



March 20, 2015

Councilmember David Alvarez, Chairman
Committee on the Environment

Subject: Independent Rates Oversight Committee's FY 2016 Annual Work-plan

Dear Councilmember Alvarez:

The Independent Rates Oversight Committee (IROC) is pleased to present its FY 2016 Annual Work-plan to the Committee on the Environment (formerly known as the Natural Resources and Culture Committee), as called for in San Diego Municipal Code Section 26.2003, which is titled Duties and Responsibilities.

Ordinance (O-20233), which became effective on February 22, 2013, states that "IROC shall submit an annual work-plan to the Natural Resources and Culture Committee by May 1 of each year for discussion and comment, but not for approval. IROC may change its work-plan to incorporate comments and feedback received from the Natural Resources and Culture Committee."

IROC voted in its meeting of March 16, 2015 (8 in favor; 0 opposed; 2 absent) to adopt the attached FY 2016 Annual Work-plan for submission to the Committee on the Environment.

We welcome feedback from your committee on any aspect of the Work-plan, and we are happy to consider additional areas of focus for FY 2016.

I also respectfully request that this item be added to your meeting agenda of April 10, 2015, and we look forward to a meaningful dialogue on IROC's goals and objectives for FY 2016.

Sincerely,

Irene Stallard-Rodriguez, Chair
Independent Rates Oversight Committee

Attachment: IROC FY 2016 Annual Work-plan

cc: Honorable Mayor Faulconer and Members of the City Council
Andrea Tevlin, Independent Budget Analyst
Stacey LoMedico, Assistant Chief Operating Officer
Halla Razak, Director of Public Utilities
Thomas C. Zeleny, Chief Deputy City Attorney

<p style="text-align: center;">Independent Rates Oversight Committee FY2016 Annual Work-plan – March 16, 2015</p>

I. Finance Areas of Focus

1. **Cost of Service Studies (COSS)** (§26.2003(a)(3) and (5)):
 - a. Review and monitor ongoing Water and Wastewater COSS and Recycled Water Pricing Study and provide recommendations and feedback to Department staff and consultants.
 - b. Examine financial trends of Water and Wastewater funds to determine whether rates are at appropriate levels, and whether the utilities are operating in a cost effective manner, and in accordance with COSS projections.
 - c. As part of the 2016 Water COSS, review alternative rate structures for single family residential and irrigation, such as water budget based billing, and provide recommendations to Department staff regarding the feasibility and applicability of these alternatives structures for implementation within the City.
 - d. Research alternative rate structures for any or all customer classes.

2. **City Council Water Policy Implementation Task Force Recommendations** (§26.2003(a)(3) and (8)):
 - a. As appropriate and consistent with IROC's duties and functions as contained in Ordinance No. O-20233, review progress of Department actions in response to Council approved recommendations from the Water Policy Implementation Task Force (Task Force).
 - b. Monitor progress by Department regarding Task Force recommendations deferred by Council for additional analysis or implementation at a future date.

3. **Water Fund Sustainability and Affordability** (§26.2003(a)(3) and (8)):
 - a. Monitor and review San Diego County Water Authority (SDCWA) recommendations for incorporating Carlsbad Desalination Project costs into SDCWA water rates and charges.
 - b. Review assumptions regarding future water supplies, demands, and sales projections that will be used in the City's 2015 Urban Water Management Plan.
 - c. Develop recommendations and specific elements to be included in an analysis of affordability and sustainability of the Water fund given future increased costs of water resulting from the Metropolitan Water District, SDCWA and development of the Pure Water San Diego project.

4. **Budget Review, Performance Audits, and Financial Reporting Improvements** (§26.2003(a)(3) and (7)):
 - a. Review FY 2015-2016 departmental budget and provide input to Department staff, City Council and Mayors office.

- b. Review all performance audits and formulate recommendations for follow-up action, and recommend subjects for the annual performance audit.
 - c. Review OCA audits related to Finance (e.g., reserves, overhead expenses, etc.).
 - d. Recommend various financial reporting improvements to promote transparency for effective oversight.
5. **Drought Impacts** (§26.2003(a)(3) and (8)):
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.

II. Infrastructure and Operations Areas of Focus

1. **Review upcoming system condition studies and analyses to gauge the current infrastructure needs** (§26.2003(a)(8)):
IROC will continue to review progress of ongoing assessment projects and will seek to verify that the available results are reflected in the development of subsequent replacement plans and Capital Improvement Projects (CIPs). IROC will also continue to review metrics such as age of components, frequency of breaks and systems failures, and damage resulting from those failures for this purpose.
2. **Monitor the implementation of the on-going infrastructure replacement plans, including the CIP and its budget and timing** (§26.2003(a)(2)(A) and (4)):
IROC will monitor and identify projects and asset classes that are behind schedule, or over budget. Of particular interest will be whether or not schedule slippage is leading to cost increases and whether it will delay other improvements. Public Utilities and Public Works-Engineering have developed an updated reporting format to enable the Committee to better assess the CIP Program as a whole. This will provide management level reporting and enable IROC to more effectively review execution of the CIP Program.
3. **Monitor and comment on the upcoming COSS and its assumptions relating to funding for operations, maintenance, and infrastructure replacement** (§26.2003(a)(3) and (8)):
IROC will urge that the COSS recommend adequate funds to assure the sustainability of the Department's infrastructure and adequacy of service, especially for the water distribution system. IROC will also urge that any rate recommendations reflect the cost of service to ratepayers, support water conservation, and maintain the sustainability of the Department, its infrastructure, and its operation.
4. **Evaluate City planning efforts for a sustainable long term water supply** (§26.2003(a)(8)):
IROC will receive presentations and comment on the City's planning and actions for maintaining a sustainable supply of water long into the future. IROC continues to advocate that the City aggressively implement the Pure Water San Diego Program and water conservation efforts. IROC will seek an analysis of what level of conservation is feasible for

San Diego and what measures could be considered to keep the Department sustainable in the face of reduced revenue due to deep and/or extended periods of conservation and/or restricted supply.

5. **Recommend targeted audits relating to infrastructure and operations**

(§26.2003(a)(3)(7) and (8)):

IROC will continue to recommend various performance audits to identify efficiencies and savings and improve operations.

6. **Monitor the City's approach and progress toward the modified permit for the Point Loma Wastewater Treatment Plant** (§26.2003(a)(8)):

IROC will monitor the review and approval process of the City's modified permit application for the Point Loma Wastewater Treatment Plant (PLWWTP). The new policy should protect ocean water quality; advance cost-effective wastewater treatment; minimize energy use and other environmental impacts, and satisfy the requirements of State and national regulations while advancing the development of the infrastructure to provide large quantities of affordable, dependable, and safe potable water, through the Pure Water San Diego Program.

7. **Monitor the implementation of the Pure Water San Diego Program** (§26.2003(a)(5)(8)):

IROC will monitor the progress of the Pure Water San Diego Program with the goal that it provide additional water supply security, be cost effective, provide for public health, improve drinking water quality, and minimize the cost of complying with the Clean Water Act in the long run.

8. **Review operations of the Water and Wastewater systems and their impact on system performance, infrastructure sustainability and rates** (§26.2003(a)(8)):

The subcommittee has focused heavily on infrastructure during the reporting period. We anticipate increasing our review of the efficiency and effectiveness of the operation of the system. We anticipate that information from the Department's Optimization Study will provide information that will be helpful for this review.

III. Outreach and Communications Areas of Focus:

1. **Department Branding Effort** (§26.2001(a) and §26.2003(a)(8)):

Monitor the Department's efforts to the Branding initiative that encompasses its entire product/servicing offering, brand commitments, and internal and external implementation.

2. **"Pure Water San Diego" Program Outreach** (§26.2001(a) and §26.2003(a)(8)):

Review and seek analysis of the outreach effort and associated communications related to potable reuse and the Pt. Loma permit.

3. **External Affairs Activities** (§26.2003(a)(8)):
 - a. Complete review of all “External Affairs” activities of the Department. We have a multitude of specific areas such as water conservation, water rates, potable reuse, and industrial waste. Some of the activities have “outsourced” consultants and maintain different lists of stakeholders for messaging.
 - b. Examine the current staffing on all divisions that are doing “outreach” activities and look to integration/augmentation of personnel.

4. **Engage Elected Officials** (§26.2001(a)(2) and (b)):

Initiate contact/dialogue with the Mayor and City Council so that they get to know IROC better. Also target the several special Council committees beyond our reporting group “Committee on the Environment”.

5. **Customer Care Solutions (CCS)** (§26.2001(a) and §26.2003(a)(8)):

Continue to monitor and review the Customer Care Solutions (CCS) system for customer service quality improvements.

6. **Managed Competition** (§26.2001(a)(b)):

Review the San Diego Works Program impact on Public Utilities.

7. **Water Conservation** (§26.2001(a) and §26.2003(a)(8)):

Continue to monitor the City’s efforts to keep the “water conservation” campaign at appropriate levels.

8. **FY14 Rate Structure** (§26.2001(a) and §26.2003(a)(4)(8)):

Monitor the impacts of the FY 2014 water rate structure changes on the City and its ratepayers.

9. **Human Resources (HR)** (§26.2001(a) and §26.2003(a)(8)):

Evaluate whether the Department is able to hire and retain proper staffing for effective operation of current and emerging efforts. If not, review and analyze how can this be improved (i.e., improved succession planning, proactive and innovative recruiting methods, increased compensation and benefits). Review what improvements can be made at the Department level and what would require City approval.

10. **COSS Outreach** (§26.2001(a) and §26.2003(a)(8)):

Encourage the City to reach out to diverse stakeholders in its efforts to conduct Cost of Service Studies.