



**SAN FRANCISCO PUBLIC UTILITIES COMMISSION**

City and County of San Francisco

**London N. Breed**

Mayor

**SPECIAL MEETING MINUTES**

**Monday, January 29, 2024**

**9:00 AM**

**(Approved February 13, 2024)**

1 Dr. Carlton B. Goodlett Place

City Hall, Room 400

**Commissioners**

Tim Paulson, President

Anthony Rivera, Vice President

Sophie Maxwell

Newsha Ajami

Kate H. Stacy

Dennis J. Herrera

General Manager

Donna Hood

Commission Secretary

1. Call to Order

*President Paulson called the meeting to order at 9:00 am.*

2. Roll Call

*Present: Paulson, Rivera, Maxwell, Ajami, and Stacy*

3. Summary of Budget Hearing Questions

*None.*

4. Water Enterprise and Hetch Hetchy Water

a) FY 2024-25 and FY 2025-26 Operating and Capital Budgets, and 10-Year Capital Plan

*Steve Ritchie, Assistant General Manager (AGM) Water Enterprise began with a review of the spanning water system and indicated the Hetch Hetchy Regional Water System supplies high-quality drinking water to more than 2.7 million residents and businesses throughout the San Francisco Bay Area. Of the 26 wholesale customers, 21 rely on the regional system for more than 60% of their drinking water supply. He displayed a map detailing the fault lines throughout the system. He stated the youngest dam in the system is 59 years old and that the system is storage-driven.*

*AGM Ritchie presented the Water Enterprise Organizational Chart and introduced managers in attendance, briefly describing their roles. He indicated there are 1,100 positions in the Water Enterprise.*

*AGM Ritchie reviewed the 2023 Water Level-of-Service (LOS) Goals: Drinking Water Quality, Regional Seismic Reliability, Regional Delivery Reliability, In-City Seismic Reliability, In-City Delivery Reliability, Water Supply, Environmental Stewardship, and Sustainability.*

*AGM Ritchie discussed considerations when developing the Water Enterprise and Hetch Hetchy Water Operating Budget, including Water Enterprise LOS, new regulatory requirements, implementing new programs, and realignment of certain staff resources.*

Water Operating Budget:

- *Water Budget Growth Overview: FY2024-25 (\$729 million) and FY2025-26 (\$765.5 million), with major funding allotted for capital programs.*
- *Water Position Changes: FY2024-25 requested 1% increase; and FY25-26 requested 0% increase compared to the FY2023-24 adopted budget. Forty-two position substitutions in the base budget to realign positions with needs.*
- *Water Growth Drivers: FY2024-25 requested 8% increase; and FY25-26 requested 5% increase compared to the FY2023-24 adopted budget.*
- *Highlights of Water Operating Requests: Conversions of temporary-to-permanent positions; new hydrant meter regulations; new lead in-school monitoring requirements; position realignments in Water Supply and Treatment Division; staffing for Alameda Watershed Center and Nursery; permanent staffing for Alternative Water Supplies; chemical cost increases; and equipment and fleet modernization.*
- *Water programmatic requests for a total change of (\$0.8) million from the base budget.*

Hetch Hetchy Water Operating Budget

- Hetch Hetchy Water Growth Drivers: FY2024-25 requested 13% increase; and FY25-26 requested 9% increase compared to the FY2023-24 adopted budget.
- Hetch Hetchy Water Position Changes: FY2024-25 requested 0% increase; and FY25-26 requested 0% increase compared to the FY2023-24 adopted budget. Thirteen position substitutions in the base budget to realign positions with needs.
- Highlights of Hetch Hetchy Water Operating Requests: National Park Service Memorandum of Agreement and Turlock and Modesto Irrigation Districts for Don Pedro Project re-licensing; O'Shaughnessy Dam instream Flow Management Plan environmental review; and Native American and Cultural Resource Management Program.
- Hetch Hetchy Water Programmatic requests (total changes from base budget): Facilities Maintenance \$0.5 million; WECC/NERC Compliance \$1.0 million; WECC/NERC Transmission Line \$0; Youth Employment \$0; and ITS Project \$0.1 million, for a total change of \$1.7 million.

AGM Ritchie responded to questions from Commissioner Ajami regarding the requested positions for monitoring lead in schools, stating they are required to perform testing as per new requirements for lead and copper testing as well as other mandates; to a question regarding the increased cost of the chemical sodium hydrochloride, stating the increase is national and industry-wide and not specific to the SFPUC or San Francisco; regarding the (\$0.5 million) drought response reduction, noting it is reduction of short-term contract work; and to the hiring strategy to for the position for the Native American and Cultural Resources Center.

Commissioner Maxwell stated a Native American need to be hired for the position at the Native American and Cultural Resources Center. AGM Ritchie responded to her questions regarding positions and vacancy indicating that the Water Enterprise has 1,190 total budgeted positions and has a 23% vacancy rate; as to why "affordability" isn't a LOS goal, stating it is within the "Sustainability" LOS goal; and to the need to and hire more youth.

AGM Ritchie responded to a comment from Commissioner Rivera regarding the need to add hydrogen refueling stations in the new facility, noting current plans.

Commissioner Stacy discussed asset management and its effect on the Water Enterprise divisions. AGM Ritchie responded to her question regarding operating vs. project positions, stating operating positions are funded by the operating budget; project positions are funding by the established project; and "programmatic requests" are funded by operating revenues.

AGM Ritchie responded to Commissioner Ajami's question regarding staffing for future recycling plant operations and if the positions will be joint Water and WVE positions, indicating they will differ by facility and will be the appointed and funded according to function; and to the ITS project funding reduction of \$0.8 million which will be moved into other budgets. CFO Hom discussed the current budget cycle efforts to highlight and invest in IT.

Commissioner Paulson thanked everyone for their work. He expressed appreciation for temporary-to-permanent hiring.

Water Enterprise Capital Improvement Program (CIP)

- The CIP comprised of three separate 10-Year Programs (1) Local Water (dominated by

- water mains plus a new yard) \$1.3 billion; (2) Regional Water (dominated by water treatment and transmission plus a new yard) \$1.6 billion; and Hetch Hetchy Water (dominated by replacement and rehabilitation of aging facilities) \$1.5 billion.
- Starting from last year's CIPs, staff updated project information for scope, schedule and budget; identified new priority projects; critically reviewed deliverability; emphasized spending of existing appropriations; and focused on the first two years of the 10-Year Plan. The result is three 10-year deliverable/affordable plans.
  - Local/Regional Water's \$3 billion Capital Plan has grown by \$690 million (31%), with key growth drivers of: Main Replacement (\$156 million), Millbrae Campus Improvements (\$187 million), Alternative Water Supplies (\$142 million), Palo Alto Pipeline Replacement (\$18 million), Pilarcitos Dam (\$33 million), and Sunol Valley Water Treatment Plant Long-Term Improvements (\$35 million).
  - Hetchy Water's \$1.5 billion Capital Plan has grown by \$557 million (50%), with most of the growth in Power assets. Key growth drivers: Moccasin Penstock (\$285 million), Moccasin Dam (\$70 million), San Joaquin Pipeline Valve (\$36 million), Moccasin Buildings (\$50 million), Transmission Line Clearance (\$23 million), Elanor Dam (\$24 million); Moccasin Powerhouse (\$30 million); and winter storm (\$11 million).

#### Local Water Capital Program Highlights

- Main replacement (\$640 million): Local Water Conveyance/Distribution (\$517 million); Local Water Conveyance Joint Transmission (\$44 million); and Potable Emergency Firefighting Water System (\$54 million).
- New City Distribution Division Headquarters beginning construction in late 2024. 2000 Marin (\$343 million, \$50 million previously appropriated).
- Lead Component Services Program (\$21 million, \$28 million previously appropriated).

#### Regional Water Capital Program Highlights

- Millbrae Yard Campus Improvements (\$411 million).
- Three San Joaquin Valle Water Treatment Projects (\$175 million, \$190 million previously appropriated).
- Daly City Recycled Water (\$115 million Water (\$115 million).
- Los Vaqueros Reservoir Expansion (\$42 million).
- Purified Water Projects in development (\$57 million).

#### Hetch Hetchy Water Capital Program Highlights

- Mountain Tunnel Improvement (\$58 million); Moccasin Powerhouse Projects (\$80 million); and San Joaquin Pipeline Valve and Safe Entry (\$75 million).
- Seven other major projects (\$494 million) going into construction in the next five years.
- Moccasin Penstock Replacement (\$322 million) is a very large, critical project.

AGM Ritchie responded to a question from Commissioner Ajami regarding the local water conveyance distribution joint project, stating the joint projects are primarily with the Municipal Transportation Agency and will ensure there is coordination and that management is aligned. Katie Miller, Director Water Infrastructure Capital Program discussed coordination efforts between all departments. AGM Robinson added clarification about the development of the interdepartmental agreement to perform the work between agencies.

Commissioner Ajami provided comments regarding Los Vaqueros Reservoir expansion; the

*Purified Water project and affordability, especially if there is less demand as a result; to brine management; and to onsite reuse systems. AGM Ritchie provided brief response.*

*AGM Ritchie responded to a question from Commissioner Maxwell to describe some of the innovative components of 2000 Marin, noting the building layout which is conducive to a larger community and interaction amongst staff and the modern and up-to-date facilities for the trades with updated equipment. He stated staff are investigating rooftop solar at the facility. Commissioner Maxwell discussed the need for public engagement and AGM Ritchie stated that process has begun and is critical.*

**Public Comment**

- *Nicole Sandkulla, Bay Area Water Supply and Conservation Agency expressed support for the proposed Water Enterprise and Hetch Hetchy Enterprise budget and provided her [written comments](#).*

5. Motion to continue meeting to a Special Meeting noticed for Friday, February 2, 2024  
*Ayes: Paulson, Rivera, Maxwell, Ajami and Stacy.*

*Meeting ended at 11:26 pm.*