



April 1, 2016

Honorable Councilmember David Alvarez, Chair
Environment Committee

Subject: Independent Rates Oversight Committee's FY 2017 Annual Work Plan

Dear Councilmember Alvarez:

The Independent Rates Oversight Committee (IROC) is pleased to present its FY 2017 Annual Work Plan to the Environment Committee (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 "IROC shall present 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 21, 2016 (7 in favor; 0 opposed) to adopt the enclosed FY 2017 Annual Work Plan for submission to the Environment Committee.

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 2017.

I also respectfully request that this item be added to your meeting agenda of April 14, 2016, and we look forward to a meaningful dialogue on IROC's goals and objectives for FY 2017.

Sincerely,

Jeff Justus, Chair
Independent Rates Oversight Committee

Enclosure: IROC FY 2017 Annual Work Plan

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

<p style="text-align: center;">Independent Rates Oversight Committee FY2017 Annual Work Plan – March 21, 2016</p>

I. Finance Areas of Focus

1. **Cost of Service Studies (COSS) (§26.2003(a)(3) and (5)):**
 - a. Review analysis performed by independent consultant retained by department to examine department's financial condition and whether scheduled water rate increases should be adjusted given variabilities in actual sales, local supplies, and other factors from assumptions used in the five-year COSS.
 - b. Examine overall 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.
 - c. Participate with department in ongoing process to review alternative rate structures for customer classes. This will include the multi-family rate class to determine whether an alternative rate structure can be developed.

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 Metropolitan Water District and San Diego County Water Authority (SDCWA) recommendations for changes to water rate structure and long term projections of water rates and charges and its impact to City of San Diego (City) ratepayers.
 - b. Review future water supplies, demands, and sales projections that are used in the City's 2015 Urban Water Management Plan.
 - c. Review and consider the 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 Program.

4. **Budget Review, Performance Audits, and Financial Reporting Improvements (§26.2003(a)(3) and (7)):**
 - a. Monitor at least quarterly key metrics such as water sales, imported and local water supply purchases and availability, and other annual and capital spending and compare with FY 2017 budget assumptions.

- b. Review FY 2017-18 departmental budget and provide input to department staff, City Council and Mayors office.
 - c. Review all performance audits and formulate recommendations for follow-up action, and recommend subjects for the annual performance audit.
 - d. Review OCA audits related to Finance (e.g., reserves, overhead expenses, etc.).
 - e. 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 allocation of supplies on the 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 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. **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 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.
4. **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.

5. **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. 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.
6. **Monitor the implementation of the Pure Water San Diego Program** (§26.2003(a)(5)(8)):
IROC will continue to 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. IROC will include monitoring the development of the system itself and the progress toward needed legislation, regulation, and permitting from the City and from other agencies.
7. **Review operations of the Water and Wastewater systems that have the most impact on system performance, infrastructure sustainability and rates** (§26.2003(a)(8)):
The subcommittee has focused heavily on infrastructure during the reporting period. IROC anticipates increasing our review of the efficiency and effectiveness of the operation of the system. IROC anticipates that information from the Department’s Operations Optimization Study will provide information that will be helpful for this review.
8. **Monitor the Department’s Energy Management Efforts:** (§26.2003(a)(8)):
IROC will monitor the department’s efforts to reduce energy use, energy costs, and its Greenhouse Gas emissions. This will include monitoring the department’s compliance with the City’s Climate Action Plan and relevant State and Federal Climate Change guidelines, standards, and regulations.

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 Point Loma permit.
3. **External Affairs Activities** (§26.2003(a)(8)):
 - a. Complete review of all “External Affairs” activities of the Department. IROC has 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 “Environment Committee.”

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

Continue to monitor and review the Customer Care Solutions System for customer service quality improvements.

6. **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.

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

Monitor the Departments ability to hire and retain proper staffing for effective operation of current and emerging efforts.



Independent Rates Oversight Committee

FY2017 Annual Work Plan

Environment Committee
April 14, 2016

Work Plan

- ▶ Per IROC's Revised Ordinance (O-20233), which became effective on February 22, 2013, IROC is to present a work plan to the Environment Committee by May 1 each year
 - Discuss and comment, but not for approval
 - IROC may amend work plan based on feedback

FY2017 Priority Activities and Tasks

Financial Areas of Focus

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

FY2017 Priority Activities and Tasks

Infrastructure & Operations Areas of Focus

- ▶ Monitor the discharge permit for Point Loma Wastewater Treatment Plant
- ▶ Review upcoming system condition studies
- ▶ Monitor infrastructure replacement plans
- ▶ Evaluate City planning efforts for a sustainable long term water supply
- ▶ Recommend infrastructure and operations audits

FY2017 Priority Activities and Tasks

Infrastructure & Operations Areas of Focus

- ▶ Monitor implementation of Pure Water San Diego Program
- ▶ Review operations of the Water and Wastewater systems
- ▶ Monitor the Department's Energy Management efforts

FY2017 Priority Activities and Tasks

Outreach & Communications Areas of Focus

- ▶ Monitor the Department's Branding efforts
- ▶ Review outreach for the Pure Water San Diego Program
- ▶ Review External Affairs Activities
- ▶ Engage Elected Officials

FY2017 Priority Activities and Tasks

Outreach & Communications Areas of Focus

- ▶ Monitor and review Customer Care Solutions
- ▶ Monitor Water Conservation campaign
- ▶ Review Human Resource needs for effective operation

Questions

