



# Independent Rates Oversight Committee (IROC)

**Annual Report  
Fiscal Year 2015**

**Committee on the Environment  
March 17, 2016**

# IROC Members and Officers:

## IROC Members and Officers

- **Jeff Justus Chair** Environmental Science Professional Rep.
- **Gordon Hess Vice Chair** Temporary Irrigations & Construction Rep.
- **Irene Stallard-Rodriguez** Single-Family Residential Ratepayer
- **Gail Welch** Commercial and Industrial Ratepayer
- **Christopher Dull** Construction Management Professional
- **Jack Kubota** Engineering Professional
- **Jim Peugh** Environmental Representative
- **Tiffany Mittal** Multi-Family Residential Ratepayer
- **Craig Chapman** Construction Management Professional
- **Don Billings, Vice Chair** Finance/Municipal Finance Professional
- **Vacant** Law Professional

# IROC Members and Officers:

## Ex Officio Members:

- **Ken Williams** SDCWA City 10 Representative
- **Yen Tu** SDCWA City 10 Representative Alternate
- **Luis Natividad** Metro Wastewater JPA Representative
- **Ed Spriggs** Metro Wastewater JPA Representative
- **Jim Peasley** Metro Wastewater JPA Representative Alternate

# Seven Key IROC Recommendations

1. That Department staff regularly report to IROC with information regarding water sales, revenues, local supply availability and other factors that influence revenues and expenditures and how these track with cost of service assumptions. IROC also recommends that Department staff develop more specific criteria for validating the need for future water rate increases and a process for reviewing and approving the consultant's independent analysis. For future Cost of Service Studies (COSS), IROC recommends that it be provided opportunities to be more informed and provide input to the Department, the City Council, and the Mayor at earlier stages in the evolution of the rate study.

# Seven Key IROC Recommendations

2. That City staff, as part of its ongoing efforts to review alternative rates and rate structures, include reclaimed water pricing. It is also recommended that staff review past expenditures for reclaimed water supplies to see if it would be appropriate to recover some of these costs in a reclaimed water supply rate. Finally, in accordance with a court decision regarding San Juan Capistrano's pricing of reclaimed water supplies, staff should re-examine whether the current methodology of assessing reclaimed water distribution costs can or needs to be amended to accomplish pricing objectives and cost of service requirements.

# Seven Key IROC Recommendations

3. That the Department continue to perform condition assessments in order to help guide the CIP program for replacement or repair of major components of the system. However, IROC also recommends that routine replacement programs continue for system components whose service life is predictable.
4. That the Department continue to implement the improvements to the CIP process and provide appropriate management-level information in a way that will facilitate project visibility and enable appropriate IROC oversight.

# Seven Key IROC Recommendations

5. That the City regularly assesses long term water supply needs given the successes of its recent conservation initiatives. Further, a clear policy with decision criteria should be adopted to guide the City Council and Mayor in making decisions to implement voluntary water use reductions or mandatory reductions, if needed, quickly and decisively.
6. That the Department continue to pursue all options in order to get regulatory certainty that the Pure Water Program will suffice to offset the requirement to move up to secondary treatment.

# Seven Key IROC Recommendations

7. That the Department continue, and consider increasing at this critical time, outreach to various community leaders in all areas of San Diego in order to promote the Pure Water San Diego Program and suggest that local media outlets might benefit from a targeted outreach and education effort. Also the Department should enhance public understanding of the costs and benefits of the water and wastewater system, through consistent information and messaging, under a clear, compelling, value statement (e.g., “San Diego Water: Pure Value”). Quarterly reports to IROC on these efforts should continue to be made.

# IROC VACANCIES

- Additionally IROC notes the continued committee vacancies held over since May 2015, when five members termed out. Four of the five agreed to continue serving. The IROC members hope that the Mayor and City Council identify qualified candidates to serve on IROC as soon as possible.

# Finance Sub-Committee Recommendations

1. That Department staff report to IROC regularly information regarding water sales, revenues, local supply availability and other factors that influence revenues and expenditures and how these track with cost of service assumptions. IROC also recommends that Department staff develop more specific criteria for validating the need for future water rate increases and a process for reviewing and approving the consultant's independent analysis. For future cost of service studies IROC recommends that it be provided opportunities to be more informed and provide input to the Department, the City Council, and the Mayor at earlier stages of the evolution rate study.

# Finance Sub-Committee Recommendations

2. That City staff, as part of its ongoing efforts to review alternative rates and rate structures, include reclaimed water pricing. It is also recommended that staff review past expenditures for reclaimed water supplies to see if it would be appropriate to recover some of these costs in a reclaimed water supply rate. Finally, in accordance with a court decision regarding San Juan Capistrano's pricing of reclaimed water supplies, staff should reexamine whether the current methodology of assessing reclaimed water distribution costs can or needs to be amended to accomplish pricing objectives and cost of service requirements.
3. That the Department continue to implement and report progress to IROC on recommendations made by the Water Policy Implementation Committee and accepted by the City Council.

# Finance Sub-Committee Recommendations

4. That the Department provide further updates to the Committee on the status of this issue, and include a report on recent efforts to enact state legislation in this regard.
5. That the Department report back to IROC details of ongoing efforts to reduce departmental costs, including the Mayor's "San Diego Works" program as it applies to the Department and the Department's five year plan to reduce costs. The Department should also consider expanding its efforts to examine cost reduction by designating a specific group within the Department to be responsible for identifying cost reducing opportunities throughout the Department.

# Finance Sub-Committee Recommendations

6. That IROC continue to monitor budget expenditures throughout the year. As recommended last year, the Subcommittee reiterated its request that the Department provide IROC a copy of future proposed budgets as soon as possible after release by the Mayor's office, in addition to budget summaries normally prepared for the Subcommittee. IROC also recommends that future departmental budgets include key assumptions of drivers of revenues and costs, such as projected water sales and purchase volumes and availability of local supplies. IROC also notes that the severe drought and water use reductions ordered by the State will significantly impact water sales and revenues and that increased monitoring of costs and expenditures will be necessary in the upcoming year.

# Infrastructure & Operations

## Sub-Committee Recommendations

1. That the Department continue to perform condition assessments in order to help guide the CIP program for replacement or repair of major components of the system. However, IROC also recommends that routine replacement programs continue for system components whose service life is predictable.
2. That the Department continue to implement the improvements to the CIP process and provide appropriate management-level information in a way that will facilitate project visibility and enable appropriate IROC oversight.

# Infrastructure & Operations

## Sub-Committee Recommendations

3. That the City regularly assesses long term water supply needs given the successes of its recent conservation initiatives. Further, a clear policy with decision criteria should be adopted to guide the City Council and Mayor in making decisions to implement voluntary water use reductions or mandatory reductions, if needed, quickly and decisively.

# Infrastructure & Operations

## Sub-Committee Recommendations

4. IROC urges that the Department establish a template to regularly update and report on the retention, recruitment, level of experience, and anticipated retirement of employees, by specialties, within the Department. A study should be initiated to assess whether the City's limitations on compensation are resulting in savings that exceed the costs of turnover, including training, level of experience, and hiring that result from those limitations. The study should also compare the Department with other similar departments and identify reasons for any issues it identifies and potential measures to resolve them. Finally, the Department should continue to monitor the progress of its succession planning initiative to recruit and retain employees.

# Infrastructure & Operations

## Sub-Committee Recommendations

5. That the Department continue to pursue all options in order to get regulatory certainty that the Pure Water Program will suffice to offset the requirement to move up to secondary treatment.
6. IROC recommends that the department continue to provide periodic updates on the optimization studies until the project is completed, at which time the sub-committee may develop further recommendations.

# Outreach & Communications

## Sub-Committee Recommendations

1. That the Department continue, and consider increasing at this critical time, outreach to various community leaders in all areas of San Diego in order to promote the Pure Water San Diego Program and suggest that local media outlets might benefit from a targeted outreach and education effort. Also the Department should enhance public understanding of the costs and benefits of the water and wastewater system, through consistent information and messaging, under a clear, compelling, value statement (e.g., “San Diego Water: Pure Value”). Quarterly reports to IROC on these efforts should continue to be made.
2. That the Department continue to strengthen the “Water Conservation” campaign program messaging to ensure effectiveness and report back to IROC the results of this effort.

# Outreach & Communications

## Sub-Committee Recommendations

3. That the Department continue to monitor the CCS system, to include billing issues, call centers wait and response times to ensure excellence in customer service.

# Looking Ahead:

## Finance Subcommittee Focus:

- Cost of Service Studies
- City Council Water Policy Implementation Task Force Recommendations
- Water Fund Sustainability and Affordability
- Budget Review, Performance Audits and Finance Reporting Improvements
- Drought Impacts

# Looking Ahead:

## Infrastructure and Operations Subcommittee Focus:

- Review upcoming system condition studies and analyses to gauge the current infrastructure needs.
- Monitor the implementation of the ongoing infrastructure replacement plans, including the CIP and its budget and timing.
- Monitor and comment on the upcoming COSS and its assumptions relating to funding needs for operations, maintenance, and infrastructure replacement.
- Evaluate City planning efforts for a sustainable long term water supply.
- Recommend targeted audits relating to infrastructure and operations.
- Monitor the City's approach and progress toward the modified permit for the Point Loma Wastewater Treatment Plant.
- Monitor the implementation of the Pure Water San Diego Program
- Review operations of the Water and Wastewater systems and their impact on system performance infrastructure sustainability and rates.

# Looking Ahead:

## Outreach and Communications Subcommittee Focus:

- Department Branding Effort
- Pure Water San Diego Program Outreach
- External Affairs Activities
- Engage Elected Officials
- Customer Care Solutions (CCS)
- Managed Competition
- Water Conservation
- Impact of FY15 Rate Structure
- Human Resources
- Cost of Service Study Outreach



# Questions?