



**REGULAR  
Meeting of the Metro Commission  
and Metro Wastewater JPA**

**AGENDA**

**Thursday, October 3, 2013  
12:00 p.m.**

**9192 Topaz Way (MOC II) Auditorium  
San Diego, California**

*"The Metro JPA's mission is to create an equitable partnership with the San Diego City Council and Mayor on regional wastewater issues. Through stakeholder collaboration, open dialogue, and data analysis, the partnership seeks to ensure fair rates for participating agencies, concern for the environment, and regionally balanced decisions."*

**Note:** Any member of the Public may address the Metro Commission/Metro Wastewater JPA on any Agenda Item. Please complete a Speaker Slip and submit it to the Administrative Assistant or Chairperson prior to the start of the meeting if possible, or in advance of the specific item being called. Comments are limited to three (3) minutes per individual.

Documentation  
Included

1. ROLL CALL
2. PLEDGE OF ALLEGIANCE TO THE FLAG
3. PUBLIC COMMENT  
*Persons speaking during Public Comment may address the Metro Commission/ Metro Wastewater JPA on any subject matter within the jurisdiction of the Metro Commission and/or Metro Wastewater JPA that is not listed as an agenda item. Comments are limited to three (3) minutes. Please complete a Speaker Slip and submit it prior to the start of the meeting.*
- X 4. **ACTION** – CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE MINUTES OF THE REGULAR MEETING OF [August 1, 2013](#) (**Attachment**)
- X 5. **ACTION** – PERMIT/REUSE ADHOC COMMITTEE UPDATE INCLUDING CONSIDERATION AND POSSIBLE ACTION ON JOINT RESOLUTION SUPPORTING DEVELOPMENT OF A LONG-RANGE REGIONAL WATER REUSE PLAN AND SECONDARY EQUIVALENCY FOR POINT LOMA WASTEWATER TREATMENT PLANT (**Attachment**)(Greg Humora/Leah Browder/Scott Tulloch)
- X 6. PRESENTATION OF THE FY2014 STRATEGIC PLAN (**Attachment**) (John Gavares)
- X 7. PRESENTATION OF THE PERFORMANCE AUDIT OF THE INDUSTRIAL WASTEWATER CONTROL PROGRAM (**Attachment**) (Matthew Helm & Andy Hanau)

Documentation  
Included

- X 8. **ACTION** – CONSIDERATION AND POSSIBLE ACTION TO APPROVE AGREEMENT WITH VISION INTERNET FOR JPA WEBSITE (**Attachment forthcoming**) (Greg Humora)
- X 9. METRO TAC UPDATE/REPORT (**Attachment**) (Greg Humora)
- 10. IROC UPDATE (Gail Welch)
- 11. FINANCE COMMITTEE (Barbara Denny)
- 12. REPORT OF GENERAL COUNSEL (Paula deSousa)
- 13. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION/ METRO WASTEWATER JPA MEETING **November 7, 2013**
- 14. METRO COMMISSIONERS' AND JPA BOARD MEMBERS' COMMENTS
- 15. ADJOURNMENT OF METRO COMMISSION AND METRO WASTEWATER JPA

The Metro Commission and/or Metro Wastewater JPA may take action on any item listed in this Agenda whether or not it is listed "For Action."

*Materials provided to the Metro Commission and/or Metro Wastewater JPA related to any open-session item on this agenda are available for public review by contacting L. Peoples at (619) 476-2557 during normal business hours.*

***In compliance with the  
AMERICANS WITH DISABILITIES ACT***

*The Metro Commission/Metro Wastewater JPA requests individuals who require alternative agenda format or special accommodations to access, attend, and/or participate in the Metro Commission/Metro Wastewater JPA meetings, contact E. Patino at (858) 292.6321, at least forty-eight hours in advance of the meetings.*

# AGENDA ITEM 4

## Attachment

(Metro JPA Draft Minutes for  
August 1, 2013)



**Regular Meeting of the Metro Commission  
and Metro Wastewater JPA**

**9192 Topaz Way (MOC II) Auditorium  
San Diego, California**

**August 1, 2013  
DRAFT Minutes**

Chairwoman Cox called the meeting to order at 12:00 p.m. A quorum of the Metro Wastewater JPA and Metro Commission was declared, and the following representatives were present:

**1. ROLL CALL**

<u>Agencies</u>	<u>Representatives</u>		<u>Alternate</u>
City of Chula Vista	Cheryl Cox	X	Rick Hopkins
City of Coronado	Barbara Denny		(No representative)
City of Del Mar	Sherryl Parks	X	Eric Minicilli
City of El Cajon	Bill Wells		Dennis Davies
City of Imperial Beach	Ed Spriggs	X	
City of La Mesa	Art Madrid	X	
Lemon Grove Sanitation District	Jerry Jones	X	
City of National City	Louis Natividad	X	Joe Smith
City of Poway	John Mullin	X	Leah Browder
City of San Diego	Jerry Sanders		Roger Bailey
County of San Diego	Dianne Jacob		Mohamad Fakhrriddine
Otay Water District	Jose Lopez	X	
Padre Dam MWD	Jim Peasley	X	
Metro TAC Chair	Greg Humora	X	
IROC Chair	Gayle Welch		

Others present: Metro JPA General Counsel Paula deSousa; Metro JPA Secretary Lori Anne Peoples; Karyn Keese & Scott Tulloch – Atkins Global; Rick Hopkins – City of Chula Vista; Bob Kennedy & Mark Watton – Otay Water District; Al Lau – Padre Dam Municipal Water District; Lee Ann Jones-Santos, Edgar Patino, Ann Sasaki, Marsi Steirer & Tung Phuong - City of San Diego Public Utilities; Tom Zeleny – City Attorney City of San Diego

**2. PLEDGE OF ALLEGIANCE TO THE FLAG**

Vice-Chair Jones led the Pledge.

**3. PUBLIC COMMENT**

None.

**4. ACTION - CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE MINUTES OF THE REGULAR MEETING OF JUNE 6, 2013 AND THE SPECIAL MEETING OF JUNE 20, 2013**

**ACTION:** Upon motion by Commissioner Peasley, seconded by Vice-Chair Jones, the June 6 and June 20, 2013 Minutes were approved unanimously.

**NOTE: ITEM 7 WAS HEARD AT THIS TIME**

5. **ACTION – CONSIDERATION AND POSSIBLE ACTION TO ACCEPT WATER PURIFICATION AND DEMONSTRATION PROJECT FINAL REPORT** (Marsi Steirer)

Ms. Steirer provided a brief verbal and Power Point presentation.

**ACTION:** Upon motion by Commissioner Spriggs, seconded by Chair Cox, to accept the report and endorse IPR. Motion carried with the City of Del Mar and County of San Diego voting no.

6. **ACTION - CONSIDERATION AND POSSIBLE ACTION ON JOINT RESOLUTION SUPPORTING DEVELOPMENT OF A LONG-RANGE REGIONAL WATER REUSE TREATMENT PLANT** (Leah Browder/Scott Tulloch)

Ms. Browder and Mr. Tulloch provided brief verbal and Power Point presentations. Commissioner Madrid suggested having a climate change impact in the presentation.

**ACTION:** Poll of the members present: Chula Vista – Council support; Del Mar – Personal support; El Cajon – Personal support; Imperial Beach – Personal support; La Mesa – Personal support; National City – Council support; Poway – Council support; County – Abstain; Otay – Board support; Padre – Board support; Lemon Grove – Council support.

**NOTE: ITEM 7 WAS HEARD AFTER ITEM 4**

7. **ACTION - CONSIDERATION AND POSSIBLE ACTION TO APPROVE JPA WEBSITE UPDATE** (Karyn Keese)

Ms. Keese of Atkins Global provided a brief verbal report and recommended amending the budget to include an amount not to exceed \$25, 000 to update the website.

**ACTION:** Upon motion by Commissioner Peasley, seconded by Commissioner Spriggs, to amend the budget and approve the JPA website update. Motion carried unanimously.

8. **ACTION – CONSIDERATION AND POSSIBLE ACTION TO APPROVE OPERATION OPTIMIZATIONS CONSULTANT SERVICES AGREEMENT** (Vien Hong)

Mr. Hong provided a brief verbal overview of the report.

**ACTION:** Upon motion by Chair Cox, seconded by Vice-Chair Jones the services agreement was approved unanimously.

9. **ACTION – CONSIDERATION AND POSSIBLE ACTION TO APPROVE PROGRAMMATIC WASTEWATER PRIELINES CONDITION ASSESSMENT AGREEMENT** (Monika Smoczynski)

Ms. Smoczynski provided a brief verbal overview of the report.

**ACTION:** Upon motion by Chair Cox, seconded by Vice-Chair Jones the assessment agreement was approved unanimously.

10. **COST OF SERVICE STUDY UPDATE** (Lee Ann Jones-Santos)

Ms. Jones-Santos provided a brief overview of the report noting that there were no changes to the current rates on the wastewater side. Additionally she stated that NR&C had approved the update and it will go before the San Diego City Council on September 10, 2013.

11. **USE OF FUNDS UPDATE** (Lee Ann Jones-Santos)

Ms. Jones-Santos provided a brief overview of the report noting that this update came out of a request from the 2007 Rate Case Study to review prior studies. This update will also go before the San Diego City Council on September 10, 2013.

12. **RECYCLED WATER PRICING STUDY** (Lee Ann Jones-Santos)

Ms. Jones-Santos provided a brief verbal overview of the study noting that it had gone to IROC and NR&C on July 10, 2013.

**13. METRO TAC UPDATE**

MetroTAC Vice-Chair Lau stated that the MetroTAC had reviewed all items brought before the JPA on today's agenda and had recommended approval of the budget allocation for the website; reviewed the CIP and proposed new strength based billing; heard the County EOC Emergency Planning report and wished Roger Bailey well as his last day with the City is tomorrow, August 2, 2013.

**14. IROC UPDATE**

IROC Chair Gail Welch was not present and no report was provided by JPA Representative Natividad.

**17. FINANCE COMMITTEE**

Finance Committee Chair Denny was not present and no report was provided.

**18. REPORT OF GENERAL COUNSEL**

No report.

**19. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION/METRO WASTEWATER JPA MEETING SEPTEMBER 5, 2013**

None.

**20. METRO COMMISSIONERS' AND JPA BOARD MEMBERS' COMMENTS**

None.

**21. ADJOURNMENT**

At 2:07 p.m., there being no further business, Chairwoman Cox declared the meeting adjourned.

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Recording Secretary

# AGENDA ITEM 5

## Attachments

(Final 2013 IRWM Plan; Figure 3-10 Regional WW RW; Jt. Reso Supt Long Range Regional Water Reuse Plan & Secondary Equivalency for Pt. Loma WTP; AWWA Article)

**From:** Bob Kennedy [Bob.Kennedy@otaywater.gov]  
**Sent:** Tuesday, September 17, 2013 7:09 AM  
**To:** Gregory P. Humora  
**Cc:** Keese, Karyn; Kevin Schmidt  
**Subject:** FW: SDIRWM: Final 2013 IRWM Plan Available!

Greg,  
Below are links to Final 2013 IRWM Plan. I'll have Kevin bring copies of this email with the links to the next meeting and maybe these links can be provided in the meeting minutes.

**Bob Kennedy, P.E.**  
**Engineering Manager**  
**Phone: (619) 670-2273**  
**Fax.: (619) 670-8920**  
[bob.kennedy@otaywater.gov](mailto:bob.kennedy@otaywater.gov)

**Otay Water District**  
**2554 Sweetwater Springs Boulevard**  
**Spring Valley, CA 91978**

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**From:** Crystal Mohr [<mailto:CMohr@rmcwater.com>]  
**Sent:** Thursday, September 12, 2013 12:10 PM  
**To:** Crystal Mohr  
**Cc:** [rprickett@rmcwater.com](mailto:rprickett@rmcwater.com)  
**Subject:** SDIRWM: Final 2013 IRWM Plan Available!

Good Afternoon San Diego IRWM Stakeholders,

We are pleased to announce that the Final 2013 San Diego IRWM Plan is available to download on our website!

- You can download the plan in pieces or in its entirety on the San Diego IRWM website: <http://sdirwmp.org/2013-irwm-plan-update>
  - Direct link to Volume I, the compiled chapters: [http://www.sdirwmp.org/pdf/SDIRWM\\_Volume%20I\\_Final.pdf](http://www.sdirwmp.org/pdf/SDIRWM_Volume%20I_Final.pdf)
  - Direct link to Volume II, the compiled appendices: [http://www.sdirwmp.org/pdf/SDIRWM\\_Volume%20II\\_Final.pdf](http://www.sdirwmp.org/pdf/SDIRWM_Volume%20II_Final.pdf)

Stay tuned for a copy of the Plan Highlights – anticipated in 2 weeks.

Sincerely,



Crystal

**Crystal Mohr**

**Water Resources Planner**

**RMC Water and Environment**

10509 Vista Sorrento Pkwy, Suite 205

San Diego, CA 92121

(858) 875.7400 (main)

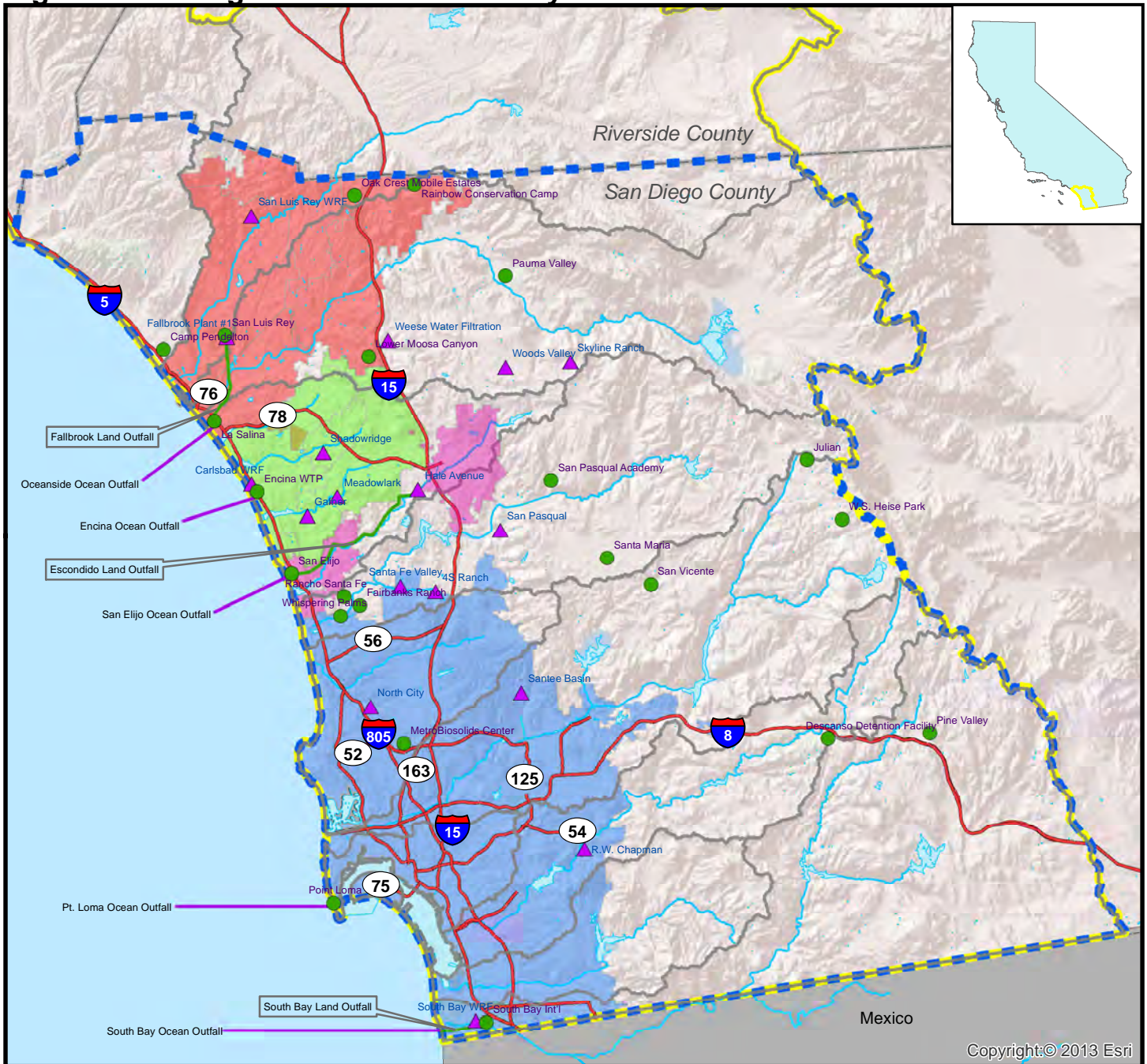
(858) 875.7421 (direct)

[www.rmcwater.com](http://www.rmcwater.com)

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**Figure 3-10: Regional Wastewater/Recycled Water Infrastructure**



**Legend**

● Wastewater Treatment Plant Sewersheds	▲ Water Reclamation Facility	— Ocean Outfalls	— Land Outfalls
□ Watershed	— San Diego IRWM Region	— Funding Area Boundary	— Ocean
— San Diego IRWM Region	— Funding Area Boundary	— Ocean	— Waterbody
— Ocean	— Waterbody	— County	— River
— County	— River	— Freeway	

— Oceanside Outfall	— Encina Outfall
— San Elijo Outfall	— Metro Wastewater System
— Pt. Loma Outfall	— South Bay Outfall

N

0 2.5 5 10  
Miles



Sources: San Diego Association of Governments (SANDAG) - GIS Data Warehouse  
 \\vmcsd\RMCS\Projects GIS\0188-003 SDIRWM Plan Update\AdminDraft\Maps\060713\_JD\Fig3-10\_Regional WW RW Infra 060713.mxd

**RESOLUTION NO. 13-\_\_\_**

**A JOINT RESOLUTION OF THE METRO WASTEWATER JPA/  
METRO COMMISSION, SUPPORTING DEVELOPMENT OF A LONG-RANGE  
REGIONAL WATER REUSE PLAN AND SECONDARY EQUIVALENCY FOR  
POINT LOMA WASTEWATER TREATMENT PLANT**

**WHEREAS**, the Point Loma Wastewater Treatment Plant (PLWTP) is a regional facility in the Metro Wastewater System, operated by the City of San Diego, permitted to treat 240 million gallons of wastewater per day to an Advanced Primary Level, serving a 12 member Joint Powers Authority that comprises approximately 35% of the total flow in the Metro Wastewater System/PLWTP; and

**WHEREAS**, the Clean Water Act of 1972 requires that wastewater be treated to achieve certain protections before ocean discharge and the permitting of wastewater treatment plants, and wastewater treatment plant permits must be renewed every five years; and

**WHEREAS**, the Ocean Pollution Reduction Act (OPRA) of 1994 allowed the City of San Diego to apply for modified permits allowing PLWTP to continue operating at an Advanced Primary Treatment Level while meeting or exceeding all general and specifically negotiated regulatory obligations including ocean protection requirements; and

**WHEREAS**, the current modified permit for the PLWTP expires on July 31, 2015, and City of San Diego staff must finalize a strategy and begin the extensive work required to secure the next permit in or around January 2014; and

**WHEREAS**, in order to secure “non-opposition” for modified permits from environmental stakeholders, the City of San Diego agreed to and successfully prepared verifiable estimates of the cost to convert the current 240 million gallon per day (mgd) PLWTP to Secondary Treatment Levels, conducted a comprehensive external scientific review of ocean monitoring implementing all recommendations for an enhanced ocean monitoring program, and built 45 mgd of water reclamation capacity in the form of the North City Water Reclamation Plant and the South Bay Water Reclamation Plant; and

**WHEREAS**, the City of San Diego has 20 years of ocean monitoring data demonstrating that the Advanced Primary PLWTP consistently protects the ocean environment; and

**WHEREAS**, the City of San Diego has successfully completed a 1 mgd Advanced Water Purification Demonstration Project producing water that is far superior in quality to raw water currently delivered to local reservoirs, and produces potable water of a quality similar to distilled water; and

**WHEREAS**, the City of San Diego’s survey indicates that percentages of those favoring Advanced Treated recycled water as an addition to the drinking water supply have increased from 36% in 2004 to 73% in 2012; and

**WHEREAS**, the City of San Diego has also achieved significant legislative progress associated with the Advanced Water Purification Demonstration Project to advance both indirect and direct potable water reuse projects; and

**WHEREAS**, the San Diego region forecasts the need for billions of dollars in ratepayer revenue to fund imported water supply projects to address transportation constraints and supply challenges, including a locally owned Colorado River pipeline and plans for at least three ocean desalination plants, all of which will require significant capital, operating and energy expenditures; and

**WHEREAS**, it is possible to develop a long-range regional water reuse plan (Long-Range Regional Water Reuse Plan) to divert at least 100 mgd of flow from PLWTP largely to water reuse projects resulting in new, local water supplies, including potable water, and a smaller secondary equivalent PLWTP with reduced Total Suspended Solids mass emission rates equivalent to those of a 240 mgd secondary treatment PLWTP; and

**WHEREAS**, this proposed Long-Range Regional Water Reuse Plan will avoid billions of dollars in unnecessary capital, financing, energy and operating costs to upgrade a facility that already meets or exceeds all general and specifically negotiated regulatory requirements for ocean protection; and

**WHEREAS**, successful implementation of this proposed Long-Range Regional Water Reuse Plan also creates the potential to avoid or downsize currently planned water transportation and supply projects; and

**WHEREAS**, this proposed Long-Range Regional Water Reuse Plan to maximize local water reuse to create a new, local, sustainable water supply while offloading PLWTP to secure acceptance of a smaller secondary equivalent treatment plant is a fiscally prudent, environmentally sound critical regional priority.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of the Metro Wastewater JPA/ Metro Commission as follows:

**Section 1:** That Metro Wastewater JPA/ Metro Commission supports developing a Long-Range Regional Water Reuse Plan that includes the most cost effective water reuse options, including potable reuse, within the Metro Wastewater System's service boundary.

**Section 2:** That Metro Wastewater JPA/ Metro Commission supports developing a Long-Range Regional Water Reuse Plan with the goal of realizing a smaller secondary equivalent PLWTP to avoid spending billions of dollars in ratepayer monies for an unnecessary upgrade to Secondary Treatment, instead potentially funding the creation of new water supplies, including potable water reuse.

**Section 3:** That Metro Wastewater JPA/ Metro Commission supports developing a Long-Range Regional Water Reuse Plan to maximize opportunities to create new, local sustainable water supplies thereby creating opportunities to avoid or downsize billions of dollars in future water supply projects.

**Section 4:** That, in addition, the Metro Wastewater JPA/ Metro Commission supports pursuing judicial and/or legislative remedies for long-term acceptance of a smaller secondary equivalent PLWTP that continues to protect the ocean environment while avoiding billions of dollars in capital, financing, energy and operating costs for an unnecessary conversion of the PLWTP to Secondary Treatment.

**PASSED AND ADOPTED** at a regular meeting of the Board of the Metro Wastewater JPA/ Metro Commission on the 1st day of August, 2013:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

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Cheryl Cox, Chair

**ATTEST:**

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Lori Anne Peoples, Secretary

# **AGENDA ITEM 6**

## **Attachments**

(FY 2014 City of San Diego  
Strategic Plan)

**THE CITY OF SAN DIEGO  
PUBLIC UTILITIES DEPARTMENT  
YEAR THREE OF THE FIVE-YEAR STRATEGIC  
BUSINESS PLAN**

**FISCAL YEAR 2014 STRATEGIC INITIATIVES**





# Public Utilities Department



## **Vision:**

We are an industry leader in the delivery of water, wastewater, and recycled water services

## **Mission:**

To ensure the quality, reliability, and sustainability of water, wastewater, and recycled water services for the benefit of the ratepayers and citizens served

## **Mission & Vision**

## **Guiding Principles & Strategic Goals**

## **Guiding Principles**

- Service Excellence
- Environmental Stewardship
- Fiscal Responsibility
- Continuous Improvement
- Innovative Use of Technology
- Sustainable Growth and Prosperity
- Safe Work Environment
- Dedicated to Employee Development

## **Strategic Goals:**

- Goal 1:* Safe, Reliable, and Efficient Water, Wastewater, and Recycled Water Services
- Goal 2:* Fiscally-Sound and Effective Public Utility
- Goal 3:* Sustainable Growth and Economic Viability
- Goal 4:* Responsive, Safe, Committed and Innovative Workforce






## A Message from the Director of the Public Utilities Department

The Public Utilities Department is entering Year Three of the five-year 2012-2016 Strategic Business Plan. This Report is a summary of the 23 FY2014 Strategic Initiatives, the achievement of which will enable us to continue to be an industry leader in the delivery of water, wastewater, and recycled water services.

The FY2012-16 Strategic Business Plan established policy direction for the Department and has enabled the Department to contain costs, increase efficiencies, and improve service delivery and overall customer satisfaction. The Strategic Business Plan development process served as a catalyst for decision-making and direction-setting. The process for development of the Plan relied on workforce and stakeholder engagement and self-assessment. It has also served as a valuable vehicle for communicating important information to employees to promote greater understanding, commitment and follow-through.

The Public Utilities Department continues to demonstrate great capacity to improve organizational effectiveness and operational resilience in meeting its mission while maintaining compliance with all regulatory requirements. In the coming years, we will continuously strive to be an accessible, cost-conscious agency known for reliable services.

Working together - we can make it happen.



Roger S. Bailey  
Director of Public Utilities

<p><b>Fiscal Year 2013 Strategic Initiatives Overview</b></p> <p><b>Table of Contents</b></p>
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I.	Objectives for the Strategic Business Planning Process .....	5
II.	Strategic Business Planning Process Overview.....	6
III.	Stakeholder Involvement Process .....	7
IV.	Effective Utility Management (EUM) Model .....	8
V.	Strategic Business Framework: Mission, Vision, and Guiding Principles .....	10
VI.	Strategic Business Framework (Cont.): Strategic Goals, Objectives, Performance Measures and Desired Outcomes .....	12
VII.	Implementation, Review, and Evaluation of the Strategic Business Plan.....	12
VIII.	List of Appendices .....	13
	Appendix A: Effective Utility Management (EUM) Wheel of Attributes .....	14
	Appendix B: EUM Attribute Matching to FY2013 Strategic Initiatives.....	15
	Appendix C: FY2012-2016 Strategic Goals, Objectives, and FY2013 Strategic Initiatives.....	18
	Appendix D: FY2013 Strategic Plan Initiatives Quarterly Tracker.....	20
	Appendix E: FY2013 Strategic Initiatives Metrics Business .....	26

## **I. Objectives of the Strategic Business Planning Process**

The FY2012-2016 Strategic Business Plan, and the FY2014 Strategic Initiatives developed during the spring of 2013, will continue to be updated and modified on an annual basis to ensure that the Department continues to make positive progress towards its vision. Many employees have participated in the implementation of the 5-year plan. The continued support and participation of employees at all organizational levels will contribute to sustained success for the Department in improving operations and in providing improved services to our customers and the San Diego community.

Specific intended outcomes of the Public Utilities Department Strategic Business Planning *process* include:

1. An overall plan that clearly sets forth the Department's Strategic framework in alignment with the Effective Utility Management (EUM) Framework, and which consists of the Department vision, mission, guiding principles, goals, objectives and initiatives.
2. Prioritization of strategies that will enable us to continually improve our operations.
3. Informed budgeting and financial management processes to optimally allocate resources for effective action.
4. Alignment of short and long-term action plans and measures of success for strategies in order to achieve organizational goals.
5. Continuing a culture of innovation, dedicated to improving the Public Utilities Department's strategic management capacity and containing costs, increasing efficiency, and improving service delivery and overall customer satisfaction.
6. Stakeholder and employee awareness and commitment to a common business framework, aligned strategies, and effective actions.

## II. FY14 Strategic Business Planning Process Overview

The development of the Department's 23 FY2014 Strategic Initiatives included three workshops. Participants in these workshops included the Department's Executive Team and Stakeholder Group representatives. These workshops occurred on the following dates, and a brief description of the workshops is also described below:

1. April 5 - The desired outcomes of the session included the following:
  - a. Remind the Executive Team and stakeholders of the EUM framework as a structure for developing the Strategic Initiatives.
  - b. Review the status of FY2013 Strategic Initiatives to determine whether there should be any Initiatives that should be carried-over in the FY2014.
  - c. Initiate strategic overview of the Department with internal and external factors considered.
  - d. Conduct Environmental Scanning via EUM Attribute lenses.
  - e. Emerge with initial list of potential FY2014 Strategic Initiatives for achieving Goals #1—Safe, reliable, and efficient water, wastewater and recycled water services & #2—Fiscally-sound and effective public utility.
  
2. May 3 - The desired outcomes of the session included the following:
  - a. Conduct EUM Attribute SWOT Analysis, and identify top factors that should inform development of FY2014 Strategic Initiatives
  - b. Review previous and new data to determine potential FY2014 Strategic Initiatives.
  - c. Emerge with initial list of potential FY2014 Strategic Initiatives for achieving Goals #3—Sustainable growth and economic viability & #4—Responsive, safe, committed and innovative workforce.
  
3. June 14 - The desired outcomes of the session included the following:
  - a. Finalize the selection and development of the FY2014 Strategic Initiatives
  - b. The Executive Sponsors and Initiative Coordinators are assigned to begin drafting quarterly deliverables and milestones, develop performance metrics and targets, and identify desired outcomes.
  - c. Emerge with a list of FY2014 Strategic Initiatives and Next Steps for Action.

Following the June 14 Workshop, Sponsors and Coordinators completed the Quarterly Trackers (see Appendix D) and the Metrics Spreadsheet (see Appendix E). These two spreadsheets documented the deliverables, performance metrics and targets, and desired outcomes for each initiative. These were reviewed and approved by the USET, thus completing the finalization of Initiatives, quarterly deliverables, performance metrics and targets.

Communication to the Organization and our stakeholders is essential. The FY2014 Strategic Initiatives will be communicated to employees in August and September through all hands meetings, a memo from the Department Head, the Department website and the Department newsletter. Communication with IROC, Metro TAC and MC/JPA will occur in the Fall of 2013 through a series of presentations.

### **III. Stakeholder Involvement Process**

The Public Utilities Department FY2012-2016 Strategic Business Plan, and the newly developed FY2014 Strategic Initiatives described in this report, were developed with the involvement of groups of individuals whose interests are impacted by what the Department plans to do. Major external stakeholders and their involvement with the planning process are described below:

The Public Utilities Department Executive Team: The group of Unclassified Managers for the Department is referred to as the Executive Team. These are the leaders who create the content for the Strategic Business Plan. Product creation is done as a group during three or more off-site meetings and through individual review and input before and after group off-sites to produce products for review. The Executive Team is also charged with the responsibility of representing the best thoughts of his/her employees during the planning process, as well as thoroughly communicating the finalized Plan to those same employees.

#### **Stakeholders:**

The Independent Rates Oversight Committee (IROC): The Independent Rates Oversight Committee (IROC) is the official advisory body to the Mayor and City Council on policy issues relating to the oversight of the City of San Diego's Public Utilities Department. The IROC assists the City in tracking and reviewing the use of rate proceeds to advance the capital improvements related to rate packages and work programs adopted by the City Council. This Committee is asked for input to the Strategic Business Plan and is an important recipient of the Plan.

The Metro Commission/Joint Powers Authority (JPA) & Metro Technical Advisory Committee (Metro TAC): The Regional Wastewater Disposal Agreement guides the relationship between the Public Utilities Department and the Metro Commission. They represent the Participating Agencies, who are the group of cities and special districts that receive wastewater treatment services from the City of San Diego. Input and comment on the Strategic Business Plan is coordinated with the Metro Commission and the Metro Technical Advisory Committee.

Office of the Mayor: The Director of the Public Utilities Department reports to the Chief Operating Officer who reports directly to the Mayor. As the Department is part of this City and its Strategic Business Plan must support the City's plan, members of the Mayor's Office and acting Chief Operating Officer (COO) were invited to attend all sessions. This year they, they were unable to attend. However, a representative of the City's Business Office was invited and actively participated in 2 of ther 3 sessions.

## IV. Effective Utility Management (EUM) Model

The Public Utilities Executive Team utilized the Effective Utility Management (EUM) framework—a framework developed to assist utilities departments in assessing operations, setting priorities, and improving future performance—to conduct a SWOT analysis, develop the five-year plan, and create the 23 FY2014 Strategic Initiatives. The ten EUM Attributes are described in Table 1 below, and are illustrated in the model of the EUM Wheel (Appendix A). The alignment of the FY2014 Strategic Initiatives to the EUM Attributes can be found in Appendix B. The FY2014 Strategic Business Plan Goals, Objectives, and Initiatives can be found in Appendix C.

The Effective Utility Management framework was developed in 2007-2008 by multiple water and wastewater associations and the US Environmental Protection Agency in order to aid utilities in addressing common challenges, such as increasing costs and sustaining community support by providing a common lens or framework. It serves as a strategy for identifying, encouraging, and recognizing excellence in water and wastewater utility management. It also provides a succinct indication of where effectively managed utilities focus their efforts and what they typically strive to achieve. Finally, a key concept of the EUM framework is that all ten Attributes are linked and connected with one another, which is captured in the model of the EUM Wheel (Appendix A).

The Effective Utility Management framework is an essential tool to sustaining our nation’s water and wastewater infrastructure. The EUM Primer has three primary components: The Ten Attributes of Effectively Managed Water Sector Utilities, Keys to Management Success, and Where to Begin - A Self-Assessment Tool. The Public Utilities Department Executive Team and stakeholders adapted the self-assessment tool for their use in the development of the five-year 2012-16 Strategic Plan, and in the development of the FY2014 Strategic Initiatives.

Table I below includes a list of the ten EUM Attributes and their descriptions:

**Table 1: EUM Attributes and Attribute Descriptions**

EUM Attribute	Attribute Descriptions
<b>1. Product Quality</b>	<ul style="list-style-type: none"> <li>✓ Complies with regulatory and reliability requirements.</li> <li>✓ Consistent with customer, public health, and ecological needs.</li> </ul>
<b>2. Customer Satisfaction</b>	<ul style="list-style-type: none"> <li>✓ Provides reliable, responsive, and affordable services.</li> <li>✓ Receives timely customer feedback.</li> <li>✓ Responsive to customer needs and emergencies.</li> </ul>
<b>3. Employee and Leadership Development</b>	<ul style="list-style-type: none"> <li>✓ Recruits and retains competent workforce.</li> <li>✓ Collaborative organization dedicated to continual learning and improvement.</li> <li>✓ Employee institutional knowledge retained and improved.</li> <li>✓ Opportunities for professional and leadership development.</li> </ul>

<b>EUM Attribute</b>	<b>Attribute Descriptions</b>
	<ul style="list-style-type: none"> <li>✓ Integrated and well-coordinated senior leadership team.</li> </ul>
<b>4. Operational Optimization</b>	<ul style="list-style-type: none"> <li>✓ Ongoing performance improvements.</li> <li>✓ Awareness and timely adoption of operational and technology improvements.</li> </ul>
<b>5. Financial Viability</b>	<ul style="list-style-type: none"> <li>✓ Understands full life-cycle cost of utility.</li> <li>✓ Effective balance between long-term debts, asset values, operations and maintenance expenditures, and operating revenues.</li> <li>✓ Predictable and adequate rates.</li> </ul>
<b>6. Infrastructure Stability</b>	<ul style="list-style-type: none"> <li>✓ Understands the condition of and costs associated with critical infrastructure assets.</li> <li>✓ Maintains and enhances assets over the long-term at the lowest possible life-cycle cost and acceptable risk.</li> <li>✓ Repair efforts are coordinated within community to minimize disruptions.</li> </ul>
<b>7. Operational Resiliency</b>	<ul style="list-style-type: none"> <li>✓ Staff works together to anticipate and avoid problems.</li> <li>✓ Proactively establishes tolerance levels and effectively manages risks (including legal, regulatory, financial, environmental, safety, security, and natural disaster-related).</li> </ul>
<b>7. Community Sustainability</b>	<ul style="list-style-type: none"> <li>✓ Attentive to impacts on community and watershed health and welfare.</li> <li>✓ Operations enhance natural environment.</li> <li>✓ Efficiently use water and energy resources; promote economic vitality; and engender overall community improvement.</li> <li>✓ Maintain and enhance ecological and community sustainability including pollution prevention, watershed, and source water protection.</li> </ul>
<b>9. Water Resource Adequacy</b>	<ul style="list-style-type: none"> <li>✓ Ensures water availability through long-term resource supply and demand analysis, conservation, and public education.</li> <li>✓ Manages operations to provide for long-term aquifer and surface water sustainability.</li> </ul>
<b>10. Stakeholder Understanding and Support</b>	<ul style="list-style-type: none"> <li>✓ Engenders understanding and support from oversight bodies, community and watershed interests, and regulatory bodies for service levels, rate structures, operating budgets, capital improvement programs, and risk management decisions.</li> <li>✓ Actively involves stakeholders in the decisions that will affect them.</li> </ul>

## **V. Strategic Business Framework: Mission, Vision, and Guiding Principles**

The Public Utilities Strategic Business Plan is aligned with the City’s Balanced Scorecard approach and links with the City’s Strategic Business Plan, which defines planning and performance requirements for all City departments. The Public Utilities Department’s Strategic Business Framework for developing clear strategic direction is summarized in our Mission, Vision, and Guiding Principles.

The Mission Statement describes the purpose and core “reason for being” of the Department. The Vision Statement describes the kind of organization the Department aspires to be. The Guiding Principles are the underlying values and core beliefs about what is important, and represent the core of our operating philosophy and culture. They are a major determinant of behavior of management and employees. The Mission, Vision, and Guiding Principles are listed below:

### **Public Utilities Department Mission**

To ensure the quality, reliability, and sustainability of water, wastewater, and recycled water services for the benefit of the ratepayers and citizens served.

### **Public Utilities Department Vision**

We are an industry leader in the delivery of water, wastewater, and recycled water services.

### **Public Utilities Department Guiding Principles**

The Public Utilities Department strictly follows eight guiding principles, which include:

- ✓ Service Excellence
- ✓ Environmental Stewardship
- ✓ Fiscal Responsibility
- ✓ Continuous Improvement
- ✓ Innovative Use of Technology
- ✓ Sustainable Growth and Prosperity
- ✓ Safe Work Environment
- ✓ Dedicated to Employee Development



## **VI. Strategic Business Framework : Strategic Goals, Objectives, Performance Measures and Desired Outcomes**

The Public Utilities Department's Strategic Business Framework includes Strategic Goals, Objectives, Initiatives, and corresponding Performance Measures and Desired Outcomes. These serve as a detailed plan as to how the Department intends to achieve its Mission.

### **Strategic Goals:**

Goal # 1: Safe, Reliable, and Efficient Water, Wastewater, and Recycled Water Services

Goal # 2: Fiscally-Sound and Effective Public Utility

Goal # 3: Sustainable Growth and Economic Viability

Goal # 4: Responsive, Safe, Committed and Innovative Workforce

**Strategic Objectives:** Each of the Strategic Goals above are supported by underlying Strategic Objectives, which are focused and targeted outcomes that will guide the Department's efforts to address challenges and opportunities on the horizon, and help the Department to successfully achieve its Mission and Vision.

**Strategic Initiatives:** Each of the Objectives below has corresponding Initiatives, with one to two-year implementation timeframes. These Initiatives are designed to achieve the Strategic Objective, which leads to goal achievement. The 23 FY2014 Strategic Business Plan Initiatives Quarterly Tracker (Appendix D) is used to monitor and track quarterly progress towards achievement of Initiatives. Each Initiative has an Executive Sponsor and Coordinator who are the leads in achieving the Initiative. The Executive Team meets quarterly to monitor progress recorded on the Tracker.

**Performance Measures and Desired Outcomes:** Each Strategic Initiative has corresponding Performance Measures and Desired Outcomes that state the intended results of implementing the Strategic Initiative and how we will measure whether the Initiative was successfully implemented (Appendix E). They are specific indicators of how well the Department is achieving its core activities. These are a vital part of the Department's Strategic Business Plan.

## **VII. Implementation, Review, and Evaluation of the Strategic Initiatives**

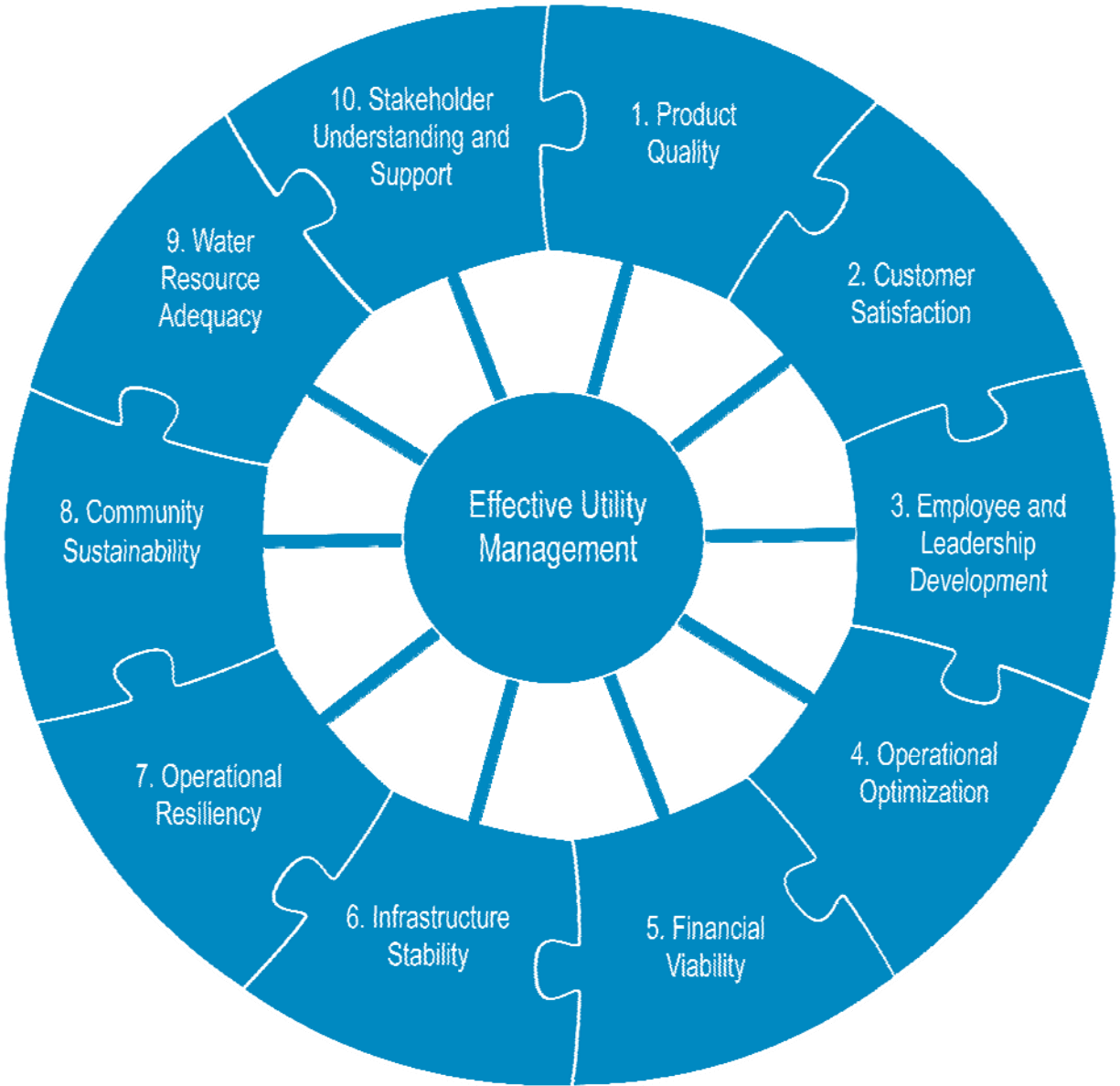
Each Strategic Initiative has an Executive Sponsor, Coordinator, and an implementation plan with key deliverables with specific target dates. The Public Utilities Department's five-year Strategic Business Plan, and the newly developed 23 FY2014 Strategic Initiatives, reinforces and contributes to a performance monitoring system using the EUM framework. Communication efforts with all employees and stakeholders are made through All-Hands Meetings, the Department Newsletter, the Department's Intranet, and e-mails. The Strategic Business Plan performance monitoring system has been established, and data continues to be collected and reported to the Executive Team on a monthly, quarterly, and annual basis. Status updates of the 23 FY2014 Strategic Initiatives will be reported on a quarterly basis for the purpose of monitoring and evaluating the implementation, just as it was used to monitor the 33 FY2012 and 27 FY2013 Strategic Initiatives.

A "plan, do, check, act" approach will continue during this FY2012-2016 Strategic Business Plan process. The Public Utilities Department Executive Team believes the goals, objectives, initiatives, and implementation plans put forth in this document are realistic. However, recognizing the dynamic environment that surrounds and impacts the Department, a re-aligning of some initiatives may be necessary to successfully achieve the Public Utilities Goals and Objectives.

## **VIII. List of Appendices**

- A. Effective Utility Management (EUM) Wheel of Attributes
- B. Effective Utility Management (EUM) Attribute Matching to FY2014 Strategic Initiatives
- C. FY2012-16 Five-year Strategic Goals and Objectives
- D. FY2014 Strategic Initiatives Quarterly Tracker
- E. FY2014 Strategic Initiative Metrics

**Appendix A: Effective Utility Management Wheel of Attributes**



## Appendix B: EUM with Corresponding 23 FY2014 Initiatives

EUM Attribute	Strategic Initiative
<b>EUM # 1: Product Quality</b>	#6 San Diego Metropolitan Sewage System strategy: Develop strategy on all elements of the proposed future system-wide operations to meet permitting requirements. (EUM: Product Quality) (Related to FY13 C/O SI#21)
EUM Attribute	Strategic Initiative
<b>EUM # 2: Customer Satisfaction</b>	#7 Inter/Intra-Divisional Collaboration: Promote employee service-oriented culture throughout the Department marked by increased cooperation and collaboration. (EUM: Customer Satisfaction) (FY13 C/O SI#10)
	#8 Customer Survey: Enhance the customer survey program and feedback process (EUM: Customer Satisfaction) (FY13 C/O SI#11)
EUM Attribute	Strategic Initiative
<b>EUM # 3: Employee and Leadership Development</b>	#19 Wellness Program: Develop a Department-wide Wellness Program. (EUM: Employee & Leadership Development)
	#20 Optimization Studies: Conduct new and implement old. (EUM: Employee & Leadership Development) (FY13 C/O SI#23)
	#21 Knowledge Management: Succession planning and depth building. (EUM: Employee & Leadership Development) (FY13 C/O SI#24)
	#22 Expedite Hiring: Expedite hiring for high turnover positions. (EUM: Employee & Leadership Development)
	#23 Leadership Development Program (LDP) Reinforcement: Provide continuing education opportunities to LDP alumni, and foster a culture that supports application of Academy content. (EUM: Employee & Leadership Development)
EUM Attribute	Strategic Initiative
<b>EUM # 4: Operational Optimization</b>	#10 Operational Optimization: Explore WW treatment optimization and cost saving ideas to reduce per unit treatment costs and explore new treatment options and markets for biosolids management (EUM: Operational Optimization)
EUM Attribute	Strategic Initiative

<b>EUM # 5: Financial Viability</b>	#12 Game Changers: Evaluate financial impact of "game changers". (e.g. Potable Reuse, Desalination, Point Loma) (EUM: Financial Viability)
	#13 Cost Recovery Fees: Improve fee-based cost recovery. (EUM: Financial Viability) (FY13 C/O SI#18)
<b>EUM Attribute</b>	<b>Strategic Initiative</b>
<b>EUM # 6: Infrastructure Stability</b>	#1 Enterprise Asset Management (EAM) Project: Develop a user friendly SAP Enterprise Asset Management consultant-assisted solution. (EUM: Infrastructure Stability) (FY13 C/O SI#1)
	#2 Condition Assessments: Complete major milestones included in the service contract of the Asbestos Cement Water Mains Condition Assessment. (EUM: Infrastructure Stability) (FY13 C/O SI#3 & SI#4)
	#3 Accelerated Repair Program: Initiate an accelerated repair program of distribution system water mains identified by EPM Division using in-house resources. (EUM: Infrastructure Stability)
	#4 Risk Based Valve Maintenance: Initiate a risk-based valve maintenance program to determine the maintenance schedule of every asset based on analysis of asset purpose, risk of failure, etc. (EUM: Infrastructure Stability)
<b>EUM Attribute</b>	<b>Strategic Initiative</b>
<b>EUM # 7: Operational Resiliency</b>	#5 Facility Vulnerability: Assess, update, and implement Emergency Response Plan and Security plans. (EUM: Operational Resiliency) (FY13 C/O SI#6)
<b>EUM Attribute</b>	<b>Strategic Initiative</b>
<b>EUM # 8: Community Sustainability</b>	#16 Renewable Energy Initiatives Expansion: (FY13 - FY15) Reduce energy commodity consumption, peak demand & green house gas emissions, increase renewable energy production, and support the Mayor's solar energy initiative. (EUM: Community Sustainability) (FY13 C/O SI#20)
<b>EUM Attribute</b>	<b>Strategic Initiative</b>
<b>EUM # 9: Water Resource Adequacy</b>	#14 Complete Potable Reuse Implementation Studies: Comprehensive studies including engineering, site, financing, cost allocation, resource allocation, etc. (EUM: Water Resource Adequacy) (Related to FY13 C/O SI#19)
	#15 Potable Reuse: Engage in policy & legislative efforts to promote potable reuse. Positively affect regulations and potential legislation to clear the path for approving advanced treatment as raw water. (EUM: Water Resource Adequacy)

	#17 Seawater Desalination Rate Structure: Pursue a fair and equitable desalination rate allocation. (EUM: Water Resource Adequacy)
	#18 Conservation Initiatives: Pursue rate structure and encourage conservation. (EUM: Water Resource Adequacy)
<b>EUM Attribute</b>	<b>Strategic Initiative</b>
<b>EUM #10 Stakeholder Understanding and Support</b>	#9 Public Education: Educate the public/stakeholders on the value of water, and Department's efforts to reduce internal costs. (EUM: Stakeholder Understanding and Support) (FY13 C/O SI#19)
	#11 Increased Transparency: Develop and implement strategies and approaches that enhance our transparency and accountability to customers and stakeholders. (EUM: Stakeholder Understanding and Support)

## Appendix C: Strategic Goals, Objectives and Initiatives

Goals	Objectives	Initiatives
<p>Goal #1: Safe, reliable, and efficient water, wastewater and recycled water services</p>	<p>Objective #1: Manage assets optimally through repair, rehabilitation, and replacement</p>	1) Enterprise Asset Management (EAM) Project: Develop a user friendly SAP Enterprise Asset Management consultant-assisted solution. (EUM: Infrastructure Stability) (FY13 C/O SI#1)
		2) Condition Assessments: Complete major milestones included in the service contract of Asbestos Cement Water Mains Condition Assessment. (EUM: Infrastructure Stability) (FY13 C/O SI#3 & SI#4)
		3) Accelerated Repair Program: Initiate an accelerated repair program of distribution system water mains identified by EPM Division using in-house resources. (EUM: Infrastructure Stability)
		4) Risk Based Valve Maintenance: Initiate a risk-based valve maintenance program to determine the maintenance schedule of every asset based on analysis of asset purpose, risk of failure, etc. (EUM: Infrastructure Stability)
	<p>Objective #2: Meet or exceed regulatory and public health standards</p>	5) Facility Vulnerability: Assess, update, and implement Emergency Response Plan and Security plans. (EUM: Operational Resiliency) (FY13 C/O SI#6)
		6) San Diego Metropolitan Sewage System Strategy: Develop strategy on all elements of the proposed future system-wide operations to meet permitting requirements. (EUM: Product Quality) (Related to FY13 C/O SI#21)
Goals	Objectives	Initiatives
<p>Goal #2: Provide the public with competitive, customer-focused services</p>	<p>Objective #3: Provide the public with competitive, customer-focused services</p>	7) Inter/Intra-Divisional Collaboration: Promote employee service-oriented culture throughout the Department marked by increased cooperation and collaboration. (EUM: Customer Satisfaction) (FY13 C/O SI#10)
		8) Customer Survey: Enhance the customer survey program and feedback process. (EUM: Customer Satisfaction) (FY13 C/O SI#11)
		9) Public Education: Educate the public/stakeholders on the value of water, and Department's efforts to reduce internal costs. (EUM: Stakeholder Support) (FY13 C/O SI#19)
	<p>Objective #4: Minimize rate impacts through expenditures controls, the pursuit of alternative funding, and full cost recovery</p>	10) Operational Optimization: Explore WW treatment optimization and cost saving ideas to reduce per unit treatment costs and explore new treatment options and markets for biosolids management (EUM: Operational Optimization)
		11) Increased Transparency: Develop and implement strategies and approaches that enhance our transparency and accountability to customers and stakeholders. (EUM: Stakeholder Support)
		12) Game Changers: Evaluate financial impact of "game changers". (e.g. Potable Reuse, Desalination, Point Loma) (EUM: Financial Viability)
		13) Cost Recovery Fees: Improve fee-based cost recovery. (EUM: Financial Viability) (FY13 C/O SI#18)



<b>Goals</b>	<b>Objectives</b>	<b>Initiatives</b>
Goal #3: Sustainable growth and economic viability	Objective #5: Engage in regional initiatives which provide viable, environmentally responsible and cost-effective alternative sources of water supply	14) Complete Potable Reuse Implementation Studies: Comprehensive studies including engineering, site, financing, cost allocation, resource allocation, etc. (EUM: Water Resource Adequacy) (Related to FY13 C/O SI#19)
		15) Potable Reuse: Engage in policy & legislative efforts to promote potable reuse. Positively affect regulations and potential legislation to clear the path for approving advanced treatment as raw water. (EUM: Water Resource Adequacy)
	Objective #6: Reduce the reliance on non-renewable energy	16) Renewable Energy Initiatives Expansion: (FY13 - FY15) Reduce energy commodity consumption, peak demand & green house gas emissions, increase renewable energy production, and support the Mayor's solar energy initiative. (EUM: Community Sustainability) (FY13 C/O SI#20)
	Objective #7: Develop long-range plans to support a growing community	17) Seawater Desalination Rate Structure: Pursue a fair and equitable desalination rate allocation. (EUM: Water Resource Adequacy)
18) Conservation Initiatives: Pursue rate structure and encourage conservation. (EUM: Water Resource Adequacy)		
<b>Goals</b>	<b>Objectives</b>	<b>Initiatives</b>
Goal #4: Responsive, safe, committed and innovative workforce	Objective #8: Meet or exceed safety standards	19) Wellness Program: Develop a Department-wide Wellness Program (EUM: Employee & Leadership Development)
	Objective #9: Ensure adequate staffing to meet operational needs	20) Optimization Studies: Conduct new and implement old. (EUM: Employee & Leadership Development) (FY13 C/O SI#23)
		21) Knowledge Management: Succession planning and depth building. (EUM: Employee & Leadership Development) (FY13 C/O SI#24)
	Objective #10: Develop and support employees, and recognize exceptional performance	22) Expedite Hiring: Expedite hiring for high turnover positions. (EUM: Employee & Leadership Development)
23) Leadership Development Program (LDP) Reinforcement: Provide continuing education opportunities to LDP alumni, and foster a culture that supports application of Academy content. (EUM: Employee & Leadership Development)		

## Appendix D: FY2014 Strategic Initiatives Quarterly Tracker

SI #	Strategic Initiative	Sponsor	Coordinator	First Quarter Deliverables (July - September, 2013)			Second Quarter Deliverables (October - December, 2013)			Third Quarter Deliverables (January - March, 2014)			Fourth Quarter Deliverables (April through June, 2014)		
<b>Goal #1: Safe, reliable, and efficient water, wastewater and recycled water services</b>															
1	<b>#1. Enterprise Asset Management (EAM) Project: Develop a user friendly SAP Enterprise Asset Management consultant-assisted solution. (EUM: Infrastructure Stability) (FY13 C/O SI#1)</b>	Tom Crane	Susan Bowman	Complete Project Charter documenting scope definition	Complete Project Charter documenting participating departments	Complete Project Charter documenting funding allocations	Finalize project logistics: site	Finalize project logistics: staffing	Finalize project logistics: project schedule	Release RFP for business consultant of PUD maintenance work practices related to SAP EAM			Submit SAP EAM System Integrator RFP to Purchasing and Contracts Department		
2	<b>#2. Condition Assessments: Complete major milestones included in the service contract of Asbestos Cement Water Mains Condition Assessment. (EUM: Infrastructure Stability) (FY13 C/O SI#3 &amp; SI#4)</b>	Guann Hwang	Eric Rubalcava	1) Issue NTP to consultant	2) Schedule and conduct kick off meeting	3) Get cost loaded schedule (Deliverable #1) 4) Initiate working plan	1) Finalize working plan TM #1 (Deliverable #2)	2) Run queries for inventory	3) Conduct literature review TM #2 (Deliverable #3)	1) Acquire missing data from Queries	2) Initiate field testing (including Lab)	3) Initiate statistical model	1) Finalize field testing (Deliverable #4)	2) Initiate GIS replacement tool	
3	<b>#3. Accelerated Repair Program: Initiate an accelerated repair program of distribution system water mains identified by EPM Division using in-house resources. (EUM: Infrastructure Stability)</b>	Guann Hwang / Stan Medina	Eric Rubalcava	1) Develop a team and conduct kick off meeting 2) Run query for remaining CI, develop schedule, and prioritize (Deliverable #1, #2, and #3)	3) Prioritize remaining CI (Deliverable #4)	4) Meet with PI Division to determine if CI is programmed into existing Group Job	1) Develop scope for pilot projects (Deliverable #5)	2) Identify funding	3) Initiate design package and conduct site visits for Pilot #1	1) Finalize design package and specs for Pilot #1 (Deliverable #6) 2) Set up Pilot #1 project in SAP	3) Initiate design package and conduct site visits for Pilot #2	4) Begin construction for Pilot #1	1) Finalize design package for Pilot #2 (Deliverable #7) 2) Set up the Pilot #2 project in SAP 3) Complete construction of Pilot #1 and update SPLASH	4) Begin construction for Pilot #2	5) Complete construction of Pilot #2 and update SPLASH
4	<b>#4. Risk-Based Valve Maintenance: Initiate a risk-based valve maintenance program to determine the maintenance schedule of every asset based on analysis of asset purpose, risk of failure, etc. (EUM: Infrastructure stability)</b>	Stan Griffith	Stan Medina	Conduct and review nation-wide survey based on a Risk Based Approach for valve maintenance			Identify a water pressure zone to 'Pilot' a Risk Based Approach, which includes; businesses, medical centers, schools, and residents. Identify installation dates for valves. Identify valve types. Identify critical valves within the zone. Identify consumer impacts. Ensure mapping in Splash, Ensure availability of Work Orders within SWIM.			Implement 'Pilot'. Review all ongoing procedures to ensure the four criteria are being implemented			Review the 'Pilot' program to determine the proper direction for additional potential pilots, or a resolution not to pursue a Risk Based Approach.		

5	<b>#5. Facility Vulnerability: Assess, Update, and implement Emergency Response Plan and Security plans (EUM: Operational Resiliency) (FY13 C/O SI#6 Revised)</b>	Ann Sasaki	Guann Hwang / Sue Lanier			Issue DRAFT Vulnerability Assessments and Emergency Response Plans for review		Finalize Vulnerability Assessments and Emergency Response Plans	- Present completed Vulnerability Assessment and Emergency Response Plans to Exec Team. - Develop Emergency Response drill for water and wastewater facilities		- Execute an emergency response drill for wastewater at EOC-MOC	- Prepare lesson learned from emergency response drills	- Identify action items in the water and wastewater Vulnerability Assessments and Emergency Response Plans  - Develop a combine (water & wastewater) emergency response drill	- Execute a joint emergency response drill for water & wastewater at Chollas & MOC EOC	- Develop project(s) for the identified action items from Vulnerability Assessments and emergency response Plans
6	<b>#6. San Diego Metropolitan Sewage System strategy: Develop strategy on all elements of the proposed future system-wide operations to meet permitting requirements. (EUM: Product Quality) (Related to FY13 C/O SI#21)</b>	Water Quality Branch AD	Steve Meyer /Cheryl Lester	Brief Mayor's Office to receive policy direction. Once direction is received, determine deliverables and timetable.	Begin discussions with stakeholder groups on basis for NPDES permit for Pt. Loma.		>Submit recommendation on Secondary Equivalence to the Mayor's Office.	Brief Mayor's Office on policy conversation with U.S.EPA Reg 9 Administrator with recommendation for basis of permit application.		Receive policy direction for the basis of the City's NPDES permit application for Pt. Loma.	> Executive Strategy Team review permit production workplan. > Assemble and brief Permit Production Team on workplan. >Review and adapt permit application approach as needed.	Direct Permit Production Team on workplan.	Review and adapt permit application as needed.	> Exec. Strategy Team monitors Production Team progress.	
<b>Goal # 2: Fiscally-sound and effective public utility</b>															
7	<b>#7. Inter/Intra-Divisional Collaboration: Promote employee service-oriented culture throughout the department marked by increased cooperation and collaboration. (EUM: Customer Satisfaction)(FY13 C/O SI#10)</b>	Tom Crane	John Gavares	Data gathering with Executive Team re: priority areas for enhanced inter-divisional collaboration.	Identify candidate partnering projects and present to the USET for review and prioritization.	Partnering Project #1: Commence first FY14 Partnering Project: Includes contracting and readiness development, agreement on the scope, desired outcomes, and process and project plan.			Partnering Project #2: Contracting, readiness-development and project planning with leadership teams of sections.				Partnering Project #3: Contracting, readiness-development and project planning with leadership teams of sections.		
8	<b>#8. Customer Survey: Enhance the customer survey program and feedback process (EUM: Customer Satisfaction)</b>	Brent Eidson	Kurt Kidman	Receive approval for Purchase Requisition from Human Resources.	Finalize Scope of Work and the Purchase Requisition.		Solicit quotes to conduct the Customer Survey.	Select a consultant.		Establish a working relationship between the consultant and the Executive Team.	Formulate the questions to be asked during the survey.		Conduct the survey and have the consultant present the findings to the Executive Team.		
9	<b>#9. Public Education: Educate the public/stakeholders on the value of water, and Department's efforts to reduce internal costs (EUM: Water Resource Adequacy) (FY13 C/O SI#19)</b>	Brent Eidson	Eric Symons	Continue outreach to existing stakeholder groups on cost of service and value of water.	1) Work with City IT to update public website including text and graphics that convey the value of water. 2) Expand use of social media to reach public.	Establish stakeholder email distribution list.	Work with Water Conservation Team to incorporate the value of water into conservation outreach efforts via talking points, collaterals, email messaging, potential advertisements, etc.	Develop slide show for City TV and schedule showings.	Incorporate value of water messaging into the Speaker's Bureau.				Continue previous quarter efforts.		

10	<b>#10. Operational Optimization: Explore WW treatment optimization and cost saving ideas to reduce per unit treatment costs and explore new treatment options and markets for biosolids management (EUM: Operational Optimization)</b>	Water Quality Branch AD	Cheryl Lester	Meet with staff to discuss ideas for further optimization of WW facilities using the PRISCT/PRIC EPT Program and identify any energy saving ideas.		Investigate ww optimization ideas discussed and observed at comparable facilities.	Visit 1-2 comparable ww facilities in So Cal region to identify potential optimization ideas including biosolids management activities.					Present ww optimization Action Plan to USET.		
11	<b>#11. Increased Transparency: Develop and implement strategies and approaches that enhance our transparency and accountability to our customers and stakeholders (EUM: Customer Stakeholders)</b>	Lee Ann Jones-Santos / Brent Eidson	Tom Haynes			Create document listing (with frequency) from the division heads. Develop and/or review a stakeholder listing.		Review the listings and provide a draft to USET for review.			Implement any changes from USET.			Finalize the listings and provide to USET.
12	<b>#12. Game Changers: Evaluate financial impact of "game changers" (e.g. Potable Reuse, Desalination, Point Loma) (EUM: Financial Viability)</b>	Lee Ann Jones-Santos	Tom Haynes			Develop list of game changers we want to monitor and have it reviewed by USET. Work with Deputy Directors to determine who is the contact (and backup) person to follow up with on progress of the items identified. Identify any study we need to be consistent with.					Follow up with contact person and provide a brief written summary to the FIT Deputy Director and Program Managers,			Follow up with contact person and provide a brief written summary to the FIT Deputy Director and Program Managers,
13	<b>#13. Cost Recovery Fees: Improve fee-based cost recovery (EUM: Financial Viability) (FY13 C/O SI#18)</b>	Lee Ann Jones-Santos	Tom Haynes			Compile comprehensive list of fees, including description, basis of fee and fee amount.		Research and compile authorization for fee (i.e. Muni Code, Resolution, state law, etc.)			Compile 2-3 years data on revenue received from each fee.			Present to Executive Team/USET and get direction on which fees to research further for cost recovery.
<b>Goal # 3: Sustainable growth and economic viability</b>														
14	<b>#14. Complete Potable Reuse Implementation Studies: Comprehensive studies including engineering, site, financing, cost allocation, resource allocation, etc.</b>	Marsi Steirer	Amy Dorman/ Cathy Pieroni	1) Provide staff report to NR&C on the progress of the follow-up tasks within 90 days of the City Council hearing on April 23, 2013.	2) Hold Kick-off meeting with Consultant Team.	3) Issue Notice to Proceed (NTP) for San Vicente and Otay Reservoirs modeling work.		2) Form Stakeholder Group.	Conduct first Stakeholder meeting.				1) Complete Technical Memo # 1 to address NCWRP @ 45 mgd, IPR/DPR evaluation, and evaluation of last 7,000 ft SVR pipeline.	2) Complete Technical Memo # 2 to address NCWRP @ 30 mgd and DPR evaluation. 3) Conduct second

	(EUM: Water Resource Adequacy) (Related to FY13 C/O SI#19)														Stakeholder meeting.
15	#15. Potable Reuse: Engage in policy & legislative efforts to promote potable reuse. Positively affect regulations and potential legislation to clear the path for approving advanced treatment as raw water. (EUM: Water Resource Adequacy)	Marsi Steirer	Cathy Pieroni/ Amy Dorman	1) Track the status of legislation, regulations, and external policies related to Potable Reuse in functional database.  2) Engage with entities that have vested interests in Potable Reuse legislation, regulations and external policies to promote favorable outcomes.	3) Prepare position letters on related legislation, as warranted.  4) Prepare comment letters on related regulations and external policies, as warranted.	5) Provide quarterly management report detailing the following issues and Department activities: a) Status of current Potable Reuse legislation, regulations and external policies.	1) Track the status of legislation, regulations, and external policies related to Potable Reuse in functional database.  2) Engage with entities that have vested interests in Potable Reuse legislation, regulations and external policies to promote favorable outcomes.	3) Prepare position letters on related legislation, as warranted.  4) Prepare comment letters on related regulations and external policies, as warranted.	5) Provide quarterly management report detailing the following issues and Department activities: a) Status of current Potable Reuse legislation, regulations and external policies. b) Staff activities associated with Potable Reuse legislation, regulations, and external policy.	1) Track the status of legislation, regulations, and external policies related to Potable Reuse in functional database.  2) Engage with entities that have vested interests in Potable Reuse legislation, regulations and external policies to promote favorable outcomes.	3) Prepare position letters on related legislation, as warranted.  4) Prepare comment letters on related regulations and external policies, as warranted.	5) Provide quarterly management report detailing the following issues and Department activities: a) Status of current Potable Reuse legislation, regulations and external policies. b) Staff activities associated with Potable Reuse legislation, regulations, and external policy.	1) Track the status of legislation, regulations, and external policies related to Potable Reuse in functional database.  2) Engage with entities that have vested interests in Potable Reuse legislation, regulations and external policies to promote favorable outcomes.	3) Prepare position letters on related legislation, as warranted.  4) Prepare comment letters on related regulations and external policies, as warranted.	5) Provide quarterly management report detailing the following issues and Department activities: a) Status of current Potable Reuse legislation, regulations and external policies. b) Staff activities associated with Potable Reuse legislation, regulations, and external policy.
16	#16. Renewable Energy Initiatives Expansion: (FY13 - FY15) Reduce energy commodity consumption, peak demand & green house gas emissions, increase renewable energy production, and support the Mayor's solar energy initiative (EUM: Community Sustainability) (FY13 C/O SI#20)	Guann Hwang	Tom Alspaugh	1) Determine how FY13 Water and Wastewater LMC approved energy conservation projects (5) will be installed 2) ESD Obtains SDG&E approval for Requested Retro-Commissioning Studies	1) Issue FY2013 Automated Energy Report and hold Energy and Climate Protection Management Committee (ECPMC) and Energy and Climate Protection Executive Committee (ECPEC) meetings	1) Establish Baselines using FY2012 Data 2) Prepare FY2013 Draft Energy & Greenhouse Gas Results relative to Baseline 3) Start up North City Cogeneration Facility Expansion (NCCFE)		1) Start processing for contracting FY13 Water and Wastewater LMC approved energy conservation projects	1) Perform walkthrough Audit of PUD's Employee Training and Development Center (ETDC) 2) Write Energy TM that identify Energy opportunities for 3 years up to FY15. This TM and the Final Operations and Optimization Report will form the basis for the next revision of the PUD ECPP		1) Start 1st Retro-Commissioning Study 2) Issue Automated Energy Report and Hold ECPMC and ECPEC meetings	1) Issue 1st Draft ETDC Energy Audit Report	1) Begin Energy Conservation construction that was approved by the Water and Wastewater LMC in June of 2013	1) Receive 1st Draft of Retro-Commissioning Study #1	1) Issue Final ETDC Energy Audit Report 2) Establish procedure for back checking status of all energy audits
17	#17. Seawater Desalination Rate Structure: Pursue a fair and equitable desalination rate allocation (EUM: Water Resource Adequacy)	Lee Ann Jones-Santos	Jeanne Cole			Identify staff to participate in CWA DESAL subcommittee.			Meet with USET once CWA team is formed and discuss plan and task list.			Update USET on the committee's progress.			Update USET on the committee's progress.
18	#18. Conservation Initiatives: Pursue rate structure that encourages conservation (EUM: Water Resource Adequacy)	Lee Ann Jones-Santos/ Marsi Steirer	Jeanne Cole/ Luis Generoso			Present 4 tier structure for water rates.			Review and meet to discuss the budget based billing study (FIT/LRP hand off).			Determine next steps for budget based billing for irrigation customers.			Provide an update to USET on irrigation rates.



Goal # 4: Responsive, safe, committed and innovative workforce															
19	#19. Wellness Program: Develop a department-wide Wellness Program (EUM: Employee & Leadership Development)	Sue LaNier	Dan Stone/ Maggie Wyatt	Gather Data: 1. Assess needs 2. Research available information	Continued research Begin defining scope and objectives	Identify Project Team Finalize Scope and objectives Establish recurring meeting schedule	Explore other agency/dept wellness programs	Research cost and assess budgetary needs	Present recommendations and plan to Executive Team, including budget request	Prepare EEIR Request Present to LMCs	Continue ongoing project team activities	Prepare draft Wellness Newsletter	Continue planning activities for year end event	Continue planning activities. Continue to publish newsletter	Hold 1st annual Safety and Wellness Event. Assess program and results
20	#20. Optimization Studies: Conduct new and implement old; Develop Process Narrative to document the process. (EUM: Employee & Leadership Development) (FY13 C/O SI#23)	Tom Crane	John Gavares	1. Three FY14 USET-directed Optimization Studies approved. A fourth has been recommended and is in the workplan, to be completed, staff resources permitting.  2. Present to the Executive Team for understanding and input.	1. Begin FY14 USET-directed Optimization Study #1. 2. FY12 Optimization Study Report approved and published.				1. First study is completed and Executive Summary developed and submitted memorializing results. 2. USET-directed Optimization Study #2 commences.		1. Second study is completed and Executive Summary developed and submitted memorializing results.	1. USET-directed Optimization Study #3 commences.	A fourth study may be conducted - staff resources permitting.	1. FY13 Optimization Study Report submitted to Strategic Programs AD for review and approval.	1. Third study is completed and Executive Summary developed and submitted memorializing results. 2. If fourth study was conducted, an Executive Summary will be developed and submitted memorializing results.
21	#21. Knowledge Management: Succession planning and depth building (FY13 C/O SI#24)	Sue LaNier	Maggie Wyatt/ John Gavares	1. Contracting and Readiness Development: USET Meeting on 7-26 and ET on 8-21 2. Appoint a Project Manager for this project 3. Conduct informal market research to identify prevalence of Succession Planning Consultants	1. Est. RFP POAM for review and selection of Succession Planning consultants	1. Seek EEIR funding approval at LMC Meetings 2. Complete/submit EEIR Request Forms to Water and WW LMCs to cover cost of consultant contract		1. Interviews DDs to identify high risk/high ROI positions. Front-end data gathering. 2. RFP development	RFP development	Submit RFP to Purchasing and Contracts Department	1. RFP advertisement		1. Select Firm	1. On-boarding of firm	
22	#22. Expedite Hiring: Expedite hiring for high turnover positions (EUM: Employee & Leadership Development)	Sue LaNier	Maggie Wyatt	Gather Data: 1. What Changes would PUD Like Made to the Hiring Process? 2. What Changes are Internally or Externally Controlled?	1. Create List of Changes Sorted by Importance and Locus of Control . 2. Discuss high priority changes with other Department Directors		Draft SLA with Personnel Department for Dedicated Support of PUD Hiring Efforts	1. Present SLA to Executive Team 2. Choose Management Negotiators and Approach for Partnering with Personnel	Propose SLA to Personnel	Work to Implement Internal Changes	Discuss with Personnel Changes in Processes	Arrive at Agreements with Personnel	Implement Changes	Follow-up on Changes	Presentation to Executive Team: 1. Report Progress of Changes and SLA to Executive Team 2. Discuss Action Items for FY 2015

23	<b>#23. Leadership Development Program (LDP) Reinforcement: Provide continuing education opportunities to LDP alumni, and foster a culture that supports application of Academy content (EUM: Employee &amp; Leadership Development)</b>	<b>Tom Crane / LDP Committee</b>	<b>Liz Barat/ John Gavares</b>	1. Present to Exec. Team. 2. Develop data gathering survey and interview questions for LDP alumni and the ET regarding interest in continuing education opportunities and applying LDP learning back in the workplace. 3. Collect HR data on retention and promotion rates of LDP alumni.	Data gathering commence: 1) Surveys and interviews of alumni of past leadership development efforts; 2) Interviews of members of the ET 3) informal benchmarking of other organization's LDP efforts	Continue Data gathering	Data compilation into report and recommendations	Present Report to ET, revise if necessary, begin development of continuing education opportunities	Development of continuing education opportunities. Begin communication effort that continuing education opportunities are on the horizon.		Conduct continuing education opportunities.	Conduct continuing education opportunities.	Conduct continuing education opportunities.	Conduct continuing education opportunities.	Conduct continuing education opportunities.
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**Appendix E - FY2014 Strategic Initiatives Metrics**

FY14 Public Utility Strategic Goals	Objectives		Initiatives (FY14)	Performance Measures	Target	Desired Outcome	Primary Coordinator(s)	Formula Used for Calculation	Data Tracking Method	Comments
Goal #1: Safe, reliable, and efficient water, wastewater and recycled water services.	Objective #1: Manage assets optimally through repair, rehabilitation, and replacement	1	Enterprise Asset Management (EAM) Project: Develop a user friendly SAP Enterprise Asset Management consultant-assisted solution. (EUM: Infrastructure Stability) (FY13 C/O SI#1)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule	Release RFP for System Integrator of the SAP EAM solution	Susan Bowman	N/A	Quarterly Tracking	
		2	Condition Assessments: Complete major milestones included in the service contract of Asbestos Cement Water Mains Condition Assessment. (EUM: Infrastructure Stability) (FY13 C/O SI#3 & SI#4)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule	Develop the Asbestos Cement Replacement Program Master Plan	Eric Rubalcava	N/A	Quarterly Tracking	
		3	Accelerated Repair Program: Initiate an accelerated repair program of distribution system water mains identified by EPM Division using in-house resources. (EUM: Infrastructure Stability)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule	Complete two pilot construction projects	Eric Rubalcava	N/A	Quarterly Tracking	
		4	Risk-Based Value Maintenance: Initiate a risk-based valve maintenance program to determine the maintenance schedule of every asset based on analysis of asset purpose, risk of failure, etc. (EUM: Infrastructure stability)				Stan Medina			
	Objective #2: Fiscally sound and effective public utility	5	Facility Vulnerability: Assess, Update, and implement Emergency Response Plan and Security plans. (EUM: Operational Resiliency) (FY13 C/O SI#6 Revised)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule	Develop a department wide Emergency Response Plan and identify areas for enhancement to improve the security and protect the water and wastewater infrastructures.	Guann Hwang / Sue Lanier	N/A	Quarterly Tracking	
		6	San Diego Metropolitan Sewage System strategy: Develop strategy on all elements of the proposed future system-wide operations to meet permitting requirements. (EUM: Product Quality) (Related to FY13 C/O SI#21)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule	Have communicated a strategy to the stakeholders and had dialogue with the stakeholders on that strategy.	Cheryl Lester / Steve Meyer			
Goal #2: Provide the public with competitive, customer-focused services	Objective #3: Provide the public with competitive, customer-focused services	7	Inter/Intra-Divisional Collaboration: Promote employee service-oriented culture throughout the department marked by increased cooperation and collaboration. (EUM: Customer Satisfaction) (FY13 C/O SI#10)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule.	Increase organizational effectiveness and employee satisfaction through intra and inter-division coordination, cooperation and collaboration efforts.	John Gavares / Brent Eidson	NA	Quarterly Tracking	
		8	Customer Survey: Enhance the customer survey program and feedback process (EUM: Customer Satisfaction)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule	Gain a better understanding of our customers' opinion of the Department's services and customer service. Utilize that information to make decisions on staffing, training, resources, etc. to improve the customer experience.	Kurt Kidman			



<b>Goal #2: Provide the public with competitive, customer-focused services</b>	<b>Objective #4: Minimize rate impacts through expenditures controls, the pursuit of alternative funding, and full cost recovery</b>	<b>9</b>	Public Education: Educate the public/stakeholders on the value of water, and Department's efforts to reduce internal costs (EUM: Water Resource Adequacy) (FY13 C/O SI#19)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule	Enhanced understanding by our customers of the value they receive from the Department's efforts to reduce costs and deliver services more efficiently.	<b>Eric Symons</b>		
		<b>10</b>	Operational Optimization: Explore WW treatment optimization and cost saving ideas to reduce per unit treatment costs and explore new treatment options and markets for biosolids management (EUM: Operational Optimization)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule	Explore and potentially identify optimization and cost saving ideas to reduce per unit wastewater treatment costs and explore new treatment options and markets for biosolids management.	<b>Cheryl Lester</b>		
		<b>11</b>	Increased Transparency: Develop and implement strategies and approaches that enhance our transparency and accountability to our customers and stakeholders (EUM: Customer Stakeholders)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule	Increased Transparency and consistent information sharing.	<b>Tom Haynes</b>		
		<b>12</b>	Game Changers: Evaluate financial impact of "game changers" (e.g. Potable Reuse, Desalination, Point Loma) (EUM: Financial Viability)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule	Monitor game changers, keep the finance team up-to-date on the identified issues.	<b>Tom Haynes</b>		
		<b>13</b>	Cost Recovery Fees: Improve fee-based cost recovery (EUM: Financial Viability) (FY13 C/O SI#18)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule	Review fees and continue to move this initiative forward with the goal of making a recommendation to Management regarding Department fees.	<b>Tom Haynes</b>		
<b>Goal #3: Sustainable growth and economic viability</b>	<b>Objective #5: Engage in regional initiatives which provide viable, environmentally responsible and cost-effective alternative sources of water supply</b>	<b>14</b>	Complete Potable Reuse Implementation Studies: Comprehensive studies including engineering, site, financing, cost allocation, resource allocation, etc. (EUM: Water Resource Adequacy) (Related to FY13 C/O SI#19)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule	Complete facility siting (treatment & pipeline) studies that are necessary to refine the Recycled Water Study alternatives; develop DPR conceptual alternatives; conduct additional modeling studies for San Vicente and Otay Reservoirs (will be completed in FY 15); begin work to determine the cost allocation between water and wastewater funds.	<b>Amy Dorman</b>	N/A	Quarterly Tracking
		<b>15</b>	Potable Reuse: Engage in policy & legislative efforts to promote potable reuse. Positively affect regulations and potential legislation to clear the path for approving advanced treatment as raw water. (EUM: Water Resource Adequacy)	Quarterly Status Reports	All reporting completed.	Positively affect the development of regulations and policies for potable reuse project permitting and expansion statewide. Potentially significant cost savings for the City by reducing redundant or unnecessary regulatory hurdles for a future potable reuse project.	<b>Amy Dorman/Cathy Pieroni</b>	N/A	Quarterly Tracking Reports

Goal #3: Sustainable growth and economic viability		16	Renewable Energy Initiatives Expansion: (FY13 - FY15) Reduce energy commodity consumption, peak demand & green house gas emissions, increase renewable energy production, and support the Mayor's solar energy initiative (EUM: Community Sustainability) (FY13 C/O SI#20)	The FY13 thru FY15 energy use and production and the PLWTP GHG production.	100% of Milestones achieved on schedule	Reduce Department Energy Use and GHG production at the PLWTP.	Tom Alspaugh	Assumptions: 1) Less than 5% change in treated potable water or wastewater. 2) Based on the average monthly peak demand. 3) Renewable energy calculations based on total operational rated KW. 4) Green house gas reduction compared to April 2012 .	1)Wasterwater Branch's Automated Energy Report. 2) ESD's report on Water Branch's energy use 3) PLWTP's April GHG report to CARB for past calendar year.	
	Objective #5: Engage in regional initiatives which provide viable, environmentally responsible and cost-effective alternative sources of water supply	17	17) Seawater Desalination Rate Structure: Pursue a fair and equitable desalination rate allocation (EUM: Water Resource Adequacy)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule	Active involvement in the Desalination Rate Structure process.	Jeanne Cole			
18		Conservation Initiatives: Pursue rate structure and encourage conservation (EUM: Water Resource Adequacy)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule	Encourage conservation.	Jeanne Cole				
Goal #4: Responsive, safe, committed and innovative workforce	Objective #8: Meet or exceed safety standards	19	Wellness Program: Develop a department-wide Wellness Program (EUM: Employee & Leadership Development)				Maggie Wyatt			
	Objective #9: Ensure adequate staffing to meet operational needs	20	Optimization Studies: Conduct new and implement old; Develop Process Narrative to document the process. (EUM: Employee & Leadership Development) (FY13 C/O SI#23)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule.	Reduce costs to operations.	John Gavares	NA	Quarterly Tracking	
	Objective #10: Develop and support employees, and recognize exceptional performance	21	Knowledge Management: Succession planning and depth building (FY13 C/O SI#24)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule.	Develop preparedness to fill critical, high-risk positions anticipated to become vacant in near future, and to ready new hires to successfully fill these positions. Select a consult to study 10-20 positions in FY15.	Maggie Wyatt / John Gavares	NA	Quarterly Tracking	
		22	Expedite Hiring: Expedite hiring for high turnover positions (EUM: Employee & Leadership Development)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule.	Speed up the hiring process in general and especially for critical and high turnover positions.	Maggie Wyatt	NA	Quarterly Tracking	
		23	Leadership Development Program (LDP) Reinforcement: Provide continuing education opportunities to LDP alumni, and foster a culture that supports application of Academy content (EUM: Employee & Leadership Development)	Complete milestones as identified in the FY14 SI quarterly tracker.	100% of Milestones achieved on schedule.	LDP Alumni participate in continuing education opportunities that reinforce LDP concepts and skills. Overall bench strength of leaders within PUD grows and culture of employee & leadership development becomes the new norm. A culture that supports application of Academy content is fostered.	Liz Barat / John Gavares	NA	Monitored in the Quarterly Tracker.	

# AGENDA ITEM 7

## Attachments

(Performance Audit of Industrial  
Wastewater Control Program)

# Office of the City Auditor

## City of San Diego

# Performance Audit of the Industrial Wastewater Control Program

Outdated Fees, Billing Lapses, and Inadequate  
Controls Limit Program Cost Recovery

**Presentation to the Independent Rates Oversight Committee**  
**September 16, 2013**



# Audit Objective

Assess the extent to which IWCP's permit and inspection fees and billing processes meet legal requirements, achieve appropriate cost recovery, and ensure timely collection.

# Background

## IWCP Operations

IWCP operational focus is to minimize toxic discharges to the sewerage system. Program consists of:

1. Fee-based industrial wastewater discharge permit system to establish discharge limits
2. Periodic facility inspections and sampling
3. Enforcement to deter violations and correct non-compliance
4. Guidance and permit conditions provided industrial users to encourage pollution prevention and waste minimization

# Background

## IWCP Jurisdictions

IWCP regulatory efforts encompass industries in the City, incorporated municipalities in the County, and unincorporated areas of the County. IWCP operates under interjurisdictional agreements with participating agencies (PAs) in the County areas.

Area No.	Description	Jurisdiction	Area No.	Description	Jurisdiction
1	Rancho Bernardo	City	13	City of Chula Vista	Municipal PA
2	Sorrento Valley, Torrey Pines	City	14	City of Coronado	Municipal PA
3	Miramar, Mira Mesa, Scripps Ranch	City	15	City of Del Mar	Municipal PA
4	Mission Bay, Pacific Beach, La Jolla	City	16	City of El Cajon	Municipal PA
5	Clairemont Mesa	City	17	City of Imperial Beach	Municipal PA
6	Kearny Mesa	City	18	City of La Mesa	Municipal PA
7	Mission Gorge	City	19	City of National City	Municipal PA
8	Point Loma, Lindberg Field	City	20	City of Poway	Municipal PA
9	North Downtown	City	21	Santee/Padre Dam Municipal Water Dist.	Municipal PA
10	East San Diego	City	22	City of Lemon Grove	Municipal PA
11	South Downtown	City	32	Alpine Service Area	County PA
12	San Ysidro, Otay Mesa	City	33	Lakeside Service Area	County PA
			34	Spring Valley Service Area	County PA
			35	Winter Gardens Service Area	County PA
			36	East Otay Mesa Service Area	County PA

# Background

## Key Program Facts

- IWCP issues various types of permits based on an industry's type and amount of discharge
- Examples of regulated industries include: aerospace manufacturing; hospitals, metal forming, casting, and finishing; and laboratories
- Permit fees range from \$25 to \$3180 per year
- As of December 2012, IWCP administered 1,300+ active permits
- City regulations and policies, as well as documents approving IWCP fees, state that permit fees should recover IWCP costs for inspection, monitoring, and sampling



## Finding 1: IWCP Fees Are Outdated and Do Not Achieve Adequate Cost Recovery

- Many IWCP fees have not been updated since 1984
- Fee structures may be based on flawed methodology
- Fee structures vary by jurisdiction, but no current fee structure achieves intended cost recovery
- FY 2010- FY2012: Approximately 85 percent of IWCP billable costs went unrecovered (\$8.3 million)
- Policymakers should be informed of cost recovery issues to consider revisions to fee structures

# Finding 1: IWCP Fees Are Outdated and Do not Achieve Adequate Cost Recovery

## Industrial Wastewater Control Program (IWCP) Revenues and Estimated Unrecovered Billable Costs, Fiscal Years 2010-2012

	2010	2011	2012	Total
Permitting Fees	\$198,672	\$211,067	\$204,992	<b>\$614,730</b>
Monitoring Fees	\$267,639	\$280,046	\$260,357	<b>\$808,043</b>
Violation Fees	\$21,250	\$23,483	\$20,153	<b>\$64,886</b>
Misc. Revenues	None	None	\$3,003	<b>\$3,003</b>
<b>Total Revenues</b>	<b>\$487,561</b>	<b>\$514,596</b>	<b>\$488,505</b>	<b>\$1,490,662</b>
<b>Total Billable Expenses</b>	<b>\$3,137,974</b>	<b>\$3,190,876</b>	<b>\$3,465,149</b>	<b>\$9,793,999</b>
<b>Unrecovered Costs</b>	<b>\$2,650,414</b>	<b>\$2,676,280</b>	<b>\$2,976,644</b>	<b>\$8,303,337</b>
<b>Percent Cost Recovery</b>	<b>16%</b>	<b>16%</b>	<b>14%</b>	<b>15%</b>

## Finding 2: Public Utilities Has not Billed Many Regulated Agencies and Businesses for Recoverable IWCP Costs

- Multiple billing structures create unnecessary complexity
- No established accountability for IWCP billing and review of financial information
- No established policies and procedures to record labor charges used for billing
- IWCP information system errors could contribute to invoice and billing errors
- Billing for violations lacks appropriate separation of duties

## Finding 2: Public Utilities Has not Billed Many Regulated Agencies and Businesses for Recoverable IWCP Costs

### Unbilled Industrial Wastewater Control Program (IWCP) Permitting and Monitoring Fees, Fiscal Years 2008-201

Fiscal Year	Permitting	Monitoring	TOTAL
FY '08	\$82,628	\$67,023	\$149,651
FY '09	\$106,806	\$68,628	\$175,434
FY '10	\$106,806	\$68,628	\$175,434
FY '11	\$106,806	\$68,628	\$175,434
FY '12	\$106,806	\$68,628	\$175,434
<b>Total Unbilled</b>	<b>\$509,852</b>	<b>\$341,535</b>	<b>\$851,387</b>

# Recommendations

Rec. #	Recommendation Summary	Management Response
1	Establish policies and procedures to track IWCP billable costs	Agreed
2	Review IWCP permit fee levels and present updated fee proposals to City Council	Agreed
3	Perform a fee study to determine fee levels necessary to achieve full cost recovery for all IWCP activities	Agreed
4	Upon completion of fee study, work with Participating Agencies to review and revise Interjurisdictional Agreements	Agreed
5	Upon completion of fee study, develop proposal for City Council to update fees for industrial users within the City	Agreed
6	In consultation with City Attorney, seek recovery of all unbilled IWCP costs	Agreed
7	Establish centralized billing process, policies, and procedures	Agreed
8	Perform comprehensive review of IWCP information system setting and invoice-calculating features	Agreed

# Recommended Action

We ask the Audit Committee to accept the report and forward the report to the City Council.

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# Performance Audit of the Industrial Wastewater Control Program

OUTDATED FEES, BILLING LAPSES, AND INADEQUATE CONTROLS  
LIMIT PROGRAM COST RECOVERY

AUGUST 2013

**Audit Report**  
Office of the City Auditor  
City of San Diego



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## THE CITY OF SAN DIEGO

August 5, 2013

Honorable Mayor, City Council, and Audit Committee Members  
City of San Diego, California

Transmitted herewith is an audit report on the Public Utilities Department's Industrial Wastewater Control Program. This report is in accordance with City Charter Section 39.2. The Results in Brief is presented on page 1. The Administration's response to our audit recommendations can be found after page 34 of the report.

During audit field work, we identified a legal issue concerning the IWCP that required the immediate attention of the City Administration and Office of the City Attorney. Due to the confidential nature of our communication with the Office of the City Attorney concerning this matter and to comply with Government Auditing Standards, we excluded this information from our final report.

We would like to thank Public Utilities staff, as well as representatives from other City departments for their assistance and cooperation during this audit. All of their valuable time and effort spent providing us information is greatly appreciated. The audit staff responsible for this audit report is Andy Hanau, Sunny McLernon, Matt Helm, and Kyle Elser.

Respectfully submitted,

Eduardo Luna  
City Auditor

cc: Walt Ekard, Interim Chief Operating Officer  
Scott Chadwick, Assistant Chief Operating Officer  
Greg Bych, Chief Financial Officer  
Roger Bailey, Director, Public Utilities  
Steve Meyer, Deputy Director, Public Utilities  
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**TO REPORT FRAUD, WASTE, OR ABUSE, CALL OUR FRAUD HOTLINE (866) 809-3500**



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# Table of Contents

Results in Brief	1
Background	3
Audit Results	9
<i>Finding 1: Industrial Wastewater Control Program Fees are Outdated and Do Not Achieve Adequate Cost Recovery</i>	9
<i>Finding 2: The Public Utilities Department Has not Billed Many Regulated Agencies and Businesses for Recoverable Industrial Wastewater Control Program Costs Due to Weak Internal Controls and Unnecessarily Complex Billing Practices</i>	19
Conclusion	27
Recommendations	29
Appendix A: OBJECTIVES, SCOPE, AND METHODOLOGY	32
Appendix B: DEFINITION OF AUDIT RECOMMENDATION PRIORITIES	34
Appendix C: MANAGEMENT'S RESPONSE	35

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## Results in Brief

The City of San Diego (City) is committed to protecting public health and the environment through a program of environmental management which includes pollution prevention, industrial pretreatment, chemically enhanced waste treatment, and extensive monitoring. A key element of this effort is the City Public Utilities Department's (PUD) Industrial Wastewater Control Program (IWCP). Since its inception in 1982, IWCP has been an effective means of controlling industrial waste discharge into the City's sewerage system.

Although IWCP has been operationally effective, there are several areas related to IWCP fees and billing that should be addressed to ensure that the program can continue to achieve intended outcomes. Specifically, we found that:

- 1) Fees charged for permitting and monitoring conducted by the Industrial Wastewater Control Program (IWCP) are not routinely reviewed and updated, and in some cases may be based on a flawed methodology that does not capture all costs. IWCP fees vary by jurisdiction, but no current fee structure achieves intended cost recovery. We estimate that of approximately \$9.8 million in billable costs related to IWCP permitting, monitoring, sample analysis, and enforcement activities, \$8.3 million (85 percent) went unrecovered between Fiscal Years 2010 and 2012. This significant under-recovery of IWCP costs is not in compliance with the City's Council Policies and Administrative Regulations, and results in regulated industries paying a minimal share of the cost of permitting, inspecting, and monitoring them. In addition, because fees are not regularly reviewed and brought before the City Council for approval, policymakers are likely unaware that this substantial under-recovery of costs is occurring.

- 2) PUD has not billed numerous regulated entities for IWCP services. PUD is required to collect fees in accordance with rate schedules that have been established by City Council Resolutions as well as agreements with other jurisdictions that IWCP is responsible for regulating. Unbilled amounts totaled more than \$850,000 between Fiscal Years 2008 and 2012.

PUD management and IWCP program managers are aware of the issues outlined above, and are in the beginning stages of taking corrective action. To assist in this effort, we made eight recommendations to PUD related to reviewing and updating IWCP fees, establishing billing policies and processes, and working with the City Attorney to recoup unbilled costs. The department agreed to implement all of these recommendations. Audit objectives, scope, and methodology are found in Appendix A. We would like to thank PUD staff, as well as representatives from other City departments for their assistance and cooperation during this audit.

## Background

The City of San Diego (City) is committed to protecting public health and the environment through a program of environmental management which includes pollution prevention, industrial pretreatment, chemically enhanced primary waste treatment, an improved ocean outfall, and extensive monitoring. A key element of this effort is the City Public Utilities Department's (PUD) Industrial Wastewater Control Program (IWCP). Implemented in 1982, IWCP operates an industrial wastewater discharge permit, monitoring, and enforcement system for the City and 15 other jurisdictions in the County of San Diego whose sewage is treated by the City's Point Loma and South Bay Wastewater Treatment Plants. IWCP is part of PUD's Environmental Monitoring and Technical Services Division. PUD's Industrial Waste Lab (IWL) directly supports IWCP by providing sampling, monitoring, testing, and analysis services. A summary of program budget and staffing information for IWCP and IWL is shown in **Exhibit 1**.

### *Exhibit 1*

#### **Industrial Wastewater Control Program (IWCP) and Industrial Wastewater Lab (IWL) Expenses and Staffing, Fiscal Years 2010-2013**

	2010	2011	2012	2013
<b>IWCP</b>	\$1.74	\$1.78	\$2.01	\$2.0
<b>(positions)</b>	(19)	(19)	(19)	(19)
<b>IWL</b>	\$2.72	\$2.76	\$2.94	\$2.86
<b>(positions)</b>	(25)	(25)	(25)	(25)
<b>Total</b>	<b>\$4.46</b>	<b>\$4.54</b>	<b>\$4.94</b>	<b>\$4.86</b>
	<b>(44)</b>	<b>(44)</b>	<b>(44)</b>	<b>(44)</b>

Note: Dollars in millions. FY 2010 - FY 2012 figures are based on actual total program expenses. FY 2013 figures are budgeted amounts.

Source: OCA analysis of PUD financial information and IWCP annual reports.

**IWCP Operational Focus** In general, IWCP's primary focus is to minimize toxic discharges to the sewerage system. The program consists of: 1) an industrial wastewater discharge permit system to establish industrial discharge limits and requirements; 2) periodic facility inspections and unannounced sampling; 3) enforcement procedures to deter violations and bring noncompliant dischargers back into compliance with discharge standards and requirements; and 4) industrial user guidance and permit conditions designed to encourage pollution prevention and waste minimization.

**IWCP Industrial Wastewater Discharge Permits** The types of industries that are regulated by IWCP include aerospace manufacturing; metal forming, casting and finishing; pharmaceutical manufacturing; hospitals and medical centers; film processors; laundries and dry cleaners; and a variety of laboratories. A primary component of IWCP's regulation of these types of industries is the administration and oversight of an industrial wastewater discharge permit system. IWCP issues a variety of permits based on an industry's type and amount of wastewater discharge (see **Exhibit 2**). According to the program's annual report, IWCP had an inventory of over 1,300 active permits, as of December 31, 2012.



*Exhibit 2*

**Industrial Wastewater Control Program (IWCP) Permit Classifications**

<b>Permit Classification</b>	<b>Description</b>
<b>Class 1</b>	Issued to certain industries whose composition and amounts of discharge are subject to federal standards
<b>Class 2</b>	Issued to targeted industrial sectors that have some toxic discharge, but not subject to federal standards
<b>Class 3</b>	Issued to targeted industrial sectors to regulate conventional pollutants
<b>Class 4 and 5 (no permit required)</b>	Issued to industries with sanitary flow only or Class 2 and 3 industries with discharge flows below a specified threshold
<b>Trucked Waste Hauler</b>	Issued to domestic and industrial haulers authorizing the disposal of wastes at designated dump sites
<b>Temporary Groundwater Discharge</b>	Issued for flows resulting from construction dewatering and groundwater remediation projects, where no alternative disposal method is reasonably available
<b>Best Management Practice (BMP) Authorization</b>	Authorizations consist of a statement of BMP requirements followed by a certification of compliance for management and discharge of silver-rich solutions or dry cleaning solvents
<b>Batch Discharge Authorization</b>	Issued for one-time, or short-term non-routine discharges not otherwise covered by a current permit

Source: OCA summary based on IWCP information.

Within these classifications, a particular area of focus of IWCP is Significant Industrial Users (SIUs). SIUs are subject to stringent federal standards because of the potential risks these types of industries pose to the sewerage system and the environment. Accordingly, SIUs require additional monitoring and routine sample testing.

**IWCP Jurisdictions** IWCP administers the pretreatment program in the City and surrounding metro area. Specifically, IWCP regulatory efforts encompass the City, unincorporated areas of San Diego County, and incorporated municipalities within San Diego County that utilize the City's wastewater treatment system. In order to regulate industries outside of the City limits, IWCP operates under the auspices of interjurisdictional pretreatment agreements (IJAs) signed by the City and each of the participating agencies in the County (County PAs) and in the incorporated municipalities (Municipal PAs). Generally, the IJAs require PAs to promulgate ordinances that comport with federal standards and parallel City ordinances regarding pretreatment standards for waste discharge. The IJAs further authorize the City, through IWCP, to permit, inspect, and

monitor facilities in each of the participating jurisdictions. The IJAs also establish permit and monitoring fees with the PAs in order to recover applicable IWCP costs associated with these activities.

For operational purposes, IWCP defines the jurisdictions it serves as shown in **Exhibit 3**.

**Exhibit 3**

**Industrial Wastewater Control Program (IWCP) Discharge Areas and Participating Agencies (PAs)**

Area No.	Description	Jurisdiction	Area No.	Description	Jurisdiction
1	Rancho Bernardo	City	13	City of Chula Vista	Municipal PA
2	Sorrento Valley, Torrey Pines	City	14	City of Coronado	Municipal PA
3	Miramar, Mira Mesa, Scripps Ranch	City	15	City of Del Mar	Municipal PA
4	Mission Bay, Pacific Beach, La Jolla	City	16	City of El Cajon	Municipal PA
5	Clairemont Mesa	City	17	City of Imperial Beach	Municipal PA
6	Kearny Mesa	City	18	City of La Mesa	Municipal PA
7	Mission Gorge	City	19	City of National City	Municipal PA
8	Point Loma, Lindberg Field	City	20	City of Poway	Municipal PA
9	North Downtown	City	21	Santee/Padre Dam Municipal Water Dist.	Municipal PA
10	East San Diego	City	22	City of Lemon Grove	Municipal PA
11	South Downtown	City	32	Alpine Service Area	County PA
12	San Ysidro, Otay Mesa	City	33	Lakeside Service Area	County PA
			34	Spring Valley Service Area	County PA
			35	Winter Gardens Service Area	County PA
			36	East Otay Mesa Service Area	County PA

Source: Source: San Diego Metropolitan Wastewater Pretreatment Program Annual Report, CY 2012.

**IWCP Fees, Cost Recovery, and Enforcement**

San Diego Municipal Code Section 64.0508 states that Industrial Wastewater Discharge Permit Fees should be established periodically by resolution of the City Council. Accordingly, IWCP charges annual permit fees to regulated industries within the City. The IJAs establish the permit and monitoring fees within the Participating Agencies. Permit fees range from \$25 to \$3,180 per year and are based on the permit classification, amount of wastewater discharged, and various business characteristics. Additionally, Council Resolution No. 260133, adopted March 1, 1984, states that the fees should recover PUD’s costs for inspecting, monitoring, and sampling permitted facilities.

IWCP also has a variety of enforcement mechanisms available. When a permittee violates discharge limits, an enforcement action is initiated through a Notice of Violation and additional sampling. IWCP bills violating industries directly to recover violation sampling and administrative fees. IWCP is also authorized to seek administrative civil penalties.

Billing arrangements for permit and monitoring fees vary by jurisdiction, as shown below in **Exhibit 4**.

*Exhibit 4*

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**Industrial Wastewater Control Program (IWCP) Permit and Monitoring Billing Arrangement by Jurisdiction**

<b>Jurisdiction</b>	<b>Billing Arrangement</b>
<b>City</b>	IWCP bills industrial users directly for permits and monitoring
<b>County PAs</b>	IWCP bills industrial users directly for permits and monitoring, per the terms of the interjurisdictional pretreatment agreements (IJAs)
<b>Municipal PAs</b>	IWCP bills each jurisdiction an aggregate amount for permit and monitoring fees accumulated by regulated industries in the respective jurisdictions <sup>1</sup>

Note 1: An exception is the City of Coronado, where industries are billed directly.

Source: OCA based on IWCP information.

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IWCP utilizes the Pretreatment Information Management System (PIMS) to administer information related to the inventory of permitted facilities. Specifically, IWCP uses PIMS to track Industrial User permit information; inspection, monitoring, and violation data; and charge most IWCP fees. Fees charged in PIMS are automatically transferred to the Citywide financial system, referred to as SAP.

Fees, cost recovery, and billing issues are discussed in detail in the body of this report.

## Audit Results

### ***Finding 1: Industrial Wastewater Control Program Fees are Outdated and Do Not Achieve Adequate Cost Recovery***

Fees charged for permitting and monitoring conducted by the Industrial Wastewater Control Program (IWCP)<sup>1</sup> are not routinely reviewed and updated, and in some cases may be based on a flawed methodology that does not capture all costs. IWCP fees vary by jurisdiction, but no current fee structure achieves intended cost recovery. We estimate that of approximately \$9.8 million<sup>2</sup> in billable costs related to IWCP permitting, monitoring, sample analysis, and enforcement activities,<sup>3</sup> \$8.3 million (85 percent) went unrecovered from FY 2010 to FY 2012.<sup>4</sup>

PUD is not able to precisely determine recoverable costs because a formal workload study to identify program costs has not been conducted. Further, PUD does not maintain sufficient data to conduct such an analysis efficiently. While a formal study is needed to generate a more precise estimate of billable program costs, it is clear that unrecovered, billable costs are substantial. This significant under-recovery of IWCP costs is not in compliance with the City's Council Policies and

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<sup>1</sup> Unless otherwise specified, IWCP refers to both the Industrial Wastewater Control program and the associated Industrial Waste Lab.

<sup>2</sup> Total costs for IWCP and the associated Industrial Waste Lab (IWL) totaled \$13.9 million from FY 2010 to FY 2012. The Department estimates that approximately 60 percent of IWCP costs and 77 percent of IWL expenses are for cost-recoverable permitting, monitoring, sample analysis, and enforcement activities. These estimates are subject to revision as the Department conducts additional analysis.

<sup>3</sup> Costs for most program functions, including permitting, monitoring, sample analysis, and enforcement, are intended to be recovered by fees charged to regulated industries. However, costs for some IWCP activities, such as system-wide pollutant studies used to monitor overall composition of waste discharged, are not billable to IWCP-regulated industries.

<sup>4</sup> This assumes the recovery of all unbilled County and Participating Agency permitting and monitoring costs for FY 2010 to FY 2012, estimated at approximately \$555,000. IWCP did not send out invoices for some permitting and monitoring costs for Industrial Users in other jurisdictions between FY 2008 to FY 2012, and efforts are being undertaken to collect these unbilled costs. If these costs are not recouped, unrecovered costs for FY 2010 - FY 2012 would be approximately \$8.9 million. This issue is discussed in greater detail in Finding 2.

Administrative Regulations, and results in regulated industries paying a minimal share of the cost of permitting, inspecting, and monitoring them. In addition, because fees are not regularly reviewed and brought before City Council for approval, policymakers are likely unaware that this substantial under-recovery of costs is occurring, and have not been given an opportunity to determine appropriate cost recovery rates for the IWCP program.

**City Policies Require Fees to Be Reviewed and Updated on a Regular Basis to Ensure Cost Recovery, But Some IWCP Fees Have Not Been Updated Since 1984**

Contrary to existing City policies, IWCP has not made it a practice to review and update fees on a regular basis. Many IWCP fees have not been updated since 1984, and others have not been updated since 1999. Municipal Code Section 64.0508 states that Industrial Wastewater Discharge Permit Fees should be established periodically by resolution of the City Council. In addition, the City has several policies and procedures in place requiring periodic review and updating of fees to ensure adequate cost recovery. Administrative Regulation 95.25 states that departments should review all fees on an annual basis and ensure that all reasonable costs of providing services are being recovered. Council Policy 100-05 also states that fees should achieve full cost recovery, except in certain cases where the intent is to provide a specific benefit to recipients (such as recreation center or library fees). In addition, the policy requires in-depth fee studies every three years, with interim adjustments to fees taking place on an annual basis, and requires City Council approval for changes to fees in Enterprise Fund departments (including PUD).

**Current IWCP Fees Only Achieve Approximately 15 Percent Cost Recovery**

Because IWCP fees have not been routinely updated and do not achieve the intended levels of cost recovery, IWCP expenses have greatly exceeded revenues in recent years. During the three-year period we reviewed from FY 2010 – FY 2012, IWCP collected an average of \$497,000 in fees per year, while average billable costs were approximately \$3.3 million. Overall, IWCP only recovered 15 percent of estimated billable costs during this period. Exhibit 5 summarizes IWCP expenses and revenues for FY 2010 - FY 2012.

As noted above, PUD does not track billable costs and does not maintain data to conduct such an analysis efficiently. For the purposes of the audit, the department provided estimates based on work order information and staff expertise, which are utilized to generate estimated billable expenses and cost recovery rates. We recommend that PUD conduct a detailed workload study and develop procedures to effectively track and calculate billable costs.

**Exhibit 5**

**Industrial Wastewater Control Program (IWCP) Revenues and Estimated Unrecovered Billable Costs, Fiscal Years 2010-2012**

	2010	2011	2012	Total
Permitting Fees	\$198,672	\$211,067	\$204,992	\$614,730
Monitoring Fees	\$267,639	\$280,046	\$260,357	\$808,043
Violation Fees	\$21,250	\$23,483	\$20,153	\$64,886
Misc. Revenues	None	None	\$3,003	\$3,003
<b>Total Revenues</b>	<b>\$487,561</b>	<b>\$514,596</b>	<b>\$488,505</b>	<b>\$1,490,662</b>
<b>Total Billable Expenses</b>	<b>\$3,137,974</b>	<b>\$3,190,876</b>	<b>\$3,465,149</b>	<b>\$9,793,999</b>
<b>Unrecovered Costs</b>	<b>\$2,650,414</b>	<b>\$2,676,280</b>	<b>\$2,976,644</b>	<b>\$8,303,337</b>
<b>Percent Cost Recovery</b>	<b>16%</b>	<b>16%</b>	<b>14%</b>	<b>15%</b>

Source: OCA based on SAP data and PUD estimates of IWCP billable expenses.

**IWCP Fees Vary by Jurisdiction, but No Current Fee Structure Achieves Intended Cost Recovery**

Industrial Users located within the City of San Diego are charged permit fees established in a 1984 Council Resolution, which states that the fees are intended to cover the annual cost of inspecting and sampling Industrial Waste Discharge Permittees.<sup>5</sup> Industrial Users within the jurisdiction of the County sewer utilities, referred to in this report as the County

<sup>5</sup> According to PUD, the fees adopted in 1984 were intended to recover 75 percent of costs. However, the department was unable to provide supporting documentation.

Participating Agencies (County PAs) are charged fees based on 1999 Interjurisdictional Agreements (IJAs) between the City and these agencies,<sup>6</sup> which state that the County PAs will be assessed the cost of IWCP's permitting and monitoring of Industrial Users. Similarly, the City's IJAs with other cities in San Diego County – referred to in this report as the Municipal Participating Agencies (Municipal PAs) also state that all costs incurred by the City for IWCP activities in Municipal PA jurisdictions will be billed.

**IWCP Fee Structure  
within the City**

Permit fees for Industrial Users in the City of San Diego range from \$25 per year to \$2,000 per year, depending on permit category and the quantity of wastewater discharged. As of June 30, 2012, annual permit fees charged to Significant Industrial Users (SIUs) – generally the users requiring the most oversight and monitoring – averaged \$593, while we estimate that the actual cost to permit and monitor these users is approximately \$4,944 – more than eight times the amount currently charged. Permit fees for non-SIU permittees averaged \$243, with estimated costs of \$820 – more than three times the amount charged.<sup>7</sup>

**IWCP Fee Structure  
within County  
Participating Agencies**

Unlike Industrial Users in the City, Industrial Users located in the County PA jurisdictions are charged separate permit and monitoring fees. In addition, the IJAs establish separate permit fee structures for SIU and non-SIU users. The permit fee is billed annually, while the monitoring fees are charged periodically whenever a sample is collected and analyzed.

As of June 30, 2012, permit fees for County PA SIUs averaged \$1,420 per year, and monitoring fees averaged \$2,105<sup>8</sup> per user, a total of \$3,525 per year – nearly six times the amount charged to comparable users located in the City of San Diego. Permit

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<sup>6</sup> According to PUD, some monitoring fees were updated in 2003, but this was not reflected in updated Interjurisdictional Agreements with the County Participating Agencies.

<sup>7</sup> Figures are based on line-item fees charged to comparable County PA users and updated with current labor rates to estimate actual costs. As discussed later in this section, the department believes that these fees may have been developed using an estimate of non-productive expenses that is too low. This would result in actual costs being higher than our estimate.

<sup>8</sup> Due to system setting errors, these fees were not invoiced. PUD is working to correct this error. This issue is discussed in greater detail in Finding 2.



fees for non-SIUs averaged \$222 per user, with an additional \$228<sup>9</sup> for monitoring, for a total of \$450 per year – nearly twice the amount charged to City users.

While these fees are significantly higher than those charged to users within the City, they still do not recover all costs because they are based on outdated labor rates. Updating these fees with current labor costs shows that permitting fees – which have not been updated since 1999 – would be 57 percent higher if current labor costs were used. Monitoring fees – which have not been updated since 2003 – would be 27 percent higher.

Furthermore, according to PUD, the methodologies used to develop the County PA fees may have used an estimate of staff time spent on in-house training, research, and other non-productive activities that is too low – a flaw in methodology that would further reduce permit fees below the level required to achieve cost recovery.

**IWCP Fee Structure  
within Municipal  
Participating Agencies**

Industrial Users located in the Municipal PA jurisdictions are not billed directly; invoices are typically sent to the agency itself.<sup>10</sup> These users are billed hourly – meaning that IWCP staff should charge time spent permitting, inspecting, and monitoring these Industrial Users to a specific account set up for each agency. Overhead and other non-personnel costs are added to the hourly labor charges, with the intent of achieving full cost recovery.

However, a PUD preliminary estimate indicates that some hourly charges for industries in Municipal PA areas were less than the charges for comparable users in the County PA's.<sup>11</sup> Because fees for users in the County PA's are outdated – as discussed above – the fact that users in the Municipal PA's are

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9 See footnote 8.

10 An exception is the City of Coronado. Industrial Users in the City of Coronado are billed directly, using the fees developed for County PA users.

11 PUD did not collect accurate labor data from FY 2010 through FY 2012, as discussed in Finding 2. The department is currently in the process of calculating cost amounts for those years using work order data and line-item charges for County PA Industrial Users. A preliminary estimate for FY 2010 monitoring fees is \$111,897, significantly greater than the \$68,628 calculated using labor charges in FY 2009. These figures are subject to revision as PUD completes further analysis.

charged even less indicates that these hourly fees are not achieving their desired intent of full cost recovery. According to PUD, one reason for this is that PUD ceased tracking staff time spent on laboratory analysis several years ago because it was too time-consuming and inefficient for staff, who may analyze many samples in one day, to track time spent for each sampling activity. In addition, PUD's documented methodologies for permit fees identify many activities that only take a few minutes – such as data entry of permit information - making it likely that these activities are difficult to track using timecards as well. We recommend that PUD replace this timecard-based billing system with line-item charges based on a formal workload study.

Average permit and monitoring fees for the City and other participating jurisdictions are shown in Exhibit 6 and Exhibit 7 below.

**Exhibit 6**

**Significant Industrial Users (SIUs)—Active Users and Average Fees**

<b>Fee Structure</b>	<b>Flat Rate - Established by 1984 Council Resolution establishing IWCP permit fees</b>	<b>Line Item (Individual Charge for Each Activity) - Established in 1999 Agreements with County Agencies</b>	<b>Hourly - IWCP/IWL staff should track labor hours for each projects, and PUD staff add overhead rates to generate invoice amounts</b>
<b># of Significant Industrial Users</b>	52	4	23
<b>Permit Fees</b>	\$25 to \$2,000 per year, based on Class and Flow	\$830 to \$3,180 per year, based on Class and Complexity	Varies based on labor hours charged
<b>Average Permit Fee per User</b>	\$593.27	\$1,420.00	Cannot calculate because PUD does not track individual user costs
<b>Average Monitoring Fees per User</b>	\$0.00-Included in Permit Fee	\$2,105.00	Cannot calculate because PUD does not track individual user costs
<b>Total Average Fees per User</b>	\$593.27	\$3,525.00	Cannot calculate

Source: OCA summary based on Interjurisdictional Pretreatment Agreements and IWCP information, as of June 30, 2012.

**Exhibit 7**

**Class II / III Non-Significant Industrial Users (Non-SIUs) – Active Users and Average Fees**

	<b>City of San Diego</b>	<b>County PAs</b>	<b>Municipal PAs</b>
<b>Fee Structure</b>	Flat Rate - Established by 1984 Council Resolution establishing IWCP permit fees	Line Item (Individual Charge for Each Activity) - Established in 1999 Agreements with County Agencies	Hourly - IWCP/IWL staff should track labor hours for each projects, and PUD staff add overhead rates to generate invoice amounts
<b># of Class II/III Non-SIU's</b>	126	5	54
<b>Permit Fees</b>	\$25.00 to \$1,200.00 per year, based on Class and Flow	\$135.00/yr if self-monitoring is not required; \$235.00/yr if self-monitoring is required	Varies based on labor hours charged
<b>Average Permit Fee per User</b>	\$243.25	\$222.00	Cannot calculate because PUD does not track individual user costs
<b>Monitoring Fees</b>	Included in annual permit fee, above	Varies depending on type / quantity of samples	Varies based on labor hours charged
<b>Average Monitoring Fees per User</b>	\$0.00- Included in Permit Fee	\$228.00	Cannot calculate
<b>Total Average Fees per User</b>	\$243.25	\$450.00	Cannot calculate

Source: OCA summary based on Interjurisdictional Pretreatment Agreements and IWCP information, as of June 30, 2012.

**Policymakers Should Be Informed of Cost Recovery Issues and Determine Appropriate Cost Recovery for IWCP**

Other jurisdictions with similar industrial wastewater source control programs may not recover all permitting costs, choosing to provide these services at a reduced rate. For example, the City and County of San Francisco does not charge any permitting and monitoring fees at all.<sup>12</sup> However, this is ultimately a decision that should be made by policymakers, in accordance with the Municipal Code, Council Policy 100-05, and Administrative Regulation 95.25. Because PUD has not made a practice of regularly reviewing fees and preparing proposals for updating fees, as required by Council Policies and Administrative Regulations, policymakers may not be aware that IWCP is incurring substantial costs that are not being recovered by permit fees. In recent years, these unrecovered costs total several million dollars per year.

In order to ensure that PUD is able to recover costs in accordance with all applicable policy directives, we recommend that:

- Recommendation #1** The Public Utilities Department establish policies and procedures to track all billable IWCP related costs so that fee levels and appropriate cost recovery rates can be determined effectively. (Priority 2)
  
- Recommendation #2** The Public Utilities Department establish policies and procedures to periodically review fee levels and present fee proposals to the City Council. These reviews and fee studies should include calculation of the rate of cost recovery achieved by current fees. Reviews should be conducted on an annual basis, and detailed fee studies should be conducted not less than every three years, in accordance with Council Policy 100-05 and Administrative Regulation 95.25. (Priority 2)
  
- Recommendation #3** The Public Utilities Department perform a fee study to determine fee levels that achieve full cost recovery for all

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<sup>12</sup> PUD noted that the City's IWCP is difficult to compare to programs in other jurisdictions, because the City is subject to stricter regulations in order to maintain an Environmental Protection Agency waiver to operate the Point Loma Wastewater Treatment Plant without secondary treatment capabilities.

IWCP activities, including all labor and materials required for application review and permitting, inspections, monitoring, and sample analysis, as well as overhead and non-personnel expenses. The Public Utilities Department should work with the Office of the City Attorney to ensure that methodologies used to calculate fees are adequately documented and meet all applicable legal requirements, including those established by Proposition 26. (Priority 2)

**Recommendation #4** Upon completion of the fee study, the Public Utilities Department should work with the Office of the City Attorney and the Participating Agencies to review and revise, as appropriate, Interjurisdictional Agreements to include fees for service that achieve appropriate cost recovery under the guidelines of Council Policy 100-05 and Administrative Regulation 95.25. The revised agreements should include mechanisms to adjust fees in response to changes in the cost of service. (Priority 2)

**Recommendation #5** Upon completion of the fee study, we recommend the Public Utilities Department, in consultation with the City Attorney's Office, should develop a proposal for consideration by the City Council to update fees for Industrial Users within the City of San Diego. This proposal should include fees that achieve appropriate cost recovery under the guidelines of Council Policy 100-05 and Administrative Regulation 95.25. The revised fee schedules should include mechanisms to adjust fees in response to changes in the cost of service. (Priority 2)

***Finding 2: The Public Utilities Department Has not Billed Many Regulated Agencies and Businesses for Recoverable Industrial Wastewater Control Program Costs Due to Weak Internal Controls and Unnecessarily Complex Billing Practices***

PUD is required to collect fees in accordance with rate schedules that have been established by City Council Resolutions as well as agreements with other jurisdictions that IWCP is responsible for regulating. We found that the Public Utilities Department (PUD) did not bill numerous regulated entities for Industrial Wastewater Control Program (IWCP) services for a five-year period between FY 2008 and FY 2012. Unbilled amounts totaled more than \$850,000<sup>13</sup> during this period, as shown in **Exhibit 8**.

***Exhibit 8***

**Unbilled Industrial Wastewater Control Program (IWCP) Permitting and Monitoring Fees, Fiscal Years 2008-2012**

Fiscal Year	Permitting	Monitoring	TOTAL
FY '08	\$82,628	\$67,023	\$149,651
FY '09	\$106,806	\$68,628	\$175,434
FY '10	\$106,806	\$68,628	\$175,434
FY '11	\$106,806	\$68,628	\$175,434
FY '12	\$106,806	\$68,628	\$175,434
<b>Total Unbilled</b>	<b>\$509,852</b>	<b>\$341,535</b>	<b>\$851,387</b>

Note 1: Prior to the completion of this audit, PUD sent invoices for unbilled charges accrued during FY 2008 and FY 2009.

Note 2: In addition to the monitoring totals shown, which are based on hourly labor charges, PUD did not charge some applicable line-item monitoring fees from FY 2008 through FY 2012. A preliminary estimate provided by PUD indicates that the unbilled line-item charges total approximately \$9,000 per year.

Note 3: As discussed later in this section, PUD did not accurately track IWCP labor charges from FY 2010 through FY 2012. Therefore, the amounts shown for those years are based on FY 2009 charges, the most recent year that accurate charges are available. PUD is currently working to re-create labor charges using work order information.

Source: OCA analysis based on PUD data.

<sup>13</sup> Prior to the completion of this audit, PUD sent invoices for unbilled charges accrued during FY 2008 and FY 2009.

According to PUD, the failure to bill for services was caused by turnover in staff, as well as initial confusion resulting from the implementation of the SAP financial system in FY 2010. While these factors may have contributed to billing problems, we found that the failure to invoice for all fees was primarily caused by unnecessarily complex billing processes, system programming errors, and a lack of established accountability for billing and review of financial information.

**Multiple Billing  
Procedures Create  
Unnecessary Complexity**

Although the Government Finance Officers Association recommends standardization of billing procedures, we found that PUD uses three different billing processes, depending upon the jurisdiction in which the Industrial User is located. This creates unnecessary complexity which makes it difficult for staff to ensure that billing and reconciliation of accounts is complete and accurate.

Billing activities for Industrial Users in the City of San Diego are conducted entirely by IWCP staff, and invoice data is stored in PIMS and automatically transferred to SAP. City Industrial User permit fees are based on a 1984 Council Resolution, which establishes flat permit fees that are intended to recover both permitting and monitoring costs.

Industrial Users located in the County PAs are charged both an annual permit fee as well as monitoring fees, which are assessed periodically when monitoring activities occur. These fees are based on Interjurisdictional Agreements between the City and the County PAs enacted in 1999. Billing for Industrial Users in the County PAs are primarily conducted by IWCP staff, but monitoring charges are dependent on IWL entry of monitoring data. As with City Industrial User invoice data, billing information for the County PAs is stored in PIMS and automatically transferred to SAP.

Finally, a third billing process is used for Industrial Users located in the Municipal PA jurisdictions. These Industrial Users are billed hourly, in accordance with Interjurisdictional Agreements between the City and the Municipal PAs that have been entered into at various times since IWCP was established in 1982. IWCP and IWL staff should charge all time spent



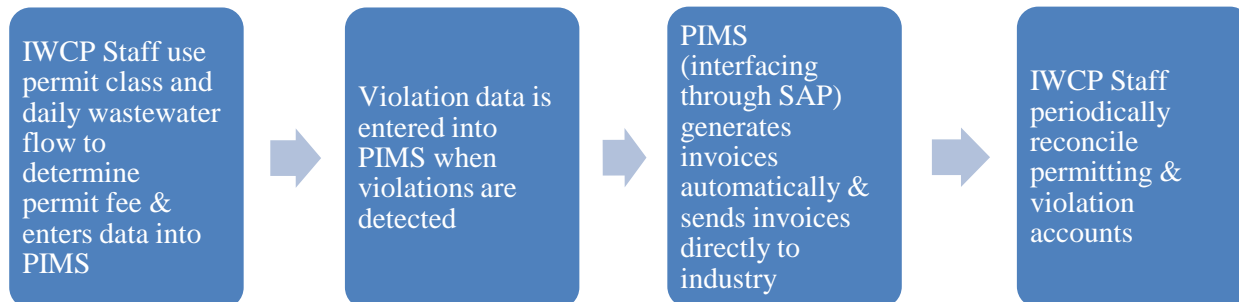
performing permitting and monitoring activities in the Municipal PA jurisdictions to accounts set up for each Municipal PA. On a quarterly basis, PUD's Financial and Information Technology (FIT) division should use these labor charges to calculate and send invoices directly through SAP – this invoice data is not captured in PIMS.

Diagrams of each of these billing procedures are summarized in **Exhibit 9**.

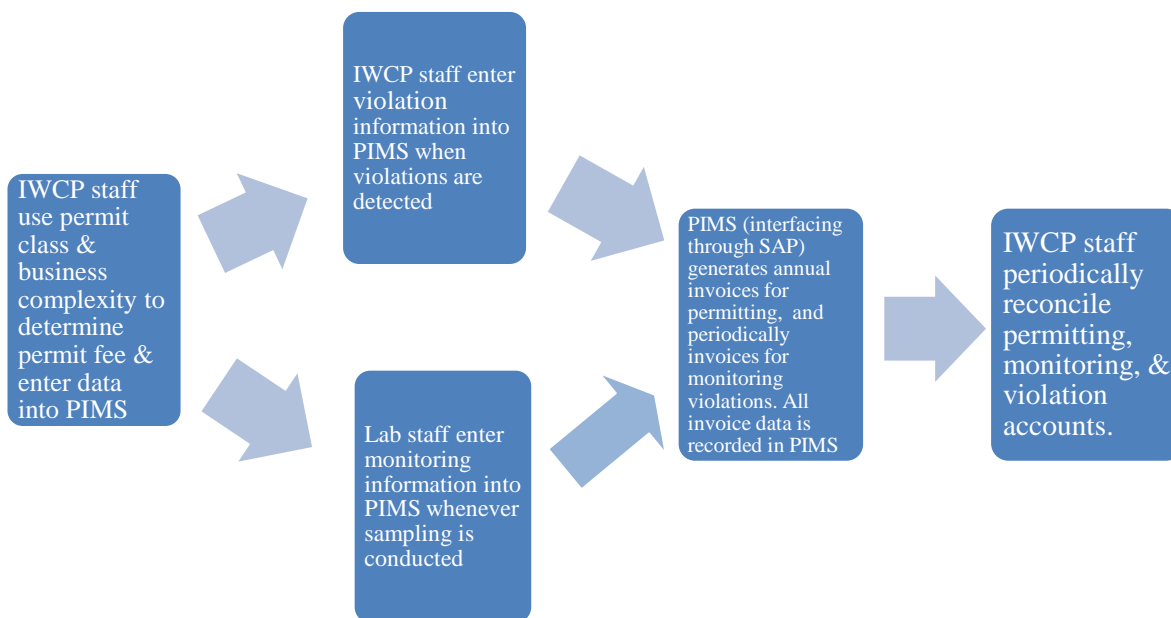
**Exhibit 9**

**Summary of Industrial Wastewater Control Program (IWCP) Billing Processes**

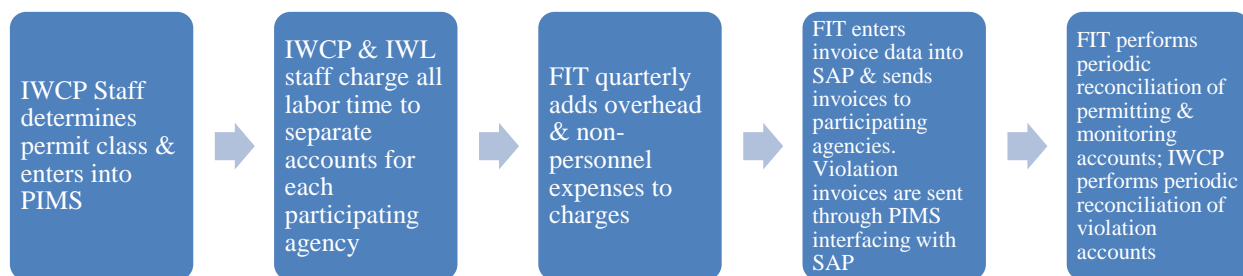
**City of San Diego Billing Process**



**County PA Billing Process**



**Municipal PA Billing Process**



Source: OCA summary of PUD information.

The use of multiple billing procedures can make it difficult for staff to ensure that billing and invoicing is complete and accurate. In addition, because invoice information for Industrial Users in Municipal PA jurisdictions is not captured in PIMS, staff must look in multiple locations to verify and reconcile IWCP accounts. In order to simplify IWCP billing and reduce the risk of inaccurate and incomplete billing, we recommend that PUD develop a single standardized billing process for IWCP fees and charges.

**PUD Has Not Established  
Accountability for IWCP  
Billing or Review of IWCP  
Financial Information**

We found that the unnecessary complexity created by the use of multiple billing procedures is exacerbated by the fact that PUD has not developed any policies and procedures for IWCP billing, including establishing accountability for billing activities or performing periodic reconciliation of accounts to ensure that billing has occurred. Establishing a framework that provides clear guidelines and assigns specific responsibilities to employees involved in accounting operations is essential to ensure the proper handling of transactions. The fact that the failure to bill some regulated entities persisted for five years indicates both a lack of understanding of billing practices on the part of PUD staff, as well as a significant breakdown in oversight of IWCP billing processes. This was especially the case with the hourly billings handled by the FIT group, where approximately \$850,000 went unbilled between FY 2008 and FY 2012.

**PUD Has Not Established  
Policies and Procedures  
to Record Labor Charges  
Used for Billing,  
Resulting in Incomplete  
Billing Records**

As discussed above, IWCP charges for work performed in Municipal PA jurisdictions according to hourly labor rates. When staff members perform IWCP permitting, monitoring, or sample analysis activities in a jurisdiction, they should record their time using an internal order number specific to that jurisdiction. On a quarterly basis, PUD's FIT division should compile all labor hours recorded for each jurisdiction, add overhead and other non-personnel expenses, and send invoices.

We found that since the implementation of the City's new financial system, SAP, at the beginning of FY 2010, IWCP staff have not made a practice of recording time spent for each jurisdiction, and as a result, PUD lacks accurate labor data for FY

2010 onwards – making it impossible to generate accurate labor-based invoices.<sup>14</sup> PUD noted that jurisdiction-specific account numbers were not immediately available when SAP was implemented, preventing staff from recording time spent on permitting, monitoring, and sample analysis in each jurisdiction. Although account numbers for each jurisdiction were not immediately provided, information in SAP indicates that most of the accounts became available within six months of SAP's implementation, while staff have not consistently charged labor time correctly to the jurisdiction accounts for several years subsequent to the establishment of the new accounts. We found that this resulted from a lack of direction given to staff; PUD does not maintain any policies and procedures for correctly charging labor time for billing PAs using hourly rates, and interviews with IWCP and IWL staff indicated that they had not been directed on how to charge labor time for work that is billed at hourly rates.

**System Setting Errors  
Prevented Some  
Invoices From Being  
Generated and  
Programming Problems  
Could Potentially Cause  
Inaccurate Billing**

The PIMS system used by IWCP automatically calculates and sends invoice information to SAP for billing. We found that a setting in PIMS was incorrect, preventing monitoring invoices from being sent to Industrial Users in the County PA areas for at least the last five years, dating to FY 2008.<sup>15</sup> In addition, PUD was initially unable to provide totals for the unbilled monitoring amounts for County PA Industrial Users because the department subsequently determined that PIMS may calculate certain monitoring invoices incorrectly by adding additional monitoring charges that are not intended to be billed. This indicates that, even if PIMS settings had not prevented monitoring invoices from being sent, some Industrial Users could have been overcharged for monitoring costs.

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<sup>14</sup> PUD is currently working to calculate costs for FY 2010 onwards based on permitting and sampling activities recorded in PIMS in order to bill each jurisdiction accurately.

<sup>15</sup> We reviewed data from FY 2008 through FY 2012 and found that no monitoring charges for the County PAs were invoiced during this time period.

**PUD's Current Practice for Billing Industrial Users for Violations Does Not Achieve Appropriate Separation of Duties**

In any billing and accounting system, establishing a Separation of Duties (SoD) – ensuring that the person who reviews and reconciles transactions is not the same person who determines fees and charges - is a key control to prevent fraud and error. We found that, while IWCP billing practices generally achieve an appropriate SoD, this was not the case for billing of Notices of Violation (NOV), where the same staff member who assesses NOV charges is also responsible for periodically reconciling all billings in PIMS, including those for NOV's. We recommend that PUD address this SoD deficiency when developing policies and procedures to standardize billing practices.

In order to recover the costs incurred by the City for permitting and monitoring industries regulated by IWCP, we recommend:

**Recommendation #6 The Public Utilities Department work with the Office of the City Attorney to seek recovery, to the greatest extent possible allowed by law, of all unbilled costs related to Industrial Wastewater Control Program application review, permitting, inspection, and monitoring. (Priority 1)**

In addition, in order to ensure that all costs of performing IWCP permitting and monitoring activities are accurately tracked, all applicable IWCP fees and charges are assessed accurately and in a timely manner, and effective monitoring and oversight of IWCP billing activities occurs, we recommend:

**Recommendation #7 The Public Utilities Department should establish a centralized billing process and standardized billing policies and procedures for all IWCP fees and charges. These policies and procedures should be documented in a process narrative, and should:**

- a. Establish responsibilities and timelines for generating and sending invoices for all IWCP fees and charges;
- b. Establish responsibilities and timelines for performing a periodic reconciliation of all IWCP revenue accounts;
- c. Establish guidelines and procedures for recording

labor time, if necessary to determine invoice amounts;

d. Establish guidelines and procedures for calculating invoice amounts; and

e. Ensure that appropriate Separation of Duties controls are enforced. (Priority 2)

**Recommendation #8** The Public Utilities Department should perform a comprehensive review of all PIMS settings and invoice-calculating features to ensure that accurate invoices are automatically generated by PIMS and sent in a timely manner. (Priority 2)

## Conclusion

The Public Utilities Department's (PUD) Industrial Wastewater Control Program (IWCP) and associated Industrial Waste Lab (IWL) permit and monitor industrial waste dischargers in the City of San Diego, as well as dischargers in 15 other jurisdictions in San Diego County whose sewage is treated by the City's Point Loma and South Bay Wastewater Treatment Plants. It is clear that the program has been effective in minimizing toxic discharges to the sewerage system, and IWCP is a key element of the City's effort to protect public health and the environment. Addressing the fee structure and billing issues described in this report will help to ensure that the program continues to operate as intended, and ensure proper cost recovery.

IWCP charges fees to cover the cost of permitting and inspecting regulated industrial users, as well as waste sampling and analysis services provided by IWL. Many of these fees have not been updated in decades – some have not been updated since 1984 – and as such, no longer achieve intended cost recovery. As a result, only 15 percent of estimated billable costs have been recovered in recent years, and estimated billable costs exceeded revenues by approximately \$8.3 million between FY 2010 and FY 2012. Furthermore, because PUD does not track billable IWCP and IWL costs, and does not maintain data to conduct such an analysis efficiently, PUD cannot effectively determine fee rates that would achieve full cost recovery. In order to ensure that intended cost recovery is achieved, it is important that PUD track all billable costs, routinely review fee levels, and present updated fee proposals to the City Council on a regular basis.

In addition, PUD has not billed approximately \$850,000 in accumulated charges between FY 2008 and FY 2012. While PUD stated that this resulted from high turnover and the implementation of a new financial system, we found that the primary causes were the use of non-standardized billing

processes, incorrect billing system settings, and a lack of direction given to staff to appropriately charge labor time used to calculate some charges. These factors were exacerbated by PUD's insufficient accountability and oversight of billing processes, which enabled billing lapses to persist for at least five years. In order to ensure that all applicable charges are billed correctly and in a timely manner, PUD should standardize IWCP billing processes, review billing system settings, and establish policies and procedures for billing that designate responsibilities for billing and periodic reconciliation of accounts.



## Recommendations

In order to ensure that PUD is able to recover costs in accordance with all applicable policy directives, we recommend that:

- Recommendation #1** The Public Utilities Department establish policies and procedures to track all billable IWCP related costs so that fee levels and appropriate cost recovery rates can be determined effectively. (Priority 2)
- Recommendation #2** The Public Utilities Department establish policies and procedures to periodically review fee levels and present fee proposals to the City Council. These reviews and fee studies should include calculation of the rate of cost recovery achieved by current fees. Reviews should be conducted on an annual basis, and detailed fee studies should be conducted not less than every three years, in accordance with Council Policy 100-05 and Administrative Regulation 95.25. (Priority 2)
- Recommendation #3** The Public Utilities Department perform a fee study to determine fee levels that achieve full cost recovery for all IWCP activities, including all labor and materials required for application review and permitting, inspections, monitoring, and sample analysis, as well as overhead and non-personnel expenses. The Public Utilities Department should work with the Office of the City Attorney to ensure that methodologies used to calculate fees are adequately documented and meet all applicable legal requirements, including those established by Proposition 26. (Priority 2)

**Recommendation #4** Upon completion of the fee study, the Public Utilities Department should work with the Office of the City Attorney and the Participating Agencies to review and revise, as appropriate, Interjurisdictional Agreements to include fees for service that achieve appropriate cost recovery under the guidelines of Council Policy 100-05 and Administrative Regulation 95.25. The revised agreements should include mechanisms to adjust fees in response to changes in the cost of service. (Priority 2)

**Recommendation #5** Upon completion of the fee study, we recommend the Public Utilities Department, in consultation with the City Attorney's Office, should develop a proposal for consideration by the City Council to update fees for Industrial Users within the City of San Diego. This proposal should include fees that achieve appropriate cost recovery under the guidelines of Council Policy 100-05 and Administrative Regulation 95.25. The revised fee schedules should include mechanisms to adjust fees in response to changes in the cost of service. (Priority 2)

In order to recover the costs incurred by the City for permitting and monitoring industries regulated by IWCP, we recommend:

**Recommendation #6** The Public Utilities Department work with the Office of the City Attorney to seek recovery, to the greatest extent possible allowed by law, of all unbilled costs related to Industrial Wastewater Control Program application review, permitting, inspection, and monitoring. (Priority 1)

**Recommendation #7** The Public Utilities Department should establish a centralized billing process and standardized billing policies and procedures for all IWCP fees and charges. These policies and procedures should be documented in a process narrative, and should:

- a. Establish responsibilities and timelines for generating and sending invoices for all IWCP fees and charge;
- b. Establish responsibilities and timelines for performing a periodic reconciliation of all IWCP

revenue accounts;

- c. Establish guidelines and procedures for recording labor time, if necessary to determine invoice amounts;
- d. Establish guidelines and procedures for calculating invoice amounts; and
- e. Ensure that appropriate Separation of Duties controls are enforced. (Priority 2)

**Recommendation #8** The Public Utilities Department should perform a comprehensive review of all PIMS settings and invoice-calculating features to ensure that accurate invoices are automatically generated by PIMS and sent in a timely manner. (Priority 2)

## Appendix A: OBJECTIVES, SCOPE, AND METHODOLOGY

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In accordance with the City Auditor's Fiscal 2013 Work Plan, we conducted a performance audit of the Public Utilities Department's (PUD's) Industrial Wastewater Control Program (IWCP). Specifically, our objective was to:

- Assess the extent to which IWCP's permit and inspection fees and billing processes meet legal requirements, achieve appropriate cost recovery, and ensure timely collection.

To address issues pertaining to IWCP fees, we reviewed applicable federal, state, and local laws relevant to the program. Our examination of source criteria pertaining to IWCP fees included a review of applicable sections of the City of San Diego's (City's) Municipal Code, City Council Resolutions, Ordinances, and Policies, Administrative Regulations, and the City's Interjurisdictional Pretreatment Agreements with metropolitan area participating agencies. We consulted with the City Attorney's Office to clarify our understanding of the applicable legal issues.

In addition to reviewing legal and policy information related to IWCP fees, we analyzed a variety of IWCP data, which generally spanned FY 2008 to FY 2012. Specifically, we examined 1) SAP financial data for FY 2010- FY 2012; 2) invoice and permitting information extracted from IWCP's Pretreatment Information Management System; and 3) labor charges used to calculate hourly fees. We conducted various data reliability tests on information we received from PUD to ensure sufficient accuracy and completeness, and determined that the information provided was sufficiently reliable for the purposes of this audit. We also examined pretreatment program fee structures in other municipalities to enhance our contextual understanding of IWCP.

To address issues pertaining to IWCP billing, we interviewed cognizant PUD staff regarding billing practices and procedures. To the extent that information was available, we reviewed applicable Citywide and PUD-specific billing policies and guidance.

Finally, to gain a better understanding of program operations, we conducted numerous interviews with IWCP staff and conducted field observations of IWCP inspectors and Industrial Waste Lab technicians. To gain outside perspectives on IWCP, we also interviewed officials from the federal Environmental Protection Agency and the California Regional Water Quality Control Board.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and

conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Appendix B: DEFINITION OF AUDIT RECOMMENDATION PRIORITIES

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### DEFINITIONS OF PRIORITY 1, 2, AND 3 AUDIT RECOMMENDATIONS

The Office of the City Auditor maintains a classification scheme applicable to audit recommendations and the appropriate corrective actions as follows:

Priority Class <sup>16</sup>	Description <sup>17</sup>	Implementation Action <sup>18</sup>
1	Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring.	Immediate
2	A potential for incurring significant or equivalent fiscal and/or non-fiscal losses exist.	Six months
3	Operation or administrative process will be improved.	Six months to one year

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<sup>16</sup> The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher priority.

<sup>17</sup> For an audit recommendation to be considered related to a significant fiscal loss, it will usually be necessary for an actual loss of \$50,000 or more to be involved or for a potential loss (including unrealized revenue increases) of \$100,000 to be involved. Equivalent non-fiscal losses would include, but not be limited to, omission or commission of acts by or on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its residents.

<sup>18</sup> The implementation time frame indicated for each priority class is intended as a guideline for establishing implementation target dates. While prioritizing recommendations is the responsibility of the City Auditor, determining implementation dates is the responsibility of the City Administration.

## Appendix C: MANAGEMENT'S RESPONSE

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THE CITY OF SAN DIEGO

### M E M O R A N D U M

Date: August 2, 2013

To: Eduardo Luna, City Auditor

From: Roger Bailey, Director of Public Utilities

Subject: Management Response to Public Utilities Industrial Wastewater Control Program Audit

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Attached is Management's response to the Performance Audit of the Public Utilities Department's Industrial Wastewater Control Program which has been reviewed and approved by the Mayor's Office. Department Management agrees with the audit recommendations and has established action plans and timeframes for completion as specified in our response.

A handwritten signature in black ink, appearing to read "R. Bailey".

Roger S. Bailey

Attachment: Management Response

Cc: Walt Ekard, Interim Chief Operating Officer  
Nelson Hernandez, Director of Policy

## Management's Response to Report Recommendations

The department acknowledges the Office of the City Auditor Performance Audit of the Public Utilities Department's Industrial Wastewater Control Program. The following summarizes the audit findings and recommendations contained in this report and the department's responses to these recommendations.

**Recommendation 1:** The Public Utilities Department should establish policies and procedures to track all billable IWCP related costs so that fee levels and appropriate cost recovery rates can be determined effectively. (Priority 2)

**Management Response: Agree with recommendation.**

Public Utilities hired a consultant to assist Public Utilities with a **comprehensive** review of the cost of services of the Industrial Wastewater Control Program, benchmarking cost recovery policies, procedures to track billable costs, Interjurisdictional Agreements, and other aspects of the cost recovery and fee practices and policies within the IWCP. The department will develop and implement complete invoicing, payment tracking, reconciliation, and internal control practices for charges and revenues within the IWCP. (Also see Recommendation 7)

Date to be completed: January 31, 2014

**Recommendation 2:** The Public Utilities Department should establish policies and procedures to periodically review fee levels and present fee proposals to City Council. These reviews and fee studies should include calculation of the rate of cost recovery achieved by current fees. Reviews should be conducted on an annual basis, and detailed fee studies should be conducted not less than every three years, in accordance with Council Policy 100-05 and Administrative Regulation 95.25. (Priority 2)

**Management Response: Agree with recommendation.**

The Public Utilities Department hired a consultant to help conduct a study to review cost of services of the Industrial Wastewater Control Program. This study will include a review of fees and charges; an industry survey to gain knowledge of comparable agencies' cost recovery policies and practices; a review of City policies pertaining to cost recovery of the Industrial Wastewater Pretreatment Program; and a rate model that will allow calculation of current and proposed future fees.

This study will provide the department the foundation upon which Public Utilities management will develop policy recommendations for the Mayor's and Council's consideration. Further, we will develop and memorialize a standard of practice for the review of fees and charges consistent with Council Policy.

Date to be completed: January 31, 2014



**Recommendation 3:** The Public Utilities Department should perform a fee study to determine fee levels that achieve full cost recovery for all IWCP activities, including all labor and materials required for application review and permitting, inspections, monitoring, and sample analysis, as well as overhead and non-personnel expenses. The Public Utilities Department should work with the Office of the City Attorney to ensure that methodologies used to calculate fees are adequately documented and meet all applicable legal requirements, including those established by Proposition 26. (Priority 2)

**Management Response: Agree with recommendation.**

See response to Recommendations 1 and 2. During the study, we will seek input from the City Attorney's Office in formulating recommendations for policy and implementation. We expect that any policy recommendations will be in compliance with the Attorney's legal guidance. We will also work with the Participating Agencies on amendments to the Interjurisdictional Agreements.

Date to be completed: January 31, 2014

**Recommendation 4:** Upon completion of the fee study, the Public Utilities Department should work with the City Attorney's Office and the Participating Agencies to review and revise, as appropriate, Interjurisdictional Agreements to include fees for services that achieve appropriate cost recovery under the guidelines of Council Policy 100-05 and Administrative Regulation 95.25. The revised agreements should include mechanisms to adjust fees in response to changes in the cost of service. (Priority 2)

**Management Response: Agree with recommendation.**

See response to Recommendations above.

Date to be completed: Public Utilities expects to have policy recommendations proposed by January 31, 2014. Model Interjurisdictional Amendments will be developed in parallel so that new Amendments with each of the agencies can follow quickly.

**Recommendation 5:** Upon completion of the fee study, it is recommended that PUD, in consultation with the City Attorney's Office, develop a proposal for consideration by the City Council to update fees for Industrial Users within the City of San Diego. This proposal should include fees that achieve appropriate cost recovery under the guidelines of Council Policy 100-05 and Administrative Regulation 95.25. The revised fee schedules should include mechanisms to adjust fees in response to changes in the cost of service. (Priority 2)

**Management Response: Agree with recommendation.**

See response to Recommendations above; proposals for revised fee structures for Industrial Users within the City of San Diego will be included in the policy recommendations.

Date to be completed: January 31, 2014

**Recommendation 6:** The Public Utilities Department should work with the Office of the City Attorney to seek recovery, to the greatest extent possible allowed by law, of all unbilled costs related to Industrial Wastewater Control Program application review, permitting, inspection, and monitoring. (Priority 1)

**Management Response: Agree with recommendation.**

Public Utilities Department began this process prior to this audit engagement. On March 5, 2013, the Department invoiced the Participating Agencies for Fiscal Years 2008 and 2009. The Department is in the process of calculating the unbilled portion of permitting and monitoring costs related to the Industrial Wastewater Control Program for Fiscal Years 2010 through 2013. Once this has been determined, the department will work with the City Attorney's Office to seek recovery.

Date to be completed: October 31, 2013

**Recommendation 7:** The Public Utilities Department should establish a centralized billing process and standardized billing policies and procedures for all IWCP fees and charges. These policies and procedures should be documented in a process narrative, and should:

- a. Establish responsibilities and timelines for generating and sending invoices for all IWCP fees and charges
- b. Establish responsibilities and timelines for performing a periodic reconciliation of all IWCP revenue accounts
- c. Establish guidelines and procedures for recording labor time, if necessary to determine invoice amounts
- d. Establish guidelines and procedures for calculating invoice amounts
- e. Ensure that appropriate Segregation of Duties controls are enforced. (Priority 2)

**Management Response: Agree with recommendation.**

The Public Utilities Department intends to fully develop the process narrative that will document the billing process procedures associated with the Industrial Wastewater Control Program. The department held preliminary discussions on this topic and sees no issues in implementing items a through e.

Date to be completed: January 31, 2014

**Recommendation 8:** The Public Utilities Department should perform a comprehensive review of all PIMS setting and invoice-calculating features to ensure that accurate invoices are automatically generated by PIMS and sent in a timely manner. (Priority 2)

**Management Response: Agree with recommendation.**

The Public Utilities Department will perform a comprehensive review of pertinent PIMS setting and invoice-calculating features to ensure that accurate invoices are generated and sent in a timely manner. This review will be a part of our response to Recommendation 7.

Date to be completed: January 31, 2014

# AGENDA ITEM 8

Attachment

forthcoming

(Vision Internet Agreement for  
JPA Website)

# AGENDA ITEM 9

## Attachment

(MetroTAC Work Plan)

**MetroTAC**  
**2012/13 Work Plan**  
**May & June 2013 (Revised Per Metro TAC)**

MetroTAC Items	Description	Subcommittee Member(s)
<i>JPA Website Update</i>	<i>5/13: The Metro TAC would like to update the current website as it is outdated. A review of the current website and its limitations will be on the Metro TAC agenda in the next couple months.</i>	
<i>2013 Transportation Rate Update</i>	<i>5/13: PUD staff is proposing slightly revising the methodology and increasing the transportation rate. Subcommittee met with PUD staff on 6/12/13 to review calculations.</i>	<i>Al Lau Dan Brogadir Karyn Keese</i>
<i>PLWTP Permit Ad Hoc TAC</i>	<i>6/13: Ad Hoc created by JPA at their special June workshop. Goal: Create regional water reuse plan so that both a new, local, diversified water supply is created and maximum offload at Point Loma is achieved to support federal legislation for permanent acceptance of Point Loma as a smaller advanced primary plant. Minimize ultimate Point Loma treatment costs and most effectively spend ratepayer dollars due to successful coordination between water and wastewater agencies. Ad Hoc has been meeting all month and has developed a Concept Paper. Ad Hoc will be giving presentations to PAs City Councils/Board of Directors during July 2013.</i>	Greg Humora Leah Browder Mark Watton Scott Tulloch Rick Hopkins Jim Smyth Karyn Keese
IRWMP	Bob Kennedy attended the Regional Advisory Committee (RAC) meeting of April 3, 2013. Minutes from this meeting are attached. <i>6/5/13: Bob Kennedy attended Meeting #43. Minutes are attached to this work plan.</i>	Bob Kennedy Greg Humora
Fiscal Items	The Finance committee will continue to monitor and report on the financial issues affecting the Metro System and the charges to the PAs. The debt finance and reserve coverage issues have been resolved. Refunds totaling \$12.3 million were sent to most of the PA's. 10/26/11: 2010 will be the first year where the PAs will be credited with interest on the debt service reserve and operational fund balances. Interest will be applied as an income credit to Exhibit E when that audit is complete.	Greg Humora Karen Jassoy Karyn Keese
Recycled Water Revenue Issue	Per our Regional wastewater Agreement revenues from SBWTP are to be shared with PA's. 4/11: City has agreed to pay out revenue to Wastewater Section and PA's credit will be on the Exhibit E adjustments at year end Open issues: Capacity reservation lease payments and North City Optimized System Debt service status. 12/11: Letter sent to San Diego regarding outstanding recycled water revenue issues. 2/13: Karyn Keese continues to meet with City staff to determine the basis of the water department's administrative charges. 4/13: Need Metro TAC member for subcommittee	Karyn Keese
Water Reduction - Impacts on Sewer Rates	The MetroTAC wants to evaluate the possible impact to sewer rates and options as water use goes down and consequently the sewer flows go down, reducing sewer revenues. Sewer strengths are also increasing because of less water to dilute the waste. We are currently monitoring the effects of this. 2/2011:wastewater revenues are declining due to conservation and flow reductions and agencies are re-prioritizing projects to be able to cover annual operations costs	Eric Minicilli Bob Kennedy Karyn Keese



MetroTAC Items	Description	Subcommittee Member(s)
"No Drugs Down the Drain"	The state has initiated a program to reduce pharmaceuticals entering the wastewater flows. There have been a number of collection events within the region. The MetroTAC, working in association with the Southern California Alliance of Publicly-owned Treatment Works (SCAP), will continue to monitor proposed legislation and develop educational tools to be used to further reduce the amount of drugs disposed of into the sanitary sewer system. 8/2010: County Sheriff and Chula Vista have set up locations for people to drop off unwanted medications and drugs.4/11: Local law enforcement has taken a proactive role and is sponsoring drug take back events. 3/11: TAC to prepare a position for the board to adopt; look for a regional solution; watch requirements to test/control drugs in wastewater. 10/26/11: A prescription drug take back day is scheduled for 10/29/11. Go to <a href="http://www.dea.gov">www.dea.gov</a> to find your nearest location.4/12: East County to host a prescription drug take back 4/28/12. 4/27/13 is scheduled to be a county wide take back day. Locations can be found on the DEA website.	Greg Humora
Strength Based Billing Evaluation	3/20/13: Brown and Caldwell presented their draft results to Metro TAC. This has been added as a standing item to the Metro TAC agenda for discussions on the recommendations.	
Grease Recycling	To reduce fats, oils, and grease (FOG) in the sewer systems, more and more restaurants are being required to collect and dispose of cooking grease. Companies exist that will collect the grease and turn it into energy. MetroTAC is exploring if a regional facility offers cost savings for the PAs. The PAs are also sharing information amongst each other for use in our individual programs. 3/11: get update on local progress and status of grease rendering plant near Coronado bridge	Eric Minicilli
Padre Dam Mass Balance Correction	11/11: Padre Dam has been overcharged for their sewage strengths since 1998. Staff from City of San Diego presented a draft spreadsheet entitled Master Summary Reconciliations Padre Dam Mass Balance Corrections Calculation. Rita Bell and Karyn Keese were elected to review the documentation and report back to Metro TAC. 2/12: Audit complete. Item added as Standing to Metro TAC agenda.4/12: This issue is scheduled as a standing item and discussed at each Metro TAC meeting until it is resolved. Currently Metro TAC is focusing on the statue of limitations. 2/13: The PAs have received a joint letter from Padre Dam/City of San Diego. The PA's attorneys group continues to meet on this issue. 3/13: The attorney's group has requested an extension to 4/23/13 to respond to San Diego's letter. 5/13: <b>The attorney's group has submitted a letter to Padre Dam and San Diego.</b>	Rita Bell Karyn Keese
Waiver and Recycled Water Study Implementation	11/12: Metro TAC requested a timeline from City staff including milestones for the waiver process. The waiver is due no later than 7/30/15. However, the application needs to be submitted six months prior to the July date (2/1/15). Preparation of the waiver will begin in the early part of FYE 2014. 2/13: City staff has met to start coordination of the waiver process. Staff in attendance included Roger Bailey, Marsi Steirer, Guann Hwang, Steve Meyers, and Allan Langworthy. 5/13: <b>Scott Tulloch has briefed Metro TAC and the Metro Commission/JPA on the waiver's history and secondary equivalency. A JPA workshop to be held in June to further discuss. Scott Tulloch is preparing a briefing paper for the Commission's use.6/13: JPA workshop held and PLWTP Steering Committee and Ad Hoc TAC were appointed.</b>	Greg Humora Leah Browder Scott Tulloch Karyn Keese
City of San Diego Recycled Water Pricing Study	San Diego is working on a rate study for pricing recycled water from the South Bay plant and the North City plant. Metro TAC, in addition to individual PAs, has been engaged in this process and has provided comments on drafts San Diego has produced. We are currently waiting for San Diego to promulgate a new draft which addresses the changes we have requested. 10/26/11: draft study still not issued. 5/13: <b>Recycled Water Study to be on July 2013 Metro TAC agenda per PUD staff.6/24/13: Recycled Water Pricing Study goes to IROC. 7/10/13: Recycled Water Study goes to NR&amp;C</b>	Karyn Keese Rita Bell



MetroTAC Items	Description	Subcommittee Member(s)
City of San Diego Revised Procurement Process	8/12: San Diego City Engineer James Nagelvoort reported on recent changes to San Diego's procurement process to move projects through more quickly. Technically any CIP projects under \$30 million may no longer need to be reviewed by the Metro TAC or JPA prior to City Council approval. Chairman Humora requested San Diego prepare a summary of the recent changes and the decision points for consideration of the TAC at the September meeting. 10/4: Metro Commission requests further review by TAC to recommend an appropriate level for CIP's to be brought forth to the Commission. 11/12: MetroTAC recommended leaving the thresholds as they are today and therefore everything will go through TAC and then to the JPA for formal action. The policy will be placed on the JPA website. The Metro Commission approved the policy at their November 2012 meeting. San Diego's CIP will become a standing item on the Metro TAC agenda.	Metro TAC
Salt Creek Diversion	9/2010: OWD, Chula Vista and San Diego met to discuss options and who will pay for project; Chula Vista and OWD are reviewing options. 2/2011: OWD and PBS&J reviewed calculations with PUD staff; San Diego to provide backup data for TAC to review. This option is also covered in the Recycle Water Study. 10/26/11: Back-up information has still not been received from staff. 8/12: San Diego to conduct business case evaluation and add to Capital Improvement Program as recommend by Metro Commission to San Diego City Council on July 17, 2012 in support of the Recycled Water Study.	Roberto Yano Bob Kennedy Karyn Keese Rita Bell
Recycled Water Study Cost Allocation	A small working group was formed to discuss options to allocate PLWTP offset project costs among the water and wastewater rate payers; Concepts will be discussed at TAC and JPA Board in near future. 7/12: Subcommittee to meet with PUD staff & consultants to review TM 8 and economic model. 8/12: Subcommittee has meet with City staff and consultants. Economic model has been received. City will not pursue cost allocations until Demonstration Project is complete due to staffing constraints. <i>6/13: Ad Hoc TAC has started work on cost allocation concept.</i>	Greg Humora Leah Browder Mark Watton Scott Tulloch Rick Hopkins Jim Smyth Karyn Keese
<b>Board Members' Items</b>		
<i>San Diego Wastewater 50<sup>th</sup> Anniversary Celebration</i>	<i>5/13: Cheryl Lester presented the draft plan for the Anniversary celebration. She requested Metro Commission/JPA participation. Commission Parks will represent the Commission/JPA.</i>	<i>Sherryl Parks</i>
Rate Case Items	1/12: San Diego is in the process of hiring a consultant to update their rate case. As part of that process, Metro TAC and the Finance Committee will be monitoring the City's proposals as they move forward. 6/12: San Diego hired Black & Veatch as their rate consultant. 2/13: Preliminary results were reported at the IROC Meeting of 2/19/13. Karyn Keese will be working with the IROC Finance Committee to review details. 3/13: Karyn Keese attended a joint workshop with IROC to review the draft revenue requirement for the Rate Case. 4/13: Next meeting with IROC on the rate case is 5/20/13. <i>5/13: Next special meeting with IROC is June 24, 2013. 6/13: San Diego is only moving forward with Water Rate Case due to needed rate increase. Wastewater does not appear to need a rate adjustment for two years.</i>	Karyn Keese
Exhibit E	Metro TAC and the Finance Committee are active and will monitor this process. Individual items related to Schedule E will come directly to the Board as they develop. 2/13: 2010 and 2011 audits are ongoing. 3/13: The 2010 audit is complete and has been presented to Metro TAC & the Finance Committee. Will move forward to Commission at 6/13 meeting. 2011 field work is complete. 2012 sample selected.	Karen Jassoy Karyn Keese



MetroTAC Items	Description	Subcommittee Member(s)
Future bonding	Metro TAC and the Finance Committee are active and will monitor this process. Individual items related to bonding efforts will come directly to the Board as they develop. 10/26/11: San Diego is issuing an RFP for a cost of service study to support a future bond issue potentially in mid-2013. Kristin Crane to sit on the selection panel. 2/13: San Diego's preliminary rate case does not show the issuance of additional debt until FY 2018.	Karen Jassoy Karyn Keese Kristen Crane
Changes in water legislation	Metro TAC and the Board should monitor and report on proposed and new legislation or changes in existing legislation that impact wastewater conveyance, treatment, and disposal, including recycled water issues	Paula de Sousa
Border Region	Impacts of sewer treatment and disposal along the international border should be monitored and reported to the Board. These issues would directly affect the South Bay plants on both sides of the border. 2/12: This Item does not have a champion. Should we remove?	
SDG&E Rate Case	8/19: Karyn to check with Paula regarding latest SDG&E issues. 11/12: Sophie Akins from BBK will present updated information to Metro TAC.	Paula de Sousa
Metro JPA Strategic Plan	6/12: Chairman Ewin to establish a subcommittee to monitor the progress of strategic plan initiatives.	<i>Who should take over?</i>

Completed Items	Description	Subcommittee Member(s)
Debt Reserve and Operating Reserve Discussion	In March 2010, the JPA approved recommendations developed by Metro JPA Finance Committee, MetroTAC, and the City of San Diego regarding how the PA's will fund the operating reserve and debt financing. MetroTAC has prepared a policy document to memorialize this agreement. <b>Project complete: 4/10</b>	Scott Huth Karyn Keese Doug Wilson
State WDRs & WDR Communications Plan	The Waste Discharge Requirements (WDRs), a statewide requirement that became effective on May 2, 2006, requires all owners of a sewer collection system to prepare a Sewer System Management Plan (SSMP). Agencies' plans have been created. We will continue to work to meet state requirements, taking the opportunity to work together to create efficiencies in producing public outreach literature and implementing public programs. <b>Project complete: 5/10.</b> 2/12: State has proposed new WDR regulations. Metro TAC will not reopen but Dennis Davies will stay on top of the issue.	Dennis Davies
Ocean Maps from Scripps	Schedule a presentation on the Sea Level Rise research by either Dr. Emily Young, San Diego Foundation, or Karen Goodrich, Tijuana River National Estuarine Research Reserve <b>Project complete: 5/10</b>	Board Member Item
Secondary Waiver	The City of San Diego received approval from the Coastal Commission and now the Waiver is being processed by the EPA. The new 5 year waiver to operate the Point Loma Wastewater Treatment Plant at advanced primary went into effect August 1, 2010. <b>Project complete 7/10</b>	Scott Huth
Lateral Issues	Sewer laterals are owned by the property owners they serve, yet laterals often allow infiltration and roots to the main lines causing maintenance issues. As this is a common problem among PAs, the MetroTAC will gather statistics from national studies and develop solutions. 4/11: There has been no change to the issue. We will continue to track this item through SCAP and report back when the issue is active again. <b>Efforts closed 3/11</b>	Tom Howard Joe Smith
Advanced Water Purification Demonstration Project	San Diego engaged CDM to design/build/operate the project for the water repurification pilot program. 2/8/11: <i>Equipment arrived 3/2011; tours will be held when operational (June/July 2011 timeframe).</i> 2/12: Tours are available. San Diego whitepaper on IPR distributed to Metro TAC members. <b>Closed 4/18/12</b>	Al Lau
SDG&E Rate Case	SDG&E has filed Phase 2 of its General Rate Case, which proposes a new "Network Use Charge" which would charge net-energy metered customers for feeding renewable energy into the grid as well as using energy from the grid. The proposal will have a significant impact on entities with existing solar facilities, in some cases, increases their electricity costs by over 400%. Ultimately, the Network Use Charge will mean that renewable energy projects will no longer be as cost effective. SDG&E's proposal will damage the growth of renewable energy in San Diego County. A coalition of public agencies has formed to protest this rate proposal. 2/12: PUC has not accepted SDG&E's filing. Metro TAC move to close this item. Will continue to monitor this. 8/19: Karyn to check with Paula regarding latest SDG&E issues.	Paula de Sousa
Metro JPA Strategic Plan	2/2011: committee to meet 2/28/11 to plan for retreat to be held on 5/5/11 Retreat held and wrap up presented to the Commission at their June Meeting. JPA strategic planning committee to meet to update JPA Strategic Plan and prepare action items. 1/12: Draft strategic plan reviewed by Board and referred to Metro TAC for input. MetroTAC has created a subcommittee to work on this project. 2/12: Metro TAC has completed their final review. Forwarded to Commission. 4/12: Adopted at April 2012 Metro JPA Meeting. Project complete.	Augie Caires Ernie Ewin



Completed Items	Description	Subcommittee Member(s)
Recycled Water Study	As part of the secondary waiver process, San Diego agreed to perform a recycled water study within the Metro service area. That study is currently underway, and MetroTAC has representatives participating in the working groups. TM #8 Costs estimates are out and PAs provided comments on TM#8 and have asked for a technical briefing. 10/16/11: Final draft of report is due out in November 2011.1/12: Final draft of report is due in March 2012.3/12: Final draft available for comments until 3/19/12 4/12: PUD staff to give presentation to Metro JPA at their May meeting. 5/12 PUD staff presented the Recycled Water Study to the Metro JPA at their May meeting. Metro JPA approved the Study as a planning document. Study to move forward to SD City Council in July 2012 with letter of support from JPA. 7/12: City of San Diego approved the Recycled Water Study; Study submitted on time to Coastal Commission. Final report uploaded to JPA website.11/12: San Diego received a letter from the Coastal Commission. Metro Commission consensus was that based on the tone of the Coastal Commission letter the region may be seeing some time line changes relative to San Diego's projections on the implementation of IPR and that the MetroTAC needs to manage all aspects including the Coastal Commission and multiple issues such as desalination water, Coastal Commissions attitude at this point and pending IPR programs we have heard about.	Scott Huth Al Lau Scott Tulloch Karyn Keese
IRWMP	4:12: Metro TAC received a presentation from Cathy Pieroni (City of San Diego) on the Integrated Regional Water Management Program (IRWMP). Group is still relatively informal but plans to become more structured during its upcoming 2 year plan update. There is a governance & finance work group that starts in the 3rd quarter of 2012 and at that point the JPA role will be examined. Padre Dam and Chula Vista are regular participants. 9/19: Cathy Pieroni gave an update. Recommendation by IRWM to the RAC to include a seat for the Metro JPA. Bob Kennedy will attend the October 3, 2012 meeting representing the JPA. 11/12: At their November 2012 meeting the Metro Commission unanimously appointed Bob Kennedy of Otay Water District as primary and Metro TAC Chairman Greg Humora as alternate to the IRWMPRAC. 2/13: On February 6, 2013 Bob Kennedy attended the IRWMP meeting. Metro JPA has been added as a permanent member of the Water Quality subcommittee of the RAC. The City of San Diego presented an overview of the Recycled Water Study. Next meeting scheduled for April 3, 2013. Closed 4/12 as the Metro JPA has become a member.	Bob Kennedy Greg Humora
Role of Metro JPA regarding Recycled Water	As plans for water reuse unfold and projects are identified, Metro JPA's role must be defined with respect to water reuse and impacts to the various regional sewer treatment and conveyance facilities 2/12: Scott Huth removed as member due to new position. JPA/Metro TAC needs to appoint a new representative. 4/13: Scott Tulloch added to this subcommittee. Metro TAC member needed. 5/13: <i>Greg Humora added to this work group.6/13: This group was formalized by the JPA as the PLWTP Ad Hoc Technical Advisory Committee.</i>	Greg Humora Karyn Keese Scott Tulloch

San Diego Integrated Regional Water Management  
Joint Public Workshop & Regional Advisory Committee Meeting #43  
June 5, 2013

### **Background**

The Regional Water Management Group for IRWM Program was established in 2005. This group is made up of Marsi Steirer for the City of San Diego, Troy Bankston for the County of San Diego, and Ken Weinberg of the Water Authority. This was Marsi Steirer's first meeting as Chair, Ken Weinberg is Co-Chair.

A year later, they established the Regional Advisory Committee (RAC) to assist the Regional Management Group with the original IRWM Plan and to assist on prioritization of Prop 50 funding application. The RAC is made up of 4 groups; Water Supply, Water Quality, Natural Resources and Watersheds, with the recent reorganization, they added the Metro JPA representative to the Water Quality Group. The RAC meet quarterly but the groups meet individually more often.

### **San Diego Integrated Regional Water Management (IRWM) UPDATE**

At the Regional Advisory Committee meeting of June 5, 2013, the proposed revision to the IRWM Plan Update for the last workgroup was presented. Proposed modifications to the section on Integrated Flood Management Planning Study and implementation action items were discussed.

The draft IRWM Plan will go out for public review on June 20 with final comments due by July 31, 2013. The plan is scheduled to be adopted by October 31, 2013. The draft is available at:

<http://www.sdirwmp.org/2013-irwm-plan-update-workgroups>

Next meeting scheduled for August 7, 2013.

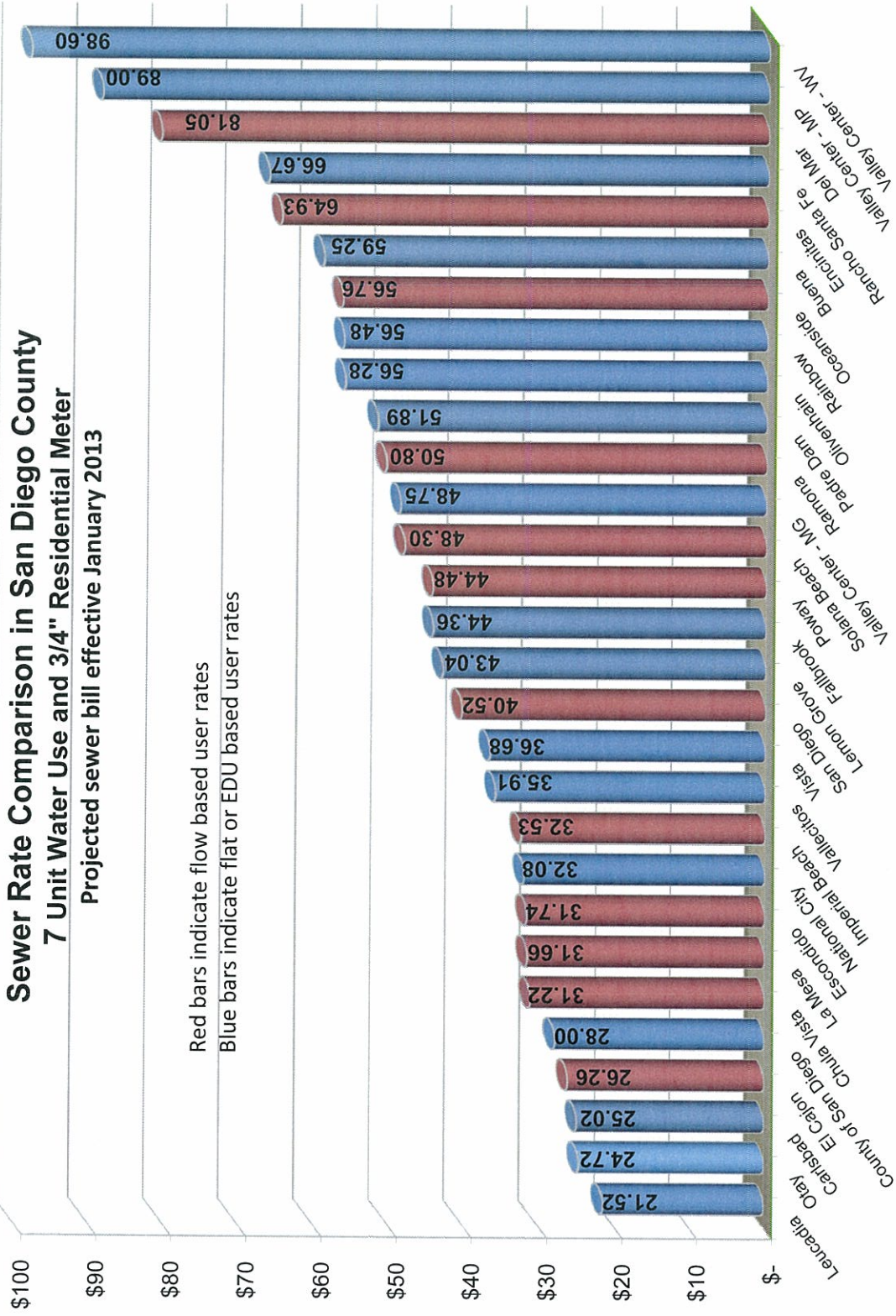


# Sewer Rate Comparison in San Diego County 7 Unit Water Use and 3/4" Residential Meter

Projected sewer bill effective January 2013

Red bars indicate flow based user rates

Blue bars indicate flat or EDU based user rates





## Metro TAC Participating Agencies Selection Panel Rotation

Agency	Representative	Selection Panel	Date Assigned
Padre Dam	Neal Brown	IRWMP – Props 50 & 84 Funds	2006
El Cajon	Dennis Davies	Old Rose Canyon Trunk Sewer Relocation	9/12/2007
La Mesa	Greg Humora	As-Needed Piping and Mechanical	11/2007
National City	Joe Smith	MBC Additional Storage Silos	02/2008
Otay Water District	Rod Posada	As-Needed Biological Services 2009-2011	02/2008
Poway	Tom Howard	Feasibility Study for Bond Offerings	02/2008
County of San Diego	Dan Brogadir	Strategic Business Plan Updates	02/2008
Coronado	Scott Huth	Strategic Business Plan Updates	09/2008
Coronado	Scott Huth	As-needed Financial, HR, Training	09/2008
PBS&J	Karyn Keese	As-needed Financial, Alternate HR, Training	09/2008
Otay Water District	Rod Posada	Interviews for Bulkhead Project at the PLWTP	09/2008
Del Mar	David Scherer	Biosolids Project	01/2009
Padre Dam	Neal Brown	Regional Advisory Committee	2009
County of San Diego	Dan Brogadir	Large Dia. Pipeline Inspection/Assessment	09/2009
Chula Vista	Roberto Yano	Sewer Flow Monitoring Renewal Contract	10/2009
La Mesa	Greg Humora	Sewer Flow Monitoring Renewal Contract	12/2009
Poway	Tom Howard	Fire Alarm Panels Contract	12/2009
El Cajon	Dennis Davies	MBC Water System Improvements D/B	12/2009
Lemon Grove	Patrick Lund	RFP for Inventory Training	01/2010
National City	Joe Smith	Design/Build water replacement project	07/2010
Coronado	Scott Huth	Wastewater Plan update	11/2010
Otay Water District	Bob Kennedy	RFP Design of MBC Odor Control Upgrade/Wastewater Plan Update	01/2010
Del Mar	Eric Minicilli	Declined PS 2 Project	02/2011
Padre Dam	Al Lau	PS 2 Project	05/2011
County of San Diego	Dan Brogadir	RFP for As-Needed Biological Services Co.	05/2011
Chula Vista	Roberto Yano	North City Cogeneration Facility Expansion	07/2011
La Mesa	Greg Humora	confined space RFP selection panel	10/2011
Poway	Tom Howard	COSS's for both Water and WW	10/2011
El Cajon	Dennis Davies	Independent Accountant Financial Review & Analysis – All Funds	10/2011



Lemon Grove	Mike James	MBC Dewatering Centrifuges Replacement (Passed)	01/2012
National City	Joe Smith	MBC Dewatering Centrifuges Replacement (Passed)	01/2012
Coronado	Godby, Kim	MBC Dewatering Centrifuges Replacement (Passed)	01/2012
Otay Water District	Bob Kennedy	MBC Dewatering Centrifuges Replacement (Accepted)/Strategic Planning Rep	01/2012
Del Mar	Eric Minicilli	New As Need Engineering Contract	02/2012
Padre Dam	Al Lau	PA Rep. for RFQ for As Needed Design Build Services (Passed)	05/2012
County of San Diego	Dan Brogadir	PA Rep. for RFQ for As Needed Design Build Services (Cancelled project)	05/2012
Chula Vista	Roberto Yano	As-Needed Condition Assessment Contract (Accepted)	06/2012
La Mesa	Greg Humora	New programmatic wastewater facilities condition (Awaiting Response)	11/2012
Poway	Tom Howard	Optimization Review Study	01/2013
El Cajon	Dennis Davies		
Lemon Grove	Mike James		
National City	Joe Smith		
Coronado	Godby, Kim		
Otay Water District	Bob Kennedy	Strategic Planning (Volunteered, participated last year)	01/2013
Del Mar	Eric Minicilli		
Padre Dam	Al Lau		
El Cajon	Dennis Davies		
Lemon Grove	Patrick Lund		
National City	Joe Smith		
Coronado	Scott Huth		
Otay Water District	Bob Kennedy		
Del Mar	Eric Minicilli		
Padre Dam	Al Lau		
County of San Diego	Dan Brogadir		
Chula Vista	Roberto Yano		
La Mesa	Greg Humora		