



San Francisco
Water Power Sewer

Services of the San Francisco Public Utilities Commission

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
City and County of San Francisco

London N. Breed
Mayor

MINUTES
Tuesday, November 26, 2019
1:30 P.M.
(Approved December 10, 2019)

1 Dr. Carlton B. Goodlett Place
City Hall, Room 400
San Francisco, CA 94102

Commissioners

Ann Moller Caen, President
Francesca Vietor, Vice President
Anson Moran
Sophie Maxwell
Tim Paulson

Harlan L. Kelly, Jr.
General Manager

Donna Hood
Secretary



For information, contact the Commission Secretary at 415-554-3165
Minutes and other information are available on the SFPUC web site:

www.sfwater.org

Gavel-to-Gavel coverage available at:

http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=22

1. Call to Order

President Caen called the meeting to order at 1:34 PM.

The Commission Secretary announced that item 7 was being removed from the agenda and will be rescheduled to December 10, 2019.

2. Roll Call

*Present: Caen, Vietor, Moran, and Maxwell
Commissioner Paulson arrived at 1:50 PM.*

3. Approval of the Minutes of November 12, 2019

*On Motion to approve the Minutes of November 12, 2019:
Ayes: Caen, Vietor, Moran, and Maxwell*

No public comment.

4. General Public Comment

- *Francisco DaCosta discussed the Tuolumne River and requested that common ground be found and a meaningful discussion about the Tuolumne take place with the First People.*

5. Communications

- Advance Calendar
- Correspondence Log
- Contract Advertisement Report
- Water Supply Conditions Update

No public comment.

6. Report of the General Manager

- Hetch Hetchy Capital Improvement Program Quarterly Report
Dan Wade, Director, Water Capital Programs, presented highlights of the reporting period: (1) Mountain Tunnel Interim Repairs (completed), (2) Mountain Tunnel Improvement Project Mitigated Negative Declaration under CEQA issued, (3) Warnerville Substation Rehabilitation (deleted the installation of 230kV breakers from scope), (4) Lower Cherry Aqueduct Rehabilitation achieved substantial completion, and (5) Early Intake Switchyard Slope Hazard Mitigation awarded with notice-to-proceed issued in September.

Public Comment

- *Francisco DaCosta discussed Mountain Tunnel, asked how much Jacobs was paid, and what work they did. He discussed the Warnerville Substation Rehabilitation and its relation to the Digester Project.*

- Update on PG&E's Bankruptcy and City's Acquisition Offer

Michael Carlin, Deputy General Manager (DGM) stated there was nothing new to report.

Commissioner Paulson arrived at 1:50 PM.

c) Operating and Capital Budget Development Update

Charles Perl, Deputy Chief Financial Officer (CFO), reviewed: (1) budget development schedule, (2) budget development priorities (strategic plan goal areas, Commission policies, and budget process enhancements), (3) Operating Budget (3% annual operating budget increase – covers inflationary and negotiated labor increases), and (4) Capital Budget.

Deputy CFO Perl responded to a question from Vice President (VP) Vietor regarding the need to include Climate Change in the budget discussions.

Commissioner Moran discussed the following: (1) Need to hold-the-line on operating costs and, when possible, fund new needs from savings in other areas. He will look at new program funding for clear and convincing efforts to capitalize on operating budget savings; (2) He will look for evidence that positions meet current needs regarding temporary-to-permanent position conversions, (3) Hetch Hetchy fund balance reserve is a problem. He requested that Hetch Hetchy's budget policy level reserve be restored with a supplemental appropriation early in the year; and (4) Requested a presentation during budget hearings for a strategy to deal with stranded assets.

Public Comment

- *Francisco DaCosta discussed the budget process and stated that technology and engineering (needs assessment) is missing. He stated quality of life issues need to be addressed.*

d) Report on Recent San Francisco Public Utilities Commission Activities, Events and Announcements

None.

7. Update on Disaster Recovery and Resiliency Planning as it Relates to the Sewer System Improvement Program

This item was removed from the agenda and will be rescheduled for December 10, 2019.

8. Bay Area Water Supply and Conservation Agency Report (BAWSCA)

Nicole Sandkulla, BAWSCA CEO, began by noting that BAWSCA was formed in 2003 to represent the interests of 26 water suppliers in San Mateo, Santa Clara, and Alameda Counties, with 1.8 million residents and more than 40,000 business and community organizations, all who rely on the Hetch Hetchy system. She continued with discussion of (1) BAWSCA's goal, (2) BAWSCA agencies investment in conservation and increasingly diverse

water supply portfolio, (3) BAWSCA taking action to ensure reliability, (4) BAWSCA support for member agency Urban Water Management Plan (UWMP) development, (5) Preparing UWMP - water demands, (6) Twenty-three percent less water used today in BAWSCA region compared to FY 1986-87 despite a 31% population increase, (7) Residential per capita has decreased by 45% in BAWSCA region, (8) BAWSCA Demand Study to project member agency water demands through 2045 (historical analysis, drought recovery, and service area changes), (9) Preparing UWMP - water supply, (10) BAWSCA agencies committed to investments in conservation and supply diversification, (11) Preparing UWMP - water reliability, (12) Planning efforts will evaluate need for additional dry year supplies, and (13) BAWSCA agencies actively planning for future water needs, including use of SFPUC supply.

CFO Sandkulla responded to a question VP Vietor regarding the “real” number between demand and usage, given growing delta between usage and supply assurance. CFO Sandkulla noted the supply assurance is a legal, not contractual, requirement. Commission Moran provided additional comment on the supply assurance. Brief discussion ensued.

Public Comment

- *Francisco DaCosta complemented CFO Sandkulla for her presentation. He discussed the advanced age of water pipes and asked if a needs assessment has been conducted and determine how many are leaking.*

9. New Commission Business

Vietor requested an update regarding a possible joint meeting with the Planning Commission to discuss Water Supply Assessments (WSA). Assistant General Manager (AGM) Ritchie indicated that he will be presenting to the Planning Commission in early December regarding the UWMP and WSA. President Caen provided clarification on the WSA approvals and what the SFPUC is being asked to approve. DGM Carlin provided additional information. Commissioner Moran reviewed past Commission discussions and noted it was agreed that SFPUC staff would make a formal presentation to the Planning Commission. He discussed the recently approved SFPUC policy regarding WSAs. AGM Ritchie will provide the Commission with an update, to include his presentation to the Planning Commission, at the December 10, 2019 meeting.

No public comment.

10. Consent Calendar:

- a) Approve Amendment No. 1 to Agreement No. PRO.0043, As-Needed Strategic Planning Services for the External Affairs Bureau and Divisions, with RDJ Enterprises, LLC, for continued strategic planning services for the External Affairs Bureau, increasing the agreement duration by two years, for a total agreement duration of five years, with no change to the agreement

amount; and authorize the General Manager to execute this amendment. (Resolution 19-0217)

- b) Accept work performed by Western Water Constructors, Inc., for Contract No. WD-2548, Lake Merced Pump Station Essential Upgrades Project; approve Modification No. 18 (Final), decreasing the contract amount by \$121,493 for a total contract amount of \$35,954,987, and increasing the contract duration by 259 consecutive calendar days, for a total contract duration of 3,484 consecutive calendar days; and authorize final payment to the contractor. (Resolution 19-0218)
- c) Approve the plans and specifications, and award Contract No. WD-2854A, 525 Golden Gate Avenue Roof Access and Fall Protection in the amount of \$561,079, to the responsible bidder submitting the lowest responsive bid, Buhler Commercial, to install fall protection and access improvements on Levels 12 and 14 of the San Francisco Public Utilities Commission Headquarters located at 525 Golden Gate Avenue, San Francisco. (Resolution 19-0219)
- d) Approve an increase of 87 consecutive calendar days to the existing contract duration contingency for Contract No. WW-611, Cutler Avenue, Lower Great Highway, Sloat Boulevard, and Wawona Street Sewer Replacement; and authorize the General Manager to approve future contract modifications for a total revised contract duration of up to 433 consecutive calendar days, with no change to the contract amount. (Resolution 19-0220)
- e) Approve an increase in the amount of \$500,000 to the existing contract cost contingency and an increase of 180 calendar days to the existing contract duration contingency for Contract No. WW-613, Southeast Water Pollution Control Plant Building 521/522 and Disinfection Upgrades; and authorize the General Manager to approve future modifications to the contract for a total contract amount of up to \$30,622,166 and a total contract duration of up to 1,489 consecutive calendar days. (Resolution 19-0221)
- f) Approve an increase of 400 consecutive calendar days to the existing contract duration contingency for Contract No. WW-643R, Oceanside Water Pollution Control Plant Building 620 Safety Improvements; and authorize the General Manager to approve future contract modifications for a total revised contract duration of up to 900 consecutive calendar days, with no change in the contract amount. (Resolution 19-0222)

*On Motion to approve Consent Calendar items 10a through 10f:
Ayes: Caen, Vietor, Moran, Maxwell and Paulson*

No public comment.

- 11. Approve amendments to the San Francisco Public Utilities Commission's Large Landscape Grant Program Rules to (1) reduce the minimum irrigated landscape size eligibility criterion from 0.5 acres to 10,000 square feet (approximately 0.25

acres), (2) clarify that the Program provides funding for Landscape Water Efficiency Projects and Recycled Water Projects, (3) set maximum grant award limitations for eligible projects, (4) eliminate grant eligibility for synthetic turf installation projects, and (5) make administrative and clarifying changes. ([Resolution 19-0223](#))

AGM Ritchie introduced the item and requested approval.

On Motion to approve item 11:

Ayes: Caen, Vietor, Moran, Maxwell and Paulson

No public comment.

12. Public Hearing: Discussion and possible action to adopt revisions to the Debt Management Policies and Procedures of the San Francisco Public Utilities Commission to address disclosure requirements, variable rate obligations, and Water Infrastructure Finance and Innovation Act loans. ([Resolution 19-0224](#))
Rich Morales, Debt Manager, began with an overview of the Debt Management Policy, which was established in March 2004 and updated in 2010, 2013, 2015, 2016 and 2017. He described the proposed policy revisions to (1) Disclosure, (2) Variable Rate Debt Obligations, (3) add 2018 Water Infrastructure Finance and Innovation Act Loan as new low-cost debt financing instrument.

On Motion to approve item 12:

Ayes: Caen, Vietor, Moran, Maxwell and Paulson

Public Comment

- *The Commission Secretary noted correspondence received from Mr. Brian Browne.*

13. Authorize the issuance of up to \$850 million of the 2019 Series ABCD Taxable Water Revenue Bonds consisting of four separate sub-series of bonds (Sub-Series A (Refunding – Water System Improvement Project (WSIP), Green Bonds), Sub-Series B (Refunding - Hetch Hetchy), Sub-Series C (Refunding - Local Water Main) and Sub-Series D (WSIP – Green Bonds); approve the form of, and authorize the execution and delivery of, related documents to (1) advance refund all or a portion of the 2010F, 2011A, 2011B, 2011C and 2012A Water Revenue Bonds to achieve debt service savings, and (2) Refinance Outstanding Taxable Water Commercial Paper; authorize the General Manager to sell the bonds in one or more series on either a competitive or negotiated basis, as the General Manager determines is in the best financial interest of the San Francisco Public Utilities Commission; and delegate to the General Manager authority to award each series of bonds to the highest bidder (lowest cost). ([Resolution 19-0225](#))
Rich Morales presented the item beginning with a review of the transaction description, followed by a review of (1) Sources and Uses of funds (estimated), (2) Form of Transaction Documents: Preliminary Official Statement, Supplemental Indentures 32nd, 33rd, 34th, and 35th, Bond Purchase Contract,

Continuing Disclosure Certificate, and Escrow Agreement, (3) Review of Disclosure Questions and Answers, and (4) Transaction Schedule.

On Motion to approve item 13:

Ayes: Caen, Vietor, Moran, Maxwell and Paulson

No public comment

14. Discussion and possible action to authorize the General Manager to consent, on behalf of the San Francisco Public Utilities Commission, to the Development Agreement between the City and County of San Francisco and Laurel Heights Partners, LLC for the project located at 3333 California Street (Block 1032, Lot 003), as it relates to matters under the SFPUC's jurisdiction; and adopt findings pursuant to the California Environmental Quality Act, and a Mitigation and Monitoring and Reporting Program. ([Resolution 19-0226](#))

DGM Carlin introduced the item and noted the Development Agreement has been approved by the Board of Supervisors. He outlined the action being requested by the Commission and recommended approval.

VP Vietor asked for information regarding trees that were lost due to the development project. Iowayna Pena, Office of Economic and Workforce Development, provided response.

On Motion to approve item 14:

Ayes: Caen, Vietor, Moran, Maxwell and Paulson

No public comment.

15. Adopt a declaration that the property located at 639 Bryant Street (Block 3777, Lot 052) is surplus to the San Francisco Public Utilities Commission's utility needs; and authorize the General Manager to execute an Amended and Restated Land Disposition and Acquisition Agreement with 2000 Marin Property, L.P. providing for the City's transfer of 639 Bryant in exchange for acquiring 2000 Marin Street (Block 4346, Lot 003), the relocation of the SFPUC Power Enterprise Utility Field Services to Port property, and the Developer's reimbursement of certain SFPUC costs, subject to approval by the Board of Supervisors. This action constitutes the Approval Action for the relocation of SFPUC Power Enterprise Utility Field Services to Port Properties for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code. ([Resolution 16-0227](#))

DGM Carlin introduced the item and requested approval. He addressed the need for corporate yard space.

In response to a question from VP Vietor, DGM Carlin noted that a Phase II analysis for soil contamination was conducted. He discussed potential remediation costs.

In response to a question from Commissioner Maxwell DGM Carlin indicated the item is for approval of a property exchange with no cash transaction. Brief discussion ensued.

On Motion to approve item 15:

Ayes: Caen, Vietor, Moran, Maxwell and Paulson

Public Comment

- *Mark Gleason, Teamsters 665, expressed support for the project and for the opportunities for their members.*

16. Public Comment on matters to be addressed during Closed Session

None.

17. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel

On Motion to assert:

Ayes: Caen, Vietor, Moran, Maxwell and Paulson

The Commission entered Closed Session at 3:24 PM.

Commissioner Paulson departed the meeting at 4:05 PM.

18. Conference with Legal Counsel – Pursuant to California Government Code Section 54956.9 (d) (2) and San Francisco Administrative Code Section 67.10 (d) (2)

Anticipated Litigation - City as Defendant

Settlement of Lionel Tan and Dr. Ho Tan's anticipated litigation involving 17 Cayuga Ave.: 2017 Flooding; City Attorney File No: 19-0878. Proposed settlement of unlitigated claim with the claimants' release of all claims and the City to pay \$47,000.

(Resolution 19-0228)

19. Conference with Legal Counsel - Pursuant to California Government Code Section 54956.9 (d) (1) and San Francisco Administrative Code Section 67.10 (d) (1)

Existing Litigation

Pacific Gas & Electric Corporation

Case No. 19-30088/Date Filed: January 29, 2019

Case No. 19-30089/Date Filed: January 29, 2019

United States Bankruptcy Court, Northern District of California

20. Conference with Legal Counsel - Pursuant to California Government Code Section 54956.9 (d) (1) and San Francisco Administrative Code Section 67.10(d) (1)

Existing Litigation

City and County of San Francisco v. Pacific Gas & Electric Company

21. Conference with Legal Counsel - Pursuant to California Government Code
Section 54956.9 (d) (1) and San Francisco Administrative Code Section 67.10
(d) (1)
Existing Litigation
City and County of San Francisco v. Pacific Gas & Electric Federal Energy
Regulatory Commission Complaint under Sections 206 and 306 of the Federal
Power Act.
Case No. EL15-3-000/Date Filed: October 9, 2014
The Commission exited Closed Session at 4:09 PM.

22. Announcement Following Closed Session
*President Caen stated a settlement was reached on item 18 and that no other
action was taken.*

23. Motion regarding whether to disclose the discussions during Closed Session
pursuant to San Francisco Administrative Code Section 67.12 (a)
On Motion not to disclose:
Ayes: Caen, Vietor, Moran, and Maxwell

24. Adjournment
President Caen adjourned the meeting at 4:10 PM.