



SAN FRANCISCO PUBLIC UTILITIES COMMISSION

City and County of San Francisco

London N. Breed

Mayor

REGULAR MEETING MINUTES

Tuesday, February 13, 2024

1:30 PM

(Approved February 27, 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 1:32 pm.
2. Roll Call
Present: Paulson, Maxwell, Ajami, and Stacy
Excused: Rivera
3. Approval of the Minutes of the January 22, 2024 Special Meeting; January 23, 2024 Regular Meeting; January 26, 2024 Special Meeting; January 29, 2024 Special Meeting; and February 2, 2024 Special Meeting

No public comment.

On motion to approve the minutes of January 22, 2024, January 23, 2024, January 26, 2024, January 29, 2024, and February 2, 2024.

Ayes: Paulson, Maxwell, Ajami and Stacy

4. General Public Comment
 - *Francisco DaCosta discussed the SFPUC's pipes and requested a hearing on fixing them on the westside.*
 - *Spreck Rosekrans discussed the Memorandum of Understanding (MOU) between the National Park Service and the SFPUC and provided thoughts on conversations at the last meeting regarding the MOU's public review process.*
 - *Dave Warner requested that the Commission reinstate remote public comment. He thanked staff for their work during the recent storms.*
 - *Denise Louie, Center for Biological Diversity asked that the SFPUC drop the lawsuits against the State Water Board and offered three reasons as to why.*
 - *Peter Drekmeier, Tuolumne River Trust discussed previous budget hearing discussions regarding SFPUC demand projections made by the Water Enterprise and finance stating there was over projection by both. He asked that three minutes of public comment be allotted.*
 - *Liz Jackson-Simpson, CEO, Success Centers discussed the Center's mission and expressed support for the "SIP Program". She asked that the grant funding continue.*
 - *Mary Butterwick asked that the SFPUC revisit the 8.5-year Design Drought and asked that it be reduce it by one year. She discussed instream flows and asked that the Bay Delta lawsuit be dropped.*
5. Report of the General Manager
 - a) Report on Recent San Francisco Public Utilities Commission Activities, Events and Announcements
None.
6. CONSENT CALENDAR
 - a) Award Contract No. PRO.0163(R), Engineering Services for the Emergency Firefighting Water System and City's Water Distribution System, to Lee + RO, Inc. and AGS, Inc. Joint Venture in the amount not-to-exceed \$8,000,000, and with a duration of eight years, to

provide engineering design and support services for the Water Enterprise Emergency Firefighting Water System and its Linear Assets Management Program. ([Resolution 24-0025](#))

- b) Award Contract No. WD-2893, Sunol Valley Chemical Facility Improvements, to the responsible bidder that submitted the lowest responsive bid, Anvil Builders Inc., in the amount of \$9,348,500 and with a duration of 660 consecutive calendar days, to provide improvements at the Sunol Valley Chloramination Facility, including rehabilitation of the fluoride feed facility, system integration with the Sunol Dichlorination Facility, upgrading the main programmable logic controller, and replacing chemical metering pumps. ([Resolution 24-0026](#))
- c) Award Contract No. WD-2895, San Francisco Zoo Recycled Water Project, to the responsible bidder that submitted the lowest responsive bid, Basset Engineering, in the amount of \$2,175,723 and with a duration of 425 consecutive calendar days. ([Resolution 24-0027](#))
- d) Award Contract No. WW-749, Channel Pump Station Bar Screen Replacement to the responsible bidder that submitted the lowest responsive bid, Western Water Constructors, Inc., in the amount of \$8,675,000 with a duration of 990 consecutive calendar days, to repair and replace existing wastewater process equipment at the Channel Pump Station. ([Resolution 24-0028](#))

Katie Miller, Director Capital Programs responded to a question from Commissioner Maxwell regarding item 6a and the mention of additional outreach, stating some requirements were reduced to attract a greater consultant community. She noted the changes made to the requirements. Director Miller responded to a follow-up question from Commissioner Ajami regarding reduction of subcontracting requirements noting they were part of the package. At the request of Commissioner Maxwell, Stephen Robinson, Assistant General Manager (AGM) Infrastructure discussed the outreach strategy and the process. Brief discussion ensued.

No public comment.

*On motion to approve the Consent Calendar:
Ayes: Paulson, Maxwell, Ajami and Stacy*

- 7. Approve the Umbrella Memorandum of Understanding (MOU) between San Francisco Public Utilities Commission and the San Francisco Unified School District (SFUSD), with a duration of 40 years which establishes the partnership framework for the SFPUC's installation and operation of various green infrastructure projects on SFUSD properties, subject to the approval by the San Francisco Board of Supervisors and the San Francisco Board of Education. ([Resolution 24-0029](#))

Joel Prather, Acting AGM Wastewater Enterprise discussed the partnership between the SFUSD and the SFPUC on green infrastructure projects and the collaborative work with the SFUSD staff on the umbrella MOU. He thanked all for their work.

Sarah Bloom, Project Manager acknowledged the partnership with SFUSD on green infrastructure projects during the last 15 years. She indicated the umbrella MOU establishes the

general framework for the partnership, including objectives, roles, and responsibilities for all project phases. She emphasized that the umbrella MOU does not commit the SFPUC to any specific projects. She indicated that Appendix A1– Site Agreement – is the mechanism by which projects are authorized at a specific school site and includes detailed project information. The individual site agreements will run for 30 years, which is consistent with green infrastructure asset life. Proposed site agreements will be brought before the SFPUC and the SFUSD Board of Education for approval.

Commissioner Paulson thanked everyone for their important work on green infrastructure.

Commissioner Ajami asked that the team incorporate data gathering on green infrastructure system operations and requested that projects provide educational opportunities to SFUSD students and staff.

Commissioner Stacy endorsed Commissioner Ajami comments. She stated that green infrastructure is an important part of the Wastewater program and is a good framework for moving forward. She agreed with the easy termination provision in the umbrella MOU.

Public Comment

- *Denise Louie, California Native Plant Society stated that California has an abundance of plant species with many disappearing and asked that green infrastructure include the protection and restoration of native habitats.*
- *Kate Levitt, Director of Communications, SFUSD and Cadi Poile, Executive Director of Facilities Services, SFUSD endorsed the item and discussed their work with SFPUC staff on smaller scale projects. They indicated that this would provide transformational opportunities for staff and students.*

On motion to approve Item 7:

Ayes: Paulson, Maxwell, Ajami and Stacy

At the request of President Paulson, the Commission Secretary called items 8 through 11 together.

8. Public Hearing to consider and possible action to adopt the San Francisco Public Utilities Commission Biennial Operating Budget including the Revenue Transfer for Capital in the amount of \$1,992,354,768 for FY 2024-25 and \$2,110,646,439 for FY 2025-26. ([Resolution 24-0030](#))
9. Public Hearing to consider and possible action to adopt the San Francisco Public Utilities Commission Two-Year Capital Budget consisting of \$1,784,912,774 for FY 2024-25 and \$1,792,439,721 for FY 2025-26; and authorize the General Manager to seek Board of Supervisors approval for the issuance of (1) \$1,035,007,350 aggregate principal amount of Water Revenue Bonds and other forms of indebtedness, including commercial paper and State Revolving Fund (SRF) loans, (2) \$1,715,671,086 aggregate principal amount of Wastewater Revenue Bonds and other forms of indebtedness, including commercial paper and SRF loans, and (3) \$292,825,860 aggregate principal amount of Power Revenue Bonds and other forms of indebtedness, including commercial paper and loans, all subject to the terms of Charter Sections 9.107(6) and 9.107(8). ([Resolution 24-0031](#))

10. Public Hearing to consider and possible action to adopt the San Francisco Public Utilities Commission 10-Year Capital Plan for FY 2024-25 through FY 2033-34 totaling \$11,811,605,094. ([Resolution 24-0032](#))
11. Public hearing to consider and possible action to adopt the San Francisco Public Utilities Commission 10-Year Financial Plan for FY 2024-25 through FY 2033-34. ([Resolution 24-0033](#))

Dennis Herrera, General Manager (GM) thanked the Commission for their engagement during the four budget hearings. He emphasized that climate change was a key lens that was used to shape the budget given that it impacts many aspects of the SFPUC's work including protecting the environment and meeting regulatory requirements for clean energy needs. He noted the reoccurrence of more intense storms and droughts and discussed major investments being made. He discussed the importance to provide clean, affordable, and reliable power and reviewed the citywide public education campaign about the SFPUC's power services that will launch later this year.

Nancy Hom, Chief Financial Officer (CFO) and AGM Business Services stated that the 2024 budget hearings were conducted on January 22, 26, 29 and February 2, 2024, for a total of approximately 12 hours with staff presentations covering budget priorities, budget change drivers, and extensive details for each enterprise and bureau budget. The hearings provided the public with the opportunity to provide input, thus meeting obligations under Administrative Code Section 3.3. She discussed actions requested by the Commission and next steps in the process.

CFO Hom reviewed the agency's Operating Budget priorities: (1) Affordability: Adopted affordability policy for Water and Wastewater; and Efficient capital planning); (2) Responsible Management: Addressing regulatory requirements; Financial sustainability; Workforce – reducing vacancies, and increasing retention; Accountability – Racial Equity and transparency; and responsible management of systems/maintenance; (3) Investing Where it Matters: Resilience and climate change; Environmental stewardship; Contributing to economic vitality - capital investment and economic recovery/job creation; Replacing aging infrastructure; and meeting new customer demands.

CFO Hom stated that as a response to the Commission's concerns a climate lens was used for the budget's development and included the inclusion of key capital projects such as (1) System resiliency in Water and Wastewater; (2) Climate resiliency projects (\$798 million) – flood resiliency and stormwater management, and bolstering Green Infrastructure (GI) staffing and support for the GI grant program; (3) Keeping the Bay healthy (\$1.2 billion) – nutrient reduction in the Bay; and (4) Clean energy expansion (\$780 million) – investing in clean energy infrastructure, bringing Hetchy power to more customers, and customer program in Hetchy Hetchy Power and CleanPowerSF.

CFO Hom discussed the multiple ways the agency promotes the SFPUC's power service and highlighted the savings to CleanPowerSF residential customers.

CFO Hom presented the operating budgets which she noted are best estimates and may change through the Board of Supervisors and Mayor budget processes.

Two-Year Operating Budget (#8)

- *Operating Budget Overview: Capital is the SFPUC's largest cost driver at 36% (debt service 24% plus revenue-funded capital 12%), followed by power purchase and distribution at 26%, and then personnel and non-personnel costs that support daily operations at 14% and 19%, respectively.*
- *New proposals grow the budget by 18% (\$323 million) over the next two years. Capital and power purchase remain the largest cost drivers, growing by \$306 million, or 95% of the growth. Operating budget new proposals are not a significant driver of the overall growth. Net new requests are not a significant driver at roughly \$33 million or 10% of the growth.*
- *New proposals summary: Water (12%), Wastewater (19%), CleanPowerSF (4%), Hetchy Power (8%), Hetchy Water (20%), General Manager (3%), Human Resource Services (6%), Business Services (15%), Infrastructure (6%), and External Affairs (7%) for a SFPUC FY2024-25/2025-26 total of \$36 million.*
- *Staff request summary: 171 new permanent positions, including 87 temporary-to-permanent conversions: Water (21), Wastewater (20), CleanPowerSF (12), Hetchy Power (26), Hetchy Water (13), General Manager (4), Human Resource Services (20), Business Services (33), Infrastructure (8), and External Affairs (14).*
- *Position change highlights: 175 substitutions to both repurpose vacant positions for changing operational needs and align job duties with classifications. 171 new positions requested, including temporary-to-permanent conversions which are a key operational priority for retention.*
- *Temporary to permanent conversions are a key operational priority for retention.*
- *Vacancies were carefully considered before requesting new full-time equivalency (FTE). Substitutions were considered over new positions which reduces the number of FTE asks. No FTE will sit vacant without an active recruitment plan. The human resources team has been bolstered to help increase hiring.*
- *Annual Appropriation Ordinance (AAO) operating-funded FTE growth is 4.3% in the last seven years. AAO total, budgeted, and funded FTE excludes off budget positions and attrition.*

In response to a question from Commissioner Ajami regarding four new positions included under the General Manager's (GM) Office, GM Herrera stated the positions are for staffing the Office of Diversity, Equity and Inclusion, which is housed under the GM's office.

Deputy CFO Laura Busch responded to a question from Commissioner Stacy regarding slides detailing offsetting increase in salary savings and salary savings stating and that the changes to attrition (salary savings) is a major strategy of the SFPUC in order to be prudent and responsible. She stated the current attrition rate of just under 11% will increase to just under 12% to accurately reflect salary savings.

President Paulson thanked staff for the details on temporary-to-permanent positions and how they work.

Laura Busch, Deputy CFO presented the Capital Budget (#9) and 10-Year Capital Plans (#10).

Two-Year Capital Budget and 10-Year Capital Improvement Plan

- *Capital Plan grew by \$3 billion to a total of \$11.8 billion: Water 30% change, Wastewater 24% change, Hetchy Water 57% change, Hetchy Power 107% change, and CleanPowerSF - 34% change compared to the prior plan.*
- *Capital Plan growth drivers by project category, which is overwhelmingly driven by climate*

change. Projects driven by regulatory and environmental obligations, clean energy investments and repair and replacement of aging critical infrastructure are all directly or indirectly the result of climate impacts: Regulatory and Environmental (45%), Clean Energy (27%) Repair and replacement of critical infrastructure (26%) and other (2%).

- Ten-Year Capital Improvement Program intended to build a sustainable future. Major projects in the Capital Plan include (1) System reliability and Resilience (Water), (2) Protecting public health (Wastewater), and (3) System sustainability and expansion (Power). Breakdown Enterprise: Water (25%), Wastewater (51%), Hetchy Water (13%), Hetchy Power (10%), and CleanPowerSF (<1%).
- Two-Year Capital Budget has minimal changes since last. Due to a renewed focus on deliverability and using up prior appropriations, the 2-Year Capital Plan shrunk by 0.9% in FY 24-25 and only slightly grew by 36% in FY25-26, versus the prior 10-Year Plan.
- The debt authorization for FY2024-25 is for \$1,539,635,784; and FY 2025-26 is for \$1,503,868,512, for a total of \$3,043,504,296.
- The Ten-Year \$11.8 billion Capital Plan is largest ever proposed. The process was more rigorous than ever and was developed with a focus on affordability, deliverability, and racial equity and addresses the impacts of the climate crisis, and a proactive response to cost pressures. It delivers reliable water, clean energy, and resilient infrastructure for generations to come. It includes community benefits, the creation of local jobs, bolstering the local tax base, and is in alignment with the mayor's priorities.

Deputy CFO Bush responded to a question from Commissioner Ajami as to the strategies in place for capital costs if revenue is short stating that the focus is on the 10-year Financial Plan for a long-term outlook, along with the 10-year Capital Plan to ensure sustainability and affordability. She indicated sensitivity analyses have been run to look at risk, and that the financial plan is in place to ensure balance, indicating that there is enough revenue to cover debt.

Commissioner Ajami noted the opportunity to cross collaborate between enterprises on multi-benefit projects.

Commissioner Stacy discussed the 10-year Capital Plan and recognized the complicated process. She stated Appendix B should be updated so that the Alternative Water Supply Project includes recycled water as a listed project; and that the climate resiliency projects title needs to be narrowed or the project descriptions need to be broadened. Deputy CFO Busch acknowledged her comments.

Commissioner Stacy requested that the public be allocated three minutes of public comment on the four combined budget items. President Paulson concurred.

GM Herrera stated the budget was created through a climate lens and stated that this is the beginning of the process on analyzing operations and is not exhaustive.

Erin Corvinova, Financial Planning Director presented the 10-Year Financial Plans (#11).

10-Year Financial Plan

- Financial Plan is an annual update for a 20-year rolling period as required by San Francisco Charter Section 8B.123.
- High level review of Water and Wastewater demand forecasts, which is a projection for

- financial purposes. Biggest risk is in the short-term.*
- *High level review of Water and Wastewater 10-year Financial Plans.*
 - *Wastewater capital spending is a massive capital investment driven by replacement of aging infrastructure and regulatory requirements. Debt service grows from 24% to 58% of total expense over the next 10 years, with conservative interest rate assumptions to provide buffer for risk.*
 - *Wastewater debt service coverage and fund balance – spending down fund balance to reduce future rate increases. As debt issuance grows, meeting debt service coverage begins to drive rate increases.*
 - *High level review of water and sewer affordability, with projection that comes in just under the affordability target.*
 - *Power Enterprise financial forecasting - Power-specific challenges include the fact that the Power Enterprise is not a monopoly provider and have multiple sources of uncertainty. Strategies to address risk include power team involvement in forecasting, procurement of forecast data from third party providers, budgeted power supply contingencies, and higher reserve minimum in CleanPowerSF.*
 - *Purchased power supply and delivery - Hetch Hetchy purchased supply and delivery (purchased power supply, transmission access charge, and wholesale distribution tariffs), and CleanPowerSF supply costs (purchased resource adequacy, miscellaneous fees, and power supply contingency).*
 - *High level review of Hetch Hetchy 10-Year Financial Plan and Hetch Hetchy Power Rate forecasts with large retail rate customer rate increases expected.*
 - *High level review of CleanPowerSF 10-Year Financial Plan.*
 - *CleanPowerSF financial metrics - CleanPowerSF adopted a new reserve policy in 2022 as part of their rate study. Exposure to higher financial volatility requires higher reserves. The goal is to build a minimum of 150 days cash on hand and target 180 days cash on hand within three years, with note of the challenge of building reserves during high cost/volatile power market supplies. The FY2024-25 rate increase is set to meet the 150-day minimum.*
 - *CleanPowerSF rate forecast for FYE2025 to FYE2034, with a 10-Year average Generation Rate (CleanPowerSF) increase of 1.2% and total 10-Year average bill increase (CleanPowerSF plus PG&E) of 3%.*

President Paulson thanked everyone for their work on the budget and presentations during the multiple hearings. He emphasized the importance and responsibility of 10-year forecasting.

Commissioner Ajami discussed the slide showing projections of wholesale water use and stated that 136.2 mgd is optimistic and that there will not be rebound from the drought. She questioned how slides 34 (water and sewer affordability) and 29 (Water and Wastewater demand forecasts) interact; and discussed revenue and revenue setting and decoupling. GM Herrera indicated he will get back to the Commission regarding her second question. Director Corvinova responded to her comments regarding the 136.2 wholesale demand forecast, noting the long-term impact of some population growth assumed and that full rebound from the drought is not assumed. She discussed the mechanism for wholesale rates that help mitigate risk. She stated per capita conservation is not a major factor in affordability, but loss of customers from service area or increase of costs could be.

Commissioner Maxwell indicated that only San Francisco residents pay for wastewater and questioned the relationship between water and wastewater use and charges. Director Corvinova discussed use, the sewer rate structure, and the flow factor used to determine the volumetric

portion of the wastewater portion of the customer bill.

Commissioner Stacy echo comments made by Commissioners and expressed appreciation for the work of staff and transparency. She thanked the public for submitting thoughtful written public comments received around the demand forecast, noting specific comments received. She stated numbers evolved as information is received.

Commissioner Maxwell thanked the public for their comments which are important to the process.

President Paulson thanked staff for their work and the public for their comments.

Public Comment

- Tom Francis, Bay Area Water and Supply Conservation Agency provided comments regarding the adoption the Water Enterprise and Hetch Hetchy Water FY2024-25 and FY 2025-26 Operating and Capital budgets, and 10-Year Capital Plan and [provided those comments in writing.](#)
- Peter Drekmeier, Tuolumne River Trust noted the comments he provided in writing (written comment below). He questioned how sales increased 9 mgd from last year when sales were at an all-time low and with State Department of Finance population growth projections reduced. He discussed the increase of the combined water and wastewater bill and ratepayer impact. He discussed the Alternative Water Supply Plan.
- Dave Warner thanked the SFPUC team for their work on the budget. He discussed risk analysis; reevaluating; short-versus-long term risk; and increase in averaging. He questioned staff's response to the Commission's questions.
- Judy Irving, Pelican Media discussed the algae bloom in the Bay and the SFPUC's plan to remove nitrogen. She stated that the budget is "supersized" with incorrect assumptions. She stated one year should be removed from the Design Drought to fund alternative water supply projects. She provided thoughts on the drought surcharge.
- Barbara Folger discussed aging infrastructure and the budget. She requested that the pipes in her neighborhood be replaced as her water needs filtering. She discussed sewer line replacement in her neighborhood. She asked for streamlined replacement of pipes to save ratepayer dollars.
- Mary Butterwick stated there is a fiscal crisis due to deferred maintenance, over projection, increased costs, and declining sales. She asked that recycled water be a top priority. She discussed debt service and its effect on project funding. She asked for analyzation of flows and review of the Design Drought.
- Denise Louie questioned whether the emergency water firefighting system in certain locations is included in and prioritized in the capital plan. She discussed her conservation efforts and increase in utility bills. She stated the lawsuit should be withdrawn to save money.
- Francisco DaCosta asked who will speak for the salmon. He discussed deferred maintenance, fire mitigation, seawall/sea rise, and the force main at Marin Street.
- Spreck Rosekrans, Restore Hetch Hetchy thanked the Commission and staff for their work on the budget. He displayed and graph regarding various groundwater banking projects and stated it is a cost effective way for improving water supply.
- Jacob Evans, Sierra Club, stated budget affordability relies on population growth and water demand projections. He discussed projected water deliveries, population growth projections, water use per capita, and demand which could impact affordability targets. He discussed the cost of alternative water supply projects and expressed the need to revise the Design Drought

to save costs.

Written Public Comment

- [Nicole Sandkulla](#)
- [Martin Gothberg](#)
- [Stephen Rosenblum](#)
- [Rush Rehm](#)
- [Nancy Arbuckle](#)
- [David Schrom](#)
- [Peter Drekmeier](#)
- [Dave Warner](#)
- [Julianne Adams Frizzel](#)
- [Brad Wurtz](#)
- [Norma Jean Wallace](#)
- [Laurie Thomas & Alex Bastian](#)

Commissioner Ajami Newsha feedback is important, and comments should be directed to the Commission, not to staff.

On Motion to approve item 8:

Ayes: Paulson, Maxwell, Ajami and Stacy

On Motion to approve item 9:

Ayes: Paulson, Maxwell, Ajami and Stacy

On Motion to approve item 10:

Ayes: Paulson, Maxwell, Ajami and Stacy

On Motion to approve item 11:

Ayes: Paulson, Maxwell, Ajami and Stacy

12. Communications

- a) Advance Calendar
- b) Contract Advertisement Report
- c) Correspondence Log
- d) Annual Report on Dry Year Supply Progress Pursuant to AB1823
- e) Water Supply Conditions Update

13. Items initiated by Commissioners

Commissioner Ajami requested that an item be added to the February 27th agenda to consider the reinstatement of reinstatement of remote public comment.

No public comment.

14. Public Comment on the matter to be addressed during Closed Session

None.

15. Motion on whether to assert the attorney-client privilege regarding the matter listed below

*On Motion to assert the attorney-client privilege:
Ayes: Paulson, Maxwell, Ajami and Stacy*

The Commission entered Closed Session at 4:15 pm.

Commissioner Ajami was excused from the meeting at 4:15 pm.

Present in Closed Session: Commissioners Paulson, Maxwell, and Stacy; Sheryl Bregman, Deputy City Attorney; Steve Ritchie, AGM Water; and Donna Hood, Commission Secretary.

16. CONFERENCE WITH LEGAL COUNSEL regarding existing litigation (Government Code §54956.9(d)(1), San Francisco Administrative Code §67.10(d)(1)):

Ralph Bower, et al v. City and County of San Francisco
San Francisco Superior Court Case No.: CGC-23-605730
Date Filed: April 10, 2023

Proposed settlement of personal injury claims with the City and County of San Francisco to pay plaintiff Aidan Gauper \$400,000 and plaintiff Cory Maryott \$400,000 in exchange for full and final releases, subject to final approval by the Board of Supervisors. (Resolution 24-0034)

The Commission exited Closed Session at 4:37 pm.

17. Announcement following Closed Session

President Paulson stated that the Commission recommends the Board of Supervisors approve the settlement referenced under item 16.

18. 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: Paulson, Maxwell, and Stacy*

19. Adjournment

President Paulson adjourned the meeting at 4:38 pm.