



San Francisco
Water Power Sewer

Services of the San Francisco Public Utilities Commission

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
City and County of San Francisco

Mark Farrell

Mayor

Draft Minutes

Tuesday, July 10, 2018

(Approved July 24, 2018)

1:30 P.M.

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

Commissioners

Ike Kwon, President

Vince Courtney, Vice President

Ann Moller Caen

Francesca Vietor

Anson Moran

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

Vice President (VP) Courtney called the meeting to order at 1:36 PM.

2. Roll Call

Present: Ayes: Courtney, Caen, Vietor, and Moran

Excused: Kwon

VP Courtney announced item 12 would not be heard.

3. Approval of the Minutes of June 26, 2018

On Motion to approve the Minutes of June 26, 2018:

Ayes: Courtney, Caen, Vietor, and Moran

No public comment.

4. General Public Comment

- Dave Warner discussed meeting with SFPUC staff regarding socioeconomic studies. He asked that the SFPUC hold-off on providing comment letters to the State Water Board until further meetings are held.*
- Cindy Charles, San Francisco Golden West Women Fly Fishers, discussed the State Water Board's release of flow criteria.*
- Alga Dupree spoke about CleanPowerSF and discussed the Alameda County Commercial Community Choice Aggregation Program.*
- Tom Schwertscharf, SPAWN, stated increased flows are necessary to help the ecological systems return. He requested that the flow rate be raised from 40% to 60%.*
- Ian Wren, San Francisco Bay Keeper, discussed the Bay Delta Plan and expressed support for flows in excess of 40%.*
- Peter Drekmeier, Tuolumne River Trust, discussed results of their May survey of 402 registered San Francisco voters regarding attitudes toward water conservation, supply management and distribution.*

Mr. Drekmeier responded to questions from VP Courtney and Commissioners Caen regarding polling and selection of respondents.

Commissioner Vietor stated she would share seawall polling data with VP Courtney.

- Mark Gonzales addressed the Bay Delta Plan Update and stated 60% flow should be allocated.*
- Hunter Cutting, Sierra Club, discussed the Bay Delta and Water Resources Control Board Plans, stating they are a leadership test for the SFPUC.*

5. Communications

a) Advance Calendar

b) Correspondence Log

c) Contract Advertisement Report

d) Annual Electric Reliability Compliance Program Report

- e) Non-potable Water Program Update FY 16/17 and FY 17/18
- f) Response to BAWSCA's Recommendations on the Proposed March 2018 Revised WSIP
- g) Water Supply Conditions Update

No public comment.

6. Other Commission Business

General Manager (GM) Kelly, Jr., responded to a question from Commissioner Vietor regarding the timeline and recommendations for the Bay Delta Plan.

No public comment.

7. Employee Retirement Recognitions: The Commission will recognize the following employees for their distinguished years of service to the SFPUC

- Paul Martini, Wastewater Enterprise, 31-1/2 years of service
GM Kelly summarized Mr. Martini's career, noting he began his career as a truck driver with subsequent promotions. GM Kelly stated Mr. Martini's co-workers praise him for his professionalism, diligence, and dedication.

Mr. Martini thanked the Commission and stated he enjoyed his SFPUC career.

- Christopher Molina, Wastewater Enterprise, 35-1/2 years of service
GM Kelly summarized Mr. Molina's career, noting he began his career as a 9916 Public Service Aide. GM Kelly stated Mr. Molina's co-workers praise him for his integrity, professionalism, and generosity.

Mr. Molina thanked the Commission. He discussed growing up in the Bayview and his career at the Bayview Wastewater Treatment Plant.

- Yolanda Alcantar, Business Services, 30 years of service
GM Kelly summarized Ms. Alcantar's career, noting she began her career as an analyst in the budget unit. GM Kelly stated Ms. Alcantar's has never backed away from an assignment or opportunity to assist her colleagues.

Ms. Alcantar thanked the Commission. She discussed her SFPUC career.

The retirees were presented with certificates and had a group photo taken with the Commission.

No public comment.

8. Report of the General Manager

a) CleanPowerSF (CPSF) Update

Michael Hyams, CPSF Director, provided a CPSF update: (1) Enrollment and Service to Customers: Serving 81,000 accounts; 3.2% opt-out out; 4.2% SuperGreen upgrade; July 27,000 additional commercial accounts will be

added; Two of four enrollment notices have been mailed, with the third and fourth to be sent in the next two months; Opt-out rate for July enrollment is 1.6%; Annual CPSF and PG&E joint rate mailer has been sent to all 115,000 CPSF customers; (2) Regulatory: CPSF Integrated Resource Plan approval (item 12) has been moved to the July 24, 2018 agenda.

Mr. Hyams responded to a question from Commissioner Vietor regarding the opt-out mailer and if the option to enroll into Super Green is noted.

Public Comment

- *Aleta Dupree expressed encouragement with the CPSF enrollment and stated conversations are needed as to where the program is headed.*

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

GM Kelly introduced Mr. Greg Norby, newly hired Assistant General Manager (AGM), Wastewater. He thanked Mr. Brian Henderson for serving as Acting AGM.

No public comment.

9. Consent Calendar

- a) Approve the Second Amendment to the Revolving Credit and Term Loan Agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd., in support of the Proposition E Wastewater Enterprise Interim Funding Program extending the Agreement by one year, for a total duration of seven years; authorize the General Manager to execute and deliver the Second Amendment and the Second Amended and Restated Fee Letter associated with this transaction and to execute a name change from The Bank of Tokyo-Mitsubishi UFJ, Ltd., to MUFG Bank, Ltd.; and authorize the General Manager to execute future amendments extending the term of the Agreement by up to two additional years. ([Resolution 18-0112](#))
- b) Approve an increase to the existing construction contract duration contingency of 79 consecutive calendar days to Contract No. WD-2818, Sunol Valley Water Treatment Plant SCADA Server Room; and authorize the General Manager to approve future modifications to the contract for a total revised contract duration of up to 346 consecutive calendar days, with no change to the contract amount. ([Resolution 18-0113](#))
- c) Approve an increase of 60 consecutive calendar days to the existing construction contract duration contingency for Contract No. WW-610R, Visitacion Valley Green Nodes, Rutland Street Sewer, and Sunnyvale Pavement Improvements with Minerva Construction Inc.; and authorize the General Manager to approve future modifications to the contract up to a total contract duration of 465 consecutive calendar days, with no change to the contract amount. ([Resolution 18-0114](#))

- d) Approve the plans and specifications, and award **Contract No. WW-611**, Cutler Avenue, Lower Great Highway, Sloat Boulevard, and Wawona Street Sewer Replacement, in the amount of \$2,148,790, with a duration of 315 consecutive calendar days, to the lowest, qualified, responsible, and responsive bidder, JDB & Sons Construction Inc., to replace the existing sewers on specified streets in the Outer Sunset neighborhood of San Francisco. This action constitutes the Approval Action for the project for the purposes of California Environmental Quality Act, pursuant to Section 31.04(h) of the San Francisco Administrative Code. ([Resolution 18-0115](#))
- e) Approve an increase to the existing construction cost contingency in the amount of \$63,022 for **Contract No. WW-640**, As-Needed Sewer Cleaning and Inspection (FY-17), with Pipe and Plant Solutions, Inc.; and authorize the General Manager to approve future modifications to the contract for a total contract amount of up to \$1,809,492, with no change to the contract duration. ([Resolution 18-0116](#))

No public comment.

On Motion to approve items 9a through 9e:

Ayes: Courtney, Caen, Vietor, and Moran

10. Authorize the Issuance of up to \$675 million of the 2018 Series ABC Wastewater Revenue Bonds through two separate bond sales as follows: (1) the 2018 Series AB Wastewater Revenue Bonds, consisting of two sub-series of bonds (Sub-Series A (Sewer System Improvement Program (SSIP) – Green Bonds) and Sub-Series B (Non-SSIP)); and (2) the 2018 Series C Wastewater Revenue Bonds, consisting of one sub-series of bonds (Sub-Series C (SSIP – Green Bonds)), and approve the form of, and authorize the execution and delivery of, related documents; authorize the General Manager to sell the 2018 Wastewater Bonds in one or more series of bonds 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; delegate to the General Manager authorization to award each series of bonds to the highest bidder (lowest cost) in the case of a competitive sale; and delegate to the General Manager authorization to enter into one or more bond purchase contracts in the case of a negotiated sale. ([Resolution 18-0117](#))

Eric Sandler, CFO and AGM Business Services, presented the Wastewater (WW) Revenue Bond Sales: (1) Review of 2018 Capital Financing Plan; (2) WW Capital Financing strategy (upward pressure on rates and charges; and actively manage capital financing costs); (3) Alternatives to long-term fixed rate debt; (4) Low-cost alternative to revenue bonds (State Revolving Fund loans, and Water Infrastructure Finance and Innovation Act loans); (5) Transaction description of Series 2018 ABC WW Revenue Bonds; (6) Series 2018 C Structure; (7) Plan of Finance; (8) Proposed Indenture amendments; (9) Sources and Uses of funds: Series 2018 ABC WW Revenue Bonds; (10) Senate Bill 450 Requirement; (11) Form of Transaction Documents: Preliminary Official Statement, Supplemental Indentures 6th, 7th and 8th, Bond Purchase Contract, and Continuing Disclosure

Certificate; (12) Disclosure questions and answers; (13) Transaction Schedule; and (14) Recommended Commission Action.

AGM Sandler responded to a question from Commissioner Caen as to how the bonds will impact Series C Bond rates.

No public comment.

On Motion to approve item 10:

Ayes: Courtney, Caen, Vietor, and Moran

11. Approve modification of the San Francisco Public Utilities Commission's Non-potable Grant Program to: (1) allow non-potable water projects to qualify for up to \$100,000 in grant assistance if the projects replace at least 450,000 gallons of potable water per year; and (2) add grant requirements for brewery process water treatment systems seeking grant assistance. ([Resolution 18-0118](#))
Steve Ritchie, AGM Water, introduced the item and requested Commission approval.

No public comment.

On Motion to approve item 11:

Ayes: Courtney, Caen, Vietor, and Moran

The Commission Secretary noted item 12 was removed from calendar.

12. Approve CleanPowerSF's Integrated Resource Plan (IRP) Compliance Filing and authorize the General Manager to submit the IRP Compliance Filing to the California Public Utilities Commission.
13. Approve the General Manager's Determination that it is in the City's best interest to terminate the performance of work under Contract No. HH-990R, Moccasin Penstock Rehabilitation with Anvil Builders, pursuant to San Francisco Administration Code, Section 6.22I). ([Resolution 18-0119](#))
Kathy How, AGM Infrastructure, introduced the item and summarized the request to termination the performance of work and to rebid the contract. AGM How responded to a question from Commissioner Caen as to why the contract will be rebid.

AGM How responded to a question from Commissioner Moran as to whether there are mobilization costs.

No public comment.

On Motion to approve item 13:

Ayes: Courtney, Caen, Vietor, and Moran

14. Approve the plans and specifications, and award Contract No. WW-676, As-Needed Sewer Cleaning and Inspection (FY-19), for a total contract amount not-to-exceed \$1,974,980, which does not exceed the engineer's estimate of \$2,104,000, to the sole, qualified, responsible and responsive bidder, Pipe and

Plant Solutions, Inc., as permitted under San Francisco Administrative Code Section 6.23(c)(2), to clean and inspect existing sewers on an as-needed basis at locations to be determined throughout San Francisco. ([Resolution 18-0120](#))
AGM How introduced the item and discussed the sole bid received, which was under the engineer's estimate.

No public comment.

On Motion to approve item 14:

Ayes: Courtney, Caen, Vietor, and Moran

15. Authorize the General Manager to negotiate and execute a Conditional Land Disposition and Acquisition Agreement by and between the City and County of San Francisco acting through its Public Utilities Commission and 2000 Marin Property, L.P. (Developer), providing for the City's future transfer of real property at 639 Bryant Street (Block 3777, Lot 052) in exchange for acquiring 2000 Marin Street (Block 4346, Lot 002), and including the Developer reimbursing the SFPUC for certain costs, with closing conditioned on several factors, including the SFPUC Commission's discretionary approval of the environmental condition of the 2000 Marin Street property after completion of all necessary environmental review, including a Phase 2 environmental analysis, subject to approval by the Board of Supervisors; and adopt a finding declaring that 639 Bryant Street will be surplus to SFPUC's utility needs upon and effective upon the date of close of escrow on the proposed land exchange transaction. ([Resolution 18-0121](#))

Rosanna Russell, Director of Real Estate, began her presentation with a map showing the location of 639 Bryant, a 1.37-acre SFPUC-owned parcel with an appraised fair market value of \$63,875,000. She discussed the lease for the adjacent property located at 651 Bryant, noting the lease expires in October 2019, but has a 10-year option to extend.

Ms. Russell stated a land exchange was proposed by the owner of the 2000 Marin property (7.98-acre property with a 74,000-square foot building with an appraised fair market value of \$63,600,000), for the 639 Bryant property.

Ms. Russell stated the former uses of 2000 Marin caused soils contamination and has a deed covenant that subjects the project to oversight by the California Department of Toxic Substances Control (DTSC). Any disturbance of the asphalt cap requires DTSC consent and oversight and possible soils remediation.

Director Russell reviewed key terms of the agreement, emphasizing oversight costs do not include remediation costs. She indicated the Commission will be asked to review the testing and environmental condition, and at that time can approve the environmental condition, approve a strategy for remediation, or terminate the agreement. She continued reviewing key agreement terms, and discussed conditions that must occur prior to closing.

Ms. Russell responded to a question from VP Courtney as whether staff will be relocated to a modern temporary facility.

Director Russell responded to a question from Commissioner Vietor as to who is responsible if remediation cost exceeds the developer's commitment of \$100,000. Ms. Russell responded to a follow-up question from Commissioner Vietor as to whether there is a price point over \$100,000 that will cease the project. Commissioner Vietor asked that staff watch the process carefully, and that she does not want to put workers' health at risk.

Commissioner Moran noted the appraisal report clearly indicates the appraisal does not account for remediation costs. He noted that a third-party assessment of the site should result in a good site assessment and estimate of remediation costs. He stated when the item returns to the Commission for possible approval the Commission will have the opportunity to make sure the ultimate project price is viable, considering remediation costs the SFPUC may incur, and that it meets Charter requirements to buy and sell property at fair market value. Ms. Russell responded to a question from Commissioner Moran as to timeline. He noted that 639 Bryant can't be declared surplus until a new location is secured.

Ms. Russell stated if the transaction goes thru the SFPUC will save approximately \$7M in rent over next 11 years.

VP Courtney asked about requirements for affordable housing, open space, prevailing wage, etc., for the project.

GM Kelly, Jr. provided additional background on the project.

Mr. Henry Sears, representing the developer, described the project detail including housing allocation (affordable and market rate), office space, public park space, union workers, etc.

Director Russell responded to a question from Commissioner Caen regarding how the lease option for 651 Bryant Street will work.

Mr. Sears responded to a question from Commissioner Caen regarding the project timeline and stated that all approvals must be met before the project will happen.

No public comment.

*On Motion to approve item 15:
Ayes: Courtney, Caen, Vietor, and Moran*

The Commission Secretary read the Closed Session items.

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

- *Peter Dreke meier asked for a public meeting regarding the Bay Delta Plan. He asked that Closed Session deliberations be disclosed.*

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: Courtney, Caen, Vietor, and Moran

The Commission entered Closed Session at 3:06 PM.

18. Conference with Legal Counsel - Pursuant to California Government Code Section 54956.9 (d) (3) and San Francisco Administrative Code Section 67.10 (d) (2)

Anticipated Litigation as Plaintiff

Commissioner Vietor departed the meeting at 3:58 PM.

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

Restore Hetch Hetchy v City and County of San Francisco

California Court of Appeal, Fifth Appellate District Court, Case No.: F074107

City Law No.: 151139 / Date Filed July 12, 2016

The Commission exited Closed Session at 4:14 PM.

20. 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: Courtney, Caen, and Moran

21. Other New Business

None.

22. Adjournment

VP Courtney adjourned the meeting at 4:15 PM.