



**PUBLIC UTILITIES
REVENUE BOND OVERSIGHT COMMITTEE
CITY AND COUNTY OF SAN FRANCISCO
AGENDA**

**Public Utilities Commission Building, 4th Floor Conference Room
1155 Market Street (between 7th & 8th Streets)
San Francisco, CA 94103**

February 13, 2012 - 9:30 AM

Regular Meeting

1. Call to Order and Roll Call

Seat 1 Aimee Brown, Chair
Seat 2 Kevin Cheng, Vice Chair
Seat 3 Brian Browne
Seat 4 Larry Liederman
Seat 5 Vacant
Seat 6 Ian Hart
Seat 7 John Ummel

- 2. Public Comment:** Members of the public may address the Revenue Bond Oversight Committee (RBOC) on matters that are within the RBOC's jurisdiction, but not on today's agenda. (No Action)

3. Chair's Report:

- A. San Francisco Public Utilities Commission (SFPUC) Staff Report: Construction Phase and Forecasting – Stage 1: Presentation by AECOM Construction Manager – John Kinneen (Discussion)
B. Peer Reviewer (Ibbs Consulting Group Inc.): Update on Expenses. (Discussion and Action) (attachment)
C. San Francisco Public Utilities Commission (SFPUC) Staff Report: RBOC Account Statement. (Discussion) (attachment)

- 4. City Services Auditor (CSA) Audit Report: Program Management Cost; Lake Merced Pump Station Essential Upgrade.** (Discussion and Action)

- 5. City Services Auditor (CSA) Invoice for Services.** (Discussion and Action)

- 6. RBOC Annual Report – 2011: Review of Draft.** (Discussion and Action/Adoption) (attachment)

7. **Selection of Consultant to Assist the RBOC Create a Consultant Pool.**
(Discussion and Action)
8. **Approval of RBOC Minutes of January 23, 2012.** (Discussion and Action)
(attachment)
9. **Election of Officers for the RBOC - 2012.** (Discussion and Action)
10. **RBOC Member Information Requests Raised at Today's Meeting.** (Discussion and Action)
11. **Future Agenda Items.** (Discussion and Action)
 - A. Extension of Sunset Date
 - B. SFPUC Staff Report: Construction Phase and Forecasting – Stage 2: Mojgan Yusefkhan (Preparation of Monthly and Quarterly forecasts and roll up of data)
12. **Adjournment.**
Next regularly scheduled meeting: March 19, 2012.

Agenda Item Information

Each item on the agenda may include: 1) Department or Agency cover letter and/or report; 2) Public correspondence; 3) Other explanatory documents. For more information concerning agendas, minutes, and meeting information, such as these document, please contact RBOC Committee Clerk, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 – (415) 554-5184.

Audio recordings of the meeting of the Revenue Bond Oversight Committee are available at:
http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=97

For information concerning San Francisco Public Utilities Commission please contact by e-mail bondoversight@sfgwater.org or by calling (415) 487-5245.

Public Comment

Public Comment will be taken before or during the Committee's consideration of each agenda item. Speakers may address the Committee for up to three minutes on that item. During General Public Comment, members of the public may address the Committee on matters that are within the Committee's jurisdiction and are not on the agenda.

Disability Access

RBOC meetings will be held at the Public Utilities Commission, 1155 Market Street (between 7th and 8th Streets), 4th Floor Conference Room, San Francisco, CA. The Committee meeting room is wheelchair accessible. The nearest accessible BART station is Civic Center (Market/Grove/Hyde Streets). Accessible MUNI Metro lines are the F, J, K, L, M, N, T (exit at Civic Center or Van Ness Stations). MUNI bus lines also serving the area are the 5, 6, 9, 19, 21, 47, 49, 71, and 71L. For more information about MUNI accessible services, call (415) 701-4485. There is accessible parking behind 1155 Market Street.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mike Brown at (415) 487-5223 to make arrangements for the accommodation. Late requests will be honored, if possible.

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For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102; phone at (415)554-7724; fax at (415) 554-7854; or by email at sotf@sfgov.org.

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Cell Phones, Pagers and Similar Sound-Producing Electronic Devices

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100, et. seq] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at: 25 Van Ness Avenue, Suite 220, San Francisco, CA 94102; telephone (415) 581-3100; fax (415) 252-3112; web site www.sfgov.org/ethics.

THE IBBS CONSULTING GROUP, INC.
5932 CONTRA COSTA ROAD
OAKLAND, CA 94618

~~January 20, 2012~~

Updated & resubmitted February 8, 2012

Aimee Brown, Chair
RBOC
aimee.brown@mac.com

Re: RBOC-CM Panel Observation
Contract number CS-212i.

Dear Ms. Brown:

Attached is my invoice for my work on this assignment.

This invoice combined with my previous invoice amounts to \$49,745.00, which is \$9,745.00 more than I originally budgeted for this assignment. The reason for this extra request is that the following extra work was not included in the original solicitation or anticipated:

- o Review of SFPUC responses to the IRP's report;
- o Review of two, not one IRP draft reports (dated 10/28/11 and 12/5/11);
- o Review of SFPUC responses to my 11/28/11 draft report and response to such;
- o Review and response to IRP final report; and
- o Preparation of a more formal final presentation to the RBOC.

Prompt payment would be appreciated. Thank you for the opportunity to work with you.

Sincerely,



William Ibbs, Ph.D.

Cc: John Ummel

Ibbs Consulting Invoice #: RBOC_Jan 20 2012

CONSULTING SERVICES

RBOC CM PANEL REVIEW

INVOICE

Dr. William Ibbs
The Ibbs Consulting Group, Inc.
5932 Contra Costa Road
Oakland, CA 94618

For services performed under contract by Dr. Ibbs:

\$30,374.70

Discounted to \$27,629.70 to reflect a total of \$47,000.00 under this contract.
(~~Thirty thousand, three hundred seventy four and 70/100 dollars~~)

My EIN Tax ID number is 20-0500866 for tax reporting purposes.

Payment of this sum is for services performed under a contract both parties have agreed to. Payment is due upon receipt of this invoice. Late payments are subject to a service charge of 1% per month.

If you wish to transfer these funds electronically, the following information is needed. My checking account is at Wells Fargo Bank, El Cerrito Plaza Office, 9800 San Pablo Avenue, El Cerrito, CA 94530. The routing number is [REDACTED], and the account number is [REDACTED].

Thank you very much.

Time Log

Date	Activity	Time (hrs)
10/4/11	Meet with panel and PUC personnel	6.2
10/5/11	Visit to Sunol Valley Water Treatment & New Irvington Tunnel Projects.	8.0
10/6/11	Project meeting at Crystal Springs, then CM Panel meeting and debrief.	9.8
10/7/11	CM Panel meeting and debrief to SF PUC & RBOC. Talk to John Ummel.	8.5
10/11/11	Summarize, organize notes.	4.7
10/12/11	Summarize, organize notes, work with panel.	5.5
10/14/11	Outline report.	7.0
10/19/11	Work on report. Converse with John Ummel, Gary Griggs, Aimee Brown.	5.2
10/20/11	Talk to John, emails with John, Gary & Aimee. Report preparation.	4.5
10/21/11	Review latest quarterly report and other WSIP processes.	8.0
10/24/11	Attend RBOC meeting, talk to Aimee. Other work, including compiling & digesting notes from meeting.	7.2
10/25/11	Talk with John, Gary.	1.2
10/30/11	Review CM Panel report.	3.0
10/31/11	Prepare for & meet RBOC-WG and Gary Griggs. Research program soft costs.	8.0
11/1/11	Draft report.	4.0
11/2/11	Draft report. Talk to John.	7.5
11/4/11	Talk to John. Draft report.	4.8
11/5/11	Write report.	5.5
11/6/11	Write report.	4.0
11/7/11	Write and submit report.	4.3
11/8/11	Talk to Aimee, write and submit report.	4.3
11/9/11	Talk to Aimee. Misc. other work.	3.5
11/17/11	Talk to Aimee about "new PUC data".	0.5
11/18/11	Talk to John Ummel re: new data, receive and interpret new PUC data.	6.5
11/21/11	Incorporate new data, look for other data to add to report.	8.0
11/23/11	Incorporate new data and incorporate into report, revise report.	5.0
11/28/11	Finalize and mail report.	6.2
11/30/11	Talk to John	0.5
12/2/11	Email with Gary and misc. other issues.	0.5
12/7/11	Talk with John, review other correspondence.	3.7
12/9/11	Talk with John.	1.0
12/14/11	Talk with John	0.4
12/15/11	Aimee conversation about how to go forward.	0.6
12/20/11	Emails with John re: Harvey's testimony today and about other matters.	0.3

1/4/12	Start review of IRP report, talk to John.	3.7
1/5/12	Review SFPUC rebuttal, IRP reports.	9.0
1/6/12	Go back and look at my notes, WSIP project management processes.	3.5
1/9/12	Report writing.	9.0
1/16/12	Report writing. Data analysis.	3.5
1/17/12	Report writing.	7.3
1/18/12	Report writing. Talk to John.	8.0
1/19/12	Finalize report and submit.	6.5
1/20/12	Prepare slide presentation and presentation for Monday.	3.5
Total Hours		211.9
Professional Fee @ \$143.00/hr		\$30,301.70
Reimbursable expenses: 10/4/11, BART = \$7.00; 10/5/11, Toll = \$6.00; 10/6/11, Toll = \$6.00 + Dinner + \$14.74; 10/7/11, Toll = \$6.00 + Parking = \$9.00. 10/24/11, BART = \$7.00; 10/31/11, BART = \$7.00; 1/23/12, BART = \$7.00		\$73.00
Total invoiced amount		\$30,374.70

Discounted to \$27,629.70 to reflect a total of \$47,000.00 under this contract.



Fwd: Ibbs invoice-Part 2
Aimee Brown
to:
Young Victor
02/09/2012 11:20 AM
Show Details

Begin forwarded message:

From: William Ibbs <william.ibbs@ibbsconsulting.com>
Date: February 8, 2012 1:27:09 PM PST
To: Aimee Brown <aimee.brown@mac.com>
Subject: Re: Ibbs invoice

I was waiting to hear back from you after you checked with Kevin re: this agreement and prompt payment.

In any event, I agree to these amended terms and am attaching a revised invoice.

Thanks.

On Wed, Feb 8, 2012 at 12:53 PM, Aimee Brown <aimee.brown@mac.com> wrote:
You were going to acknowledge the \$47,000 and indicate that you would attend the 2 meetings and write 1-2 page follow up saying what reports or info we needed to ask for or in what form OR if we needed a consultant to do the earned value analysis. I recommend that you keep same bill and show discount. I will check with Mike Brown about the payment.

3 c

RBOC Fund Summary (PPRBOC)
Feb 6 2012

FAML6200 V5.1 CITY AND COUNTY OF SAN FRANCISCO--NFAMIS 02/06/2012						Total (Less Expenses + Encumbrances)	Previous report	Variance	Notes
LINK TO: PROJECT SUMMARY INQUIRY 8:09 AM									
BALANCE (Y,M,Q,A) : A CURR/PRIOR PRD : CURRENCY CODE : FISCAL MO/YEAR : 07 2012 JAN 2012 PROJECT END DATE: PROJECT : PPRBOC PUC REVENUE BOND OVERSIGHT COMMITTEE PROJECT DETAIL : CHARACTER : OBJECT CODE : FT/FUND/SUBFND : 5W CPF X SFWD-CAPITAL PROJECTS FUND ORGANIZATION :									
S	SUBFND	DESCRIPTION	BUDGET	ACTUAL	PREENC/ENC	BALANCE			
	06A	WSIP 2006A BOND FU	223,310	223,310					(1)
	09A	WSIP 2009A BOND FU	236,598	175,687	60,911				(2)
	09B	WSIP 2009B BOND FU	206,000	61,660	65,992	78,348			(3)
	10A	2010A AMI REVENUE	28,473			28,473			
	10B	2010B WSIP REVENUE	208,860			208,860			
	10D	2010D WSIP REVENUE	35,680			35,680			
	10E	2010E WSIP REVENUE	172,100			172,100			
	10F	2010F WSIP REVENUE	266,215			266,215			
	11A*	2011A WSIP REVENUE	301,358			301,358			
	11B*	2011B HETCHY REVENUE	14,488			14,488			
	11C*	2011C LOCAL REVENUE	16,798			16,798			
		EXPENDITURE TOTAL	1,709,879	460,657	126,903	1,122,319	\$ 1,122,319	\$1,290,320	\$ (168,001) (4)
FAML6200 V5.1 CITY AND COUNTY OF SAN FRANCISCO--NFAMIS 02/06/2012									
LINK TO: PROJECT SUMMARY INQUIRY 8:10 AM									
BALANCE (Y,M,Q,A) : A CURR/PRIOR PRD : CURRENCY CODE : FISCAL MO/YEAR : 07 2012 JAN 2012 PROJECT END DATE: PROJECT : PPRBOC PUC REVENUE BOND OVERSIGHT COMMITTEE PROJECT DETAIL : CHARACTER : OBJECT CODE : FT/FUND/SUBFND : 5T CPF X HETCHY CAPITAL PROJECTS FUND ORGANIZATION :									
S	SUBFND	DESCRIPTION	BUDGET	ACTUAL	PREENC/ENC	BALANCE			
	CRE	2008 CLEAN RENEWAB	3,163			3,163			
	QEC*	2011 QECBs	4,146			4,146			
		EXPENDITURE TOTAL	7,309			7,309	\$ 7,309	\$ 7,309	\$ -
FAML6200 V5.1 CITY AND COUNTY OF SAN FRANCISCO--NFAMIS 02/06/2012									
LINK TO: PROJECT SUMMARY INQUIRY 8:10 AM									
BALANCE (Y,M,Q,A) : A CURR/PRIOR PRD : CURRENCY CODE : FISCAL MO/YEAR : 07 2012 JAN 2012 PROJECT END DATE: PROJECT : PPRBOC PUC REVENUE BOND OVERSIGHT COMMITTEE PROJECT DETAIL : CHARACTER : OBJECT CODE : FT/FUND/SUBFND : 5C CPF X CWP-CAPITAL PROJECTS FUND ORGANIZATION :									
S	SUBFND	DESCRIPTION	BUDGET	ACTUAL	PREENC/ENC	BALANCE			
	10A	2010A BOND FUND	23,525			23,525			
	10B	2010B BOND FUND	96,258			96,258			
		EXPENDITURE TOTAL	119,783			119,783	\$ 119,783	\$ 119,783	\$ -
Total Avail						\$ 1,249,411	\$1,417,412	\$ (168,001)	

NOTES:

- (1) Charges related to prior RBOC audits:
 - Independent Audit Expenses - 2006 \$ 59,370
 - Independent Audit Expenses - 2007 \$ 92,050
 - Independent Audit Expenses - 2009 \$ 71,890
 - Total \$ 223,310
- (2) Charges to 2009A bonds, \$175,687:
 - City Services Auditor (Controller) - 2011/2012 \$ 115,969
 - IBBS Consulting for Ind Review Panel - 2011-2012 \$ 19,370
 - Independent Review Panel - 2011/2012 \$ 40,348
 - Total \$ 175,687
- (3) Charges to 2009B bonds, \$61,660:
 - Independent Review Panel - 2011/2012 \$ 61,660

(4) Variance Comprised of +\$178,789 in Actuals and -\$10,789 in Encumbrance

*Transfer in process

FEBRUARY 1, 2012

DRAFT

2011 ANNUAL REPORT OF THE SAN FRANCISCO PUBLIC UTILITIES REVENUE BOND OVERSIGHT COMMITTEE

The Public Utilities Revenue Bond Oversight Committee (RBOC) was created as a result of the passage of Proposition P (November 2002) adding Sections 5A.30 through 5A.36 to the San Francisco Administrative Code and was formed in November 2003. The RBOC has the responsibility of reporting publicly to the Mayor, San Francisco Public Utilities Commission (SFPUC) and the Board of Supervisors regarding the SFPUC's expenditure of revenue bonds on the repair, replacement and expansion of the City's water, power, and wastewater facilities. The Committee will sunset January 1, 2013 unless the Board reauthorizes RBOC by ordinance. The SFPUC has submitted a resolution to the Board of Supervisors supporting the extension of the RBOC until January 1, 2016.

The RBOC is required to issue annual reports on the results of its activities. This 2011 Annual Report is RBOC's seventh report since formation.

EXECUTIVE SUMMARY

RBOC's activities for 2011 culminated in two major reports. The first report was prepared by an Independent Review Panel (IRP) originally constituted by the SFPUC's WSIP program manager (Parsons). This Panel, comprised of four industry professionals, had previously reported on the WSIP program on behalf of the SFPUC. At the suggestion of WSIP's Director, Julie Labonte, RBOC engaged this Panel for another review. RBOC hired a peer reviewer to help the Panel formulate a scope of work and provide comments on the Panel's initial draft report. The Panel was tasked with reviewing construction-related aspects of the WSIP program, specifically, change management, risk management, and project cost, schedule and contingencies.

In general, the Panel was impressed by the SFPUC's construction management team, its plan and procedures, and the overall management of the program. Change orders are effectively managed, risk management procedures well designed, and cost,

schedule and contingency procedures exceeded industry standards. The Panel did, however, comment on the lack of clarity regarding certain reports and their relation to overall WSIP performance, primarily concerning schedule. The Panel recommended that RBOC consider performing a more detailed audit to confirm the forecasting of WSIP's overall cost and schedule performance and revising certain reports to better reflect the actual program schedule change management process.

RBOC's second report was a two-part audit conducted by the City Services Auditor (CSA). The first part examined whether bond proceeds for three representative projects were expended per the intended uses stated in the SF Charter and bond resolution. CSA found that expenditures were spent in accordance with the bond resolution. CSA did recommend, however, that WSIP program managers regularly check all expenses charged to the project and update bond completion schedules more frequently. The second part concerned the allocation of program management expenses. Two representative projects were examined. CSA found that the SFPUC's allocation of program management costs complies with best practices and is a logical approach. However, CSA did note that the SFPUC is slow to allocate these costs and, as a result, the delay results in less accurate interim reports (e.g., WSIP Quarterly Reports). CSA also noted that the SFPUC should develop procedures for identifying and correcting misallocations if and when they occur.

In addition to having the above-named reports completed on behalf of RBOC during 2011, other work efforts completed or initiated included:

- Creating an RBOC account with the Controller's Office for purposes of identifying bond proceeds received and spent;
- Establishing guidelines for using outside consultant services and examining RBOC's contracting options, including the establishment of its own pool of consultants and utilizing an "expediter" to get contracts in-place faster;
- Participating in the selection process of RBOC's Peer Reviewer and establishing that person's role;
- Developing an historical account of RBOC work efforts to-date to assist new members appointed to the Committee.

BACKGROUND

The purpose of the RBOC is to monitor the expenditure of bond proceeds related to the repair, replacement, upgrading, and expansion of the City's water collection, power generation, water distribution, and wastewater treatment facilities. The goal of the RBOC is to make certain public dollars are spent according to authorization and applicable laws. Its purpose is to facilitate transparency and accountability in connection with the expenditure of revenue bond proceeds. The General Public is invited and welcomed to attend RBOC meetings and to provide input. (Specifics regarding RBOC's establishment and purpose can be found in Appendix 1.)

COMMITTEE MEMBERSHIP

The RBOC is comprised of seven appointed members: two by the Mayor, two by the Board of Supervisors, one by the City Controller, one by the Bay Area Water User's Association (BAWUA) under the auspices of the Bay Area Water Supply and Conservation Agency (BAWSCA). The seventh member is the Budget Analyst or his/her representative. At a minimum, the members appointed by the Mayor and the Board shall, individually or collectively, have expertise, skills and experience in economics, the environment, construction, and project management. The member appointed by the Controller shall have background and experience in auditing, accounting, and project finance. RBOC members serve no more than two consecutive terms, and upon their initial appointment, three members are assigned by lot to an initial term of two years and the remaining four members have an initial term of four years. Thereafter, each RBOC member shall serve a four-year term. At the end of 2011, two members were in holdover status and one seat was vacant.

The members and officers of the RBOC who served during the past calendar year can be found in Appendix 2.

2011 MEETINGS

The RBOC held 13 meetings in 2011, the substance of which are briefly described in Appendix 3. Full agendas and minutes for each meeting are available on WWW.SFWATER.ORG. In addition to meetings held by the full RBOC, a subcommittee (initially named the "*City Services Auditor Working Group*" and later, the "*Contracting Working Group*") met eleven times. This subcommittee was responsible for developing guidelines for RBOC's use of consultants, coming up with a list of potential consultant task assignments, identifying options for getting the work done, providing preliminary input into potential scopes of work, and reviewing preliminary consultant work products.

BUDGET

Pursuant to Proposition P, the RBOC receives 1/20th of 1% of gross revenue bond proceeds to fund the cost of retaining the services of "outside auditors, inspectors and necessary experts" to perform independent reviews. As of January 31, 2012, RBOC had a pending account balance of \$1,375,470. This total does not yet reflect final progress payment for the Controller's audit, Independent Review Panel report or peer review services. The not-to-exceed cost of these three activities are estimated at \$156k, \$138k and \$47k respectively. A complete accounting of RBOC funds as of January 31, 2012 can be found in Appendix 4.

2011 ACCOMPLISHMENTS

Guidelines for Use of Outside Consultants

To assist RBOC with its oversight responsibilities, RBOC developed a set of guidelines for its use of consultants. The guidelines stated that any task assignment should satisfy the provisions of Proposition P while being completed within RBOC's allotted budget. Furthermore, tasks assigned to consultants should adhere to one or more of the following:

- Be relevant to current stages of capital projects or program;
- Not duplicate evaluations performed or planned by SFPUC or third parties;
- Result in improving management practices;
- Follow recommendations from prior audits or studies

Identification of Possible Task Assignments

After reviewing past audits and follow-up recommendations, seeking input from WSIP staff, and entertaining new topics of interest to members, RBOC identified the following possible tasks to examine (audit) in 2011:

- Allocation of program management costs.
- Reconnaissance review of most challenging projects.
- Soft costs.
- Projects savings, change orders and contingencies.
- Perform selected construction audits or reconnaissance review of CSA.

- Adherence to risk management procedures and/or assessments.
- Construction management program/system (CMIS).
- Use of alternative delivery methods.
- Feasibility of Level of Service goals.
- Selected project expenditures and appropriations.
- Comparison of SFPUC's efforts with other large capital programs (BMPs).
- Procedures and processes used in project close-outs.
- Start-up of the Sewer System Improvement Program (SSIP).
- SFPUC's plans to transition out of WSIP to SSIP.
- SFPUC's operational needs in a post-WSIP environment.
- WSIP cost/schedule with emphasis on increased costs for program delivery.
- Contracting processes to determine lessons learned.
- Program/project permitting.

From this comprehensive list, RBOC narrowed its review for 2011 to two tasks:

1. Examination of a) project expenditures and appropriations and b) allocation of program management costs.
2. An evaluation of change orders and contingencies and the effectiveness of the construction and risk management programs.

The first task was assigned to the City Services Auditor (CSA) while the second task was assigned to the SFPUC's Independent Review Panel (IRP). In addition, RBOC contracted with a Peer Reviewer to oversee the Panel's work.

Audit by City's Services Auditor (CSA)

One of RBOC's primary responsibilities is to ensure that bond proceeds are appropriately expended. For this particular audit, RBOC chose three WSIP projects for CSA to review. In addition, because the issue of program cost allocation had been raised in a previous RBOC audit, RBOC elected to have the CSA provide a more thorough review to determine if program management costs were being allocated reasonably and within industry norms. For this task, RBOC chose two projects (one small, one large) for auditing.

With respect to the first audit, CSA found that expenditures were spent in accordance with the bond resolution. CSA did recommend, however, that WSIP program managers regularly check all expenses charged to the project and update bond completion schedules more frequently.

With regard to the audit of program management costs, CSA found that the SFPUC's categorization of expenditures as program management costs appeared reasonable (though different from other agencies); its approach complied with best practices, and was logical. However, CSA did note that the SFPUC was slow to allocate these costs, did not always reconcile its budget-based allocations when actual costs became available, and, as a result, interim reports (e.g., WSIP Quarterly Reports) did not always reflect program management costs. CSA's recommendations included improved methods for adjusting program management costs, developing better procedures for determining when allocated costs are materially misallocated, and that program management costs are properly accounted for in the WSIP quarterly reports.

Audit by Independent Review Panel

In FY2009-10, the SFPUC, with help from its WSIP Program Manager (Parsons), formed an independent review panel (IRP) to review aspects of its \$4.6B WSIP program. The IRP consists of the following construction industry professionals: Gary Griggs, Stanford University, who served as Panel Chair; Glenn Singley, Los Angeles Department of Water and Power; Don Russell, Independent Consultant; and Galyn Rippentrop, Independent Consultant.

The Panel's first review was conducted in October-November 2010 in response to six questions formulated by WSIP senior management. The Panel made a number of recommendations including an audit of the construction management organization and systems to verify performance. The Panel conducted a second review of the construction management program in FY2010-11 adhering to eight questions posed by the SFPUC. Among its recommendations was to continue with independent panel reviews until the program reached peak construction activity in 2012. While RBOC was contemplating an audit of its own, the SFPUC was planning to engage the Panel in a third review in 2011.

WSIP Director Julie Labonte offered the use of the Panel to RBOC and in June RBOC voted to engage the Independent Review Panel rather than an outside consultant for two important reasons: 1) RBOC did not have access to a suitable pool of construction management consultants and 2) the lead-time to prepare an RFP for such services and have a report completed was too long. Since the Panel was initially created by the SFPUC's Program Manager (Parsons), RBOC used an informal RFP process to hire a Peer Reviewer: Ibbs Consulting Group. The principal of Ibbs Consulting, Dr. William Ibbs, is also a professor of construction management at UC Berkeley. As RBOC's Peer Reviewer, Dr. Ibbs was charged with helping the Panel develop a scope of work,

overseeing the Panel's work, and writing a separate report on the Panel's findings and recommendations. The Panel was tasked with reviewing construction-related aspects of the WSIP program, specifically, change management, risk management, and project cost, schedule and contingencies.

The Panel conducted its review during the week of October 3, 2011. The review consisted of interviews with the SFPUC's construction management team, site visits to a number of on-going construction projects, attendance at various project meetings and review of relevant project reports and documents. In general, the IRP was impressed by the SFPUC's construction management team, its plan and procedures, and the overall management of the program. Change orders were effectively managed, risk management procedures well designed, and cost, schedule and contingency procedures exceeded industry standards. The IRP did, however, comment on the lack of clarity regarding certain reports and their relation to overall WSIP performance, primarily concerning schedule. The IRP put forth both short term and long term recommendations.

IRP's Short Term Recommendations (prioritized):

- Perform an audit of the latest Earned-Value Analysis or, alternatively, perform a Cost- and Schedule-to-Complete Analysis, in order to check the forecast of overall WSIP cost and schedule performance.
- Revise the current Contract Summary reporting to better reflect the actual program schedule change management process being used and establish a policy for what change orders and trends are to be considered for identifying program performance problems for both cost and schedule.
- Verify that there are system-wide Emergency Procedures in place including evacuation, notification, regular drills and training at all construction field offices.
- Assess the earthquake provisions related to construction ways and means.

IRP's Long Term Recommendations (prioritized):

- Consider other delivery approaches such as design-build, CM at risk and CM/GC for future projects;
- Contract for constructability reviews to be provided by construction managers, on a consulting or fee-for- service basis, for projects prior to the completion of design with particular attention paid to geotechnical issues.

- Apply procedures and lessons learned to future programs as the SSIP.
- Implement a formal Integration Management Plan for future programs.

The Panel's full report can be accessed on the SFPUC's website at:
<http://sfwater.org/index.aspx?page=121>

Separate Report by RBOC's Peer Reviewer

RBOC's Peer Reviewer (Dr. William Ibbs) was to oversee the Panel's work and write a separate report on the Panel's findings and recommendations. Dr. Ibbs "shadowed" the Panel during the week of October 3, attending the same meetings and interviews with key WSIP staff, visiting construction sites, and reviewing the same documentation. While Dr. Ibbs agreed with the Panel's final recommendations, he did make several observations that differed from the Panel's. For example, Dr. Ibbs cited the omission of an evaluation of WSIP's Cost-and-Schedule-to-Complete; that is, Dr. Ibbs thought the Panel should have opined on the likelihood of the WSIP program meeting budget and schedule. ⁽¹⁾ In addition, Dr. Ibbs believed that parts of the Panel's report dealt too exclusively with WSIP management processes; not on the application and compliance with those processes.

Dr. Ibbs recommended that the RBOC consider:

- A follow-up study that evaluates WSIP's expected final cost and schedule inclusive of the construction and post-construction phases. (Note: the IRP made a similar recommendation.) and;
- A follow-up study that examines actual compliance with WSIP management processes.

The Peer Review full report can be accessed on the SFPUC's website at:
<http://sfwater.org/index.aspx?page=121>

⁽¹⁾ *The Panel did not agree with this observation. The Panel maintains that an evaluation of the SFPUC's ability to complete the WSIP per schedule and budget was not specifically included in the Panel's scope; that the Panel's work was related to the construction phase only; and that the Panel neither had the time or the appropriate auditing background to conduct such an evaluation. RBOC recognizes these as valid points, however, it should be noted that a sub-committee of the RBOC expressed its disappointment to the Panel regarding this omission and cited several sub-tasks in the Panel's scope of work that implied a limited or qualified opinion was in order.*

FUTURE ACTIVITIES

The CSA, Independent Review Panel, and Peer Reviewer all made recommendations in their reports that could develop into possible follow-up assignments in 2012. For example, both the IRP and the Peer Reviewer recommended an audit of earned value or cost and schedule to complete of the WSIP program. Such an audit would help validate whether the WSIP program – at this stage of completion – was poised to finish “on time” and “on budget. Currently, the SFPUC is projecting the program to finish per the revised schedule (July 2016) and budget (\$4.6B) set in July, 2011. Such an audit would only be considered after RBOC has a more thorough understanding of the SFPUC’s internal reporting requirements.

Critical to RBOC accomplishing its audit objectives is fast access to qualified consultants. In 2012, RBOC will pursue the establishment of its own consulting pool to perform its ongoing audit responsibilities, while, at the same time, utilizing consultants in the Controller’s pool should they be qualified.

RBOC efforts to date have concentrated on the Water Enterprise’s WSIP program. While RBOC continues to audit that program, audits of the Wastewater and Power Enterprises’ capital programs (and associated bond financing of such) may be getting underway in 2012. Similar to WSIP, the RBOC will monitor the expenditure of proceeds on these programs as well.

As of December 31, 2011, the SFPUC intends to issue approximately, \$680 million in revenue bonds during calendar year 2012 for continued funding of the Water System Improvement Programs (WSIP) as well as non-WSIP capital projects. No additional Waste Water bonds are anticipated during 2012 though \$6.6 million in revenue bonds may be issued for the Power Enterprise. These bonds are directly within the purview of the RBOC.

Last year was an extremely productive year for RBOC. However, two members are currently serving past their term expiration dates and a third seat is currently open. It will be important for RBOC to maintain its momentum in 2012 in the event there is a change in membership and leadership positions.

ACKNOWLEDGEMENTS

The RBOC would like to acknowledge and express appreciation to the SFPUC staff and others for facilitating the tasks of the Committee. Specifically, we want to acknowledge WSIP Director Julie Labonte, Jeet Bajwa and Harvey Elwin (WSIP); Deputy City Attorney Mark Blake; Deputy CFO Charles Perl; and Mike Brown and Pauson Yun from the SFPUC. From the Board of Supervisors, the RBOC wishes to thank Assistant Clerk Victor Young for his work in support of the meetings. The RBOC also expresses its appreciation for the participation of members of the public and various stakeholders.

2012 MEETING SCHEDULE

Regularly scheduled meetings of the RBOC meet monthly on the following dates beginning at 9:30 A.M. in the 4th Floor Meeting Room at the SFPUC Offices, 1155 Market Street in San Francisco, unless otherwise specified. Meeting agendas of the RBOC will be posted on WWW.SFWATER.ORG and at the SF Main Library, 5th Floor. Public participation is always welcome.

January 23, 2012

February 13, 2012

March 19, 2012

April 16, 2012

May 21, 2012

June 18, 2012

July 16, 2012

August 20, 2012

September 10, 2012

October 15, 2012

November 19, 2012

December 17, 2012

Appendix 1

In furtherance of its purpose, the RBOC may:

1. Inquire into the disbursement and expenditure of the proceeds of the Commission's revenue bonds authorized by the bond resolutions and other applicable laws. This information may be obtained by receiving any and all published reports, financial statements, correspondence, or other documents and materials related to the expenditure of revenue bond funds from the San Francisco Public Utilities Commission;
2. Hold public hearings to review the disbursement and expenditure of the proceeds of revenue bonds;
3. Inspect facilities financed with the proceeds of revenue bonds;
4. Receive and review copies of any capital improvement project proposals or plans developed by the Commission relating to the Commission's water, power or wastewater infrastructure which are to be financed in whole or in part with revenue bonds;
5. Review the efforts by the Commission to maximize revenue bond proceeds by implementing cost saving measures, including, but not limited to:
 - a. Mechanisms designed to reduce the costs of professional fees, site preparation and project design,
 - b. Recommendations regarding the cost-effective and efficient use of core facilities,
 - c. The development and use of alternative technologies, and
 - d. The use of other sources of infrastructure funding, excluding bond refunding; and
6. Commission review and evaluation of the disbursement and expenditure of the proceeds of such revenue bonds by independent consultants and experts. The RBOC may comment to the Board of Supervisors on the development and drafting of proposed legislation pertaining to Commission revenue bonds prior to a Board determination of whether to submit the measure for voter approval, or authorizing the issuance of revenue bonds if voter approval is not otherwise required.

In addition, after reviewing materials provided by the Commission, the RBOC, after conducting its own independent audit, and after consultation with the City Attorney, may determine that proceeds of a revenue bond program were utilized for purposes not authorized in accordance with the authorizing bond resolution. It may be further determined that this surmounts to an illegal expenditure or waste of such revenue bonds within the interpretation of applicable law specific to the RBOC. By majority vote, the RBOC may prohibit the issuance or sale of authorized public utility revenue bonds which have yet to be issued or sold. The RBOC's decision to prohibit the sale of authorized, unsold revenue bonds may be appealed and overturned, or lifted, upon a two-thirds vote of all the members of the Board of Supervisors, if the SFPUC, in response to the report of the RBOC, provides evidence of corrective measures satisfactory to the Board of Supervisors.

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Appendix 2

Member	Appointed By & Term	Qualifications
Aimee Brown, Chair	Mayor Reappointed on 9/1/10 First term expired 11/12/07; Second term expires on 11/12/11 currently on holdover status	Former investment banker whose work primarily focused on financing state and local government projects through municipal debt; previously served as a financial advisor to the SFPUC.
Ben Kutnick Currently Vacant	Controller 03/21/11 to 11/12/11 Term expires on 11/12/13	
Ian Hart	Budget Analyst or his/her representative Appointed on 12/2/10	Senior Analyst at the BOS Budget and Legislative Analyst's Office. Conducted analyses of the SFPUC's annual budget and WSIP Revenue Bond-related legislation. Previously served as Communications Director for water resources think-tank.
Kevin Cheng Vice-Chair	Mayor Appointed on 05/19/10 Term expires on 11/12/13	Former principal management consultant developing and executing strategy and operation work for major Fortune 500 corporations, with particular expertise in project management. Current managing partner of San Francisco based development company.
Brian Browne	Board of Supervisors Reappointed 6/07/11 First term expired 11/12/07; Second term expires on 11/12/11 currently on holdover status	Co-author of Proposition P. Semi-retired economist, currently involved in USAID water project in Jordan; previous member of the Mayor's Infrastructure Task Force, which addressed SFPUC issues.
David Sutter (term expired) Larry Liederman	Board of Supervisors Second term expired on 11/12/09; holdover status until 6/14/11 Appointed on 06/14/11 Term expires on 11/12/13	Retired CCSF Project Manager whose work included the Kirkwood Powerhouse Addition, additional hydro-electric projects, subway projects and light rail projects for San Francisco and Los Angeles. Finance and accounting professional who serves and has served as Controller for several Bay area companies. Board Member and Audit Committee Chair for the Child Welfare League of America.
John Ummel	Bay Area Water Users Association Appointed on 10/15/10 Term expires on 11/12/13	Senior Administrative Analyst for the Bay Area Water Supply and Conservation Agency (BAWSCA).

Appendix 3

Meeting Dates	Key Activities
January 10, 2011	<ul style="list-style-type: none"> • SFPUC Update - WSIP Pre-Construction • SFPUC Report - Waste Water Capital Improvement Program • SFPUC Report - Financing and Bond Sale • Jurisdiction over the Indebtedness of the SFPUC • Contracting Options for RBOC Projects
January 24, 2011	<ul style="list-style-type: none"> • RBOC Scope of Work for Future Projects; Contracting Options; and Potential Request for Proposals • Scope of Work for Future Projects • RBOC Contracting Options
February 14, 2011	<ul style="list-style-type: none"> • SFPUC Update - WSIP Construction Management • Jurisdiction over the Indebtedness of the SFPUC • Updates from the SFPUC Concerning Advanced Metering Infrastructure, WSIP and Water Bond Sales
March 21, 2011	<ul style="list-style-type: none"> • SFPUC Update - WSIP Pre-Construction • SFPUC Report - Lessons Learned and Future Challenges • MOU with the Controller's City Services Auditor for Auditing Assignments
April 25, 2011	<ul style="list-style-type: none"> • Summary of the presentation of the 2009 Annual Report and Audit Findings provided to the Public Utilities Commission • SFPUC Update - WSIP and Water Bond Sales
May 9, 2011	<ul style="list-style-type: none"> • City Auditor's Services Working Group Report on: 1) RBOC Audit Assignments; 2) Prioritization of task assignments; and 3) approved the scope of work
May 16, 2011	<ul style="list-style-type: none"> • SFPUC Report - Financing and Bond Sale • SFPUC Report - Climate Change and Planning • SFPUC Update - FY2011/2012 Wholesale Water Rates
June 20, 2011	<ul style="list-style-type: none"> • Presentation from BAWSCA - WSIP and Assessment of performance to-date. • SFPUC Report - WSIP Pre-Construction • Extension of the expiration date of the RBOC
July 18, 2011	<ul style="list-style-type: none"> • SFPUC Report - Local Water System Emergency Preparedness • Construction Management Independent Review Panel - Scope of Work
August 15, 2011	<ul style="list-style-type: none"> • Selection of Peer Reviewer to the Construction Management Independent Review Panel • City Services Auditor's Audit Update

September 19, 2011	<ul style="list-style-type: none"> • SFPUC Report - Construction Management • Approval of Construction Management Independent Review Panel Scope of Work • Update from the SFPUC Concerning Financing and Water Bond Sales • City Services Auditor's Audit Update
October 24, 2011	<ul style="list-style-type: none"> • SFPUC Report - Construction Management • City Services Auditor's Audit Update • Construction Management Independent Review Panel Preliminary Report of Findings on WSIP
November 14, 2011	<ul style="list-style-type: none"> • SFPUC Quarterly Report on WSIP • SFPUC Report - Power Enterprise Bonds and Future Financing Plans • City Services Auditor Audit Report: Bay Division Pipeline Reliability Upgrade; Mission and Mount Vernon Street Sewer Improvement
December 19, 2011	<ul style="list-style-type: none"> • City Services Auditor's Audit Update • SFPUC Report - Construction Management • SFPUC Report - Rate Policy • RBOC Future Contracting/Consultant Options

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Appendix 4

RBOC Fees and Expenses as of 1/31/2012

Sources

<u>Series</u>	<u>5W Water</u>	<u>5C Wastewater</u>	<u>5T Hetchy Power</u>	<u>Total</u>
2006 A Bonds	\$253,063	\$0	\$0	\$253,063
2008 CREBS	\$0	\$0	\$3,163	\$3,163
2009 A Bonds	\$206,000	\$0	\$0	\$206,000
2009 B Bonds	\$206,000	\$0	\$0	\$206,000
2010 A Bonds	\$28,473	\$23,525	\$0	\$51,998
2010 B Bonds	\$208,860	\$96,258	\$0	\$305,118
2010 D Bonds	\$35,680	\$0	\$0	\$35,680
2010 E Bonds	\$172,100	\$0	\$0	\$172,100
2010 F Bonds	\$90,480	\$0	\$0	\$90,480
2010 G Bonds	\$175,735	\$0	\$0	\$175,735
2011 A Bonds*	\$301,358	\$0	\$0	\$301,358
2011 B Bonds*	\$14,488	\$0	\$0	\$14,488
2011 C Bonds*	\$16,798	\$0	\$0	\$16,798
2011 QECBS*	\$0	\$0	\$4,150	\$4,150
Subtotal	\$1,709,033	\$119,783	\$7,313	\$1,836,129

Uses

Independent Reports

WSIP Expenditures & CP (2006)	\$59,370	\$0	\$0	\$59,370
Financial Review of WSIP (2007)	\$92,050	\$0	\$0	\$92,050
WSIP Sunset Reservoir (2009)	\$71,890	\$0	\$0	\$71,890
CSA Controller's Audit (2011/2012)	\$115,969	\$0	\$0	\$115,969
Independent Review Panel (IRP) (2011/2012)	\$102,008	\$0	\$0	\$102,008
IBBS Consulting for IRP (2011/2012)	\$19,370	\$0	\$0	\$19,370
Subtotal	\$460,658	\$0	\$0	\$460,658

Grand Total	\$1,248,374	\$119,783	\$7,313	\$1,375,470
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*Pending transfer to RBOC fund



**PUBLIC UTILITIES
REVENUE BOND OVERSIGHT COMMITTEE
CITY AND COUNTY OF SAN FRANCISCO
MINUTES - DRAFT**

**Public Utilities Commission Building, 4th Floor Conference Room
1155 Market Street (between 7th & 8th Streets)
San Francisco, CA 94103**

January 23, 2012 - 9:30 AM

Regular Meeting

Members: Aimee Brown (Chair), Kevin Cheng (Vice-Chair),
Brian Browne, Larry Liederman, Ian Hart, and John Ummel

1. Call to Order and Roll Call (9:36 a.m. – 9:37 a.m.)

The meeting was called to order at 9:36 a.m. On the call of the roll, Members Cheng and Liederman were noted absent.

Member Cheng was noted present at 9:42 a.m.

Member Liederman was excused from the meeting.

2. Public Comment. (9:37 a.m. – 9:39 a.m.)

Members of the Public Introductions: Terry Roberts; Nicole, Peter Boswa, Nancy Wuerfel, Ed Mensule, Dave Sutter.

Public Comment: None.

3. Chair's Report:

San Francisco Public Utilities Commission (SFPUC) Staff Report: RBOC Account Statement. (9:39 a.m.)

Continued to the Call of the Chair without objection.

Public Comment: None.

4. **City Services Auditor (CSA) Audit Report: Program Management Cost; Lake Merced Pump Station Essential Upgrade.** (9:39 a.m. and 12:44 p.m.)

Continued to the Call of the Chair without objection.

Public Comment: None.

5. **City Services Auditor (CSA) Invoice for Services.** (9:39 a.m. and 12:44 p.m.)

Continued to the Call of the Chair without objection.

Public Comment: None.

6. **Construction Management Independent Review Panel Report.** (9:40 a.m. – 10:49 a.m.)

Gary Griggs, Chair, Independent Review Panel, presented the Final Report and responded to questions raised throughout the discussion.

Julie Labonte and Mike Brown (SF Public Utilities Commission); provided information and responded to questions raised throughout the discussion.

Member Hart, seconded by Member Cheng, moved to accept the Final Report from the Independent Review Panel.

The motion carried by the following vote:

Ayes: 4 - Brown, Cheng, Hart, Ummel

Noes: 1 - Browne

Excused: 1 - Liederman

Public Comment:

Dave Sutter; Cost to Complete Analysis would be the best method to predict if the WSIP will be complete on time. The Parson's Construction Management Team would be a good choice for the performance of the analysis.

Nancy Wuerfel; provided several suggestion including the application of lesson learned to other SFPUC projects in the future.

7. **Construction Management Independent Review Panel: Update on Expenses-to-Date.** (10:49 a.m. – 11:02)

Gary Griggs, Chair, Independent Review Panel; Julie Labonte (SF Public Utilities Commission); provided information and responded to questions raised throughout the discussion.

Member Ummel, seconded by Member Hart, moved to authorize the final payment totaling \$138,000 to the Construction Management Independent Review Panel.

The motion carried by the following vote:

Ayes: 4 - Brown, Cheng, Hart, Ummel

Noes: 1 – Browne (Abstain)

Excused: 1 - Liederman

Public Comment: None.

8. **Peer Review Report (Ibbs Consulting Group Inc.) – Review of the Independent Review Panel's Final Report.** (11:02 a.m. – 12:20 p.m.)

Dr. Bill Ibbs, (Ibbs Consulting Group Inc.), presented the Peer Review Report and responded to questions raised throughout the discussion.

Gary Griggs (IRP Chair); Harvey Elwin and Julie Labonte (SF Public Utilities Commission); provided information and responded to questions raised throughout the discussion.

Member Hart, seconded by Member Cheng, moved to accept the Final Report from the Ibbs Consulting Group Inc.

The motion carried by the following vote:

Ayes: 4 - Brown, Cheng, Hart, Ummel

Noes: 1 – Browne

Excused: 1 - Liederman

Public Comment:

Dave Sutter; suggestion that the SFPUC provide a report as to how to roll up individual cost and scheduled to complete data from project to the program level.

9. **Peer Reviewer (Ibbs Consulting Group Inc.): Update on Expenses-to-Date.** (12:20 p.m. – 12:26 p.m.)

Member Ummel provided information concerning the work performed and the request from Ibb's Consulting Group Inc. to increase their Not-to-Exceed amount from \$40,000 to \$50,000.

Bill Ibbs (Ibbs Consulting Group Inc.); provided information and responded to questions raised throughout the discussion.

Member Cheng, seconded by Member Ummel, moved to authorize the payment of \$40,000 to Ibbs Consulting Group Inc. and authorize the RBOC Chair to negotiate and authorize an additional payment not-to-exceed \$10,000 for additional work provided.

The motion carried by the following vote:

Ayes: 4 - Brown, Cheng, Hart, Ummel

Noes: 1 – Browne

Excused: 1 - Liederman

Public Comment: None.

10. **Selection of Consultant to Assist the RBOC Create a Consultant Pool.**
(12:26 p.m. – 12:43 p.m.)

Chair Brown provided information concerning the options for selection of consultants to assist the RBOC create a consultant pool

Nancy Hom (SF Public Utilities Commission); provided information and responded to questions raised throughout the discussion.

Public Comment:

Nancy Wuerfel; Requested information as to the scope of work for the consultant and emphasize that the consultant must be made aware that the RBOC has no staff.

The RBOC will continue to gather addition information and options for selecting a consulting.

Continued to the call of the Chair without Objection.

11. **Approval of RBOC Minutes of December 19, 2012.** (12:42 p.m. – 12:43 p.m.)

Member Ummel, seconded by Member Hart, moved to adopt the RBOC Minutes of December 19, 2011.

The motion carried by the following vote:

Ayes: 4 – Brown, Cheng, Hart, Ummel

Noes: 0 – None.

Abstain: 1 - Browne

Excused: 1 – Liederman

Public Comment: None.

12. **RBOC Member Information Requests Raised at Today's Meeting.** (12:43 p.m.)

Mark Blake; provided information and responded to questions raised throughout the discussion.

Member Browne, seconded by Member Cheng, moved to continued discussion of the written comment from Steve Lawrence to the next meeting of the RBOC.

The motion carried by the following vote:

Ayes: 5 – Brown, Cheng, Browne, Hart, Ummel

Noes: 0 – None.

Excused: 1 – Liederman

Public Comment: None.

13. **Future Agenda Items.** (Discussion and Action)

City Services Auditor Report and Invoice
AE Comm
Comments from member of the Public
2011 Annual Report
Election of Officers

14. **Adjournment.**

The meeting adjourned at 12:45 p.m.