of the **City of San Diego’s public utilities** department operations including, but not limited to, resource management, planned expenditures, service delivery methods, public awareness and outreach efforts, high quality and affordable utility services provided by the public utilities departments, including Water and Metropolitan Wastewater Departments. It is the vision of the **Independent Rates Oversight Committee** that a **high level of public confidence in the City of San Diego’s utility services is maintained** because the services are provided in the most cost effective and environmentally sensitive way.”



**Memo From City Attorney to NR&C**  
(February 23, 2009)

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“The expressed duties and functions of IROC, however, are more narrowly focused on oversight of utility rates and performance, as the IROC name implies...”

“The focus of IROC is oversight of water and wastewater ratepayer funds and the performance of the City utilities.”



**City Auditor Related Revision**  
(Page 4 of Proposed Municipal Code Revision Document)

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(ed) Request the City Auditor to perform ~~Review~~ annual independent performance audits on Water and Wastewater systems and assist in the selection and retention of an independent firm to perform this audit in the case that the City Auditor does not accept the task. -

