

1 Public Utilities Revenue Bond Oversight Committee

2
3 **MINUTES**

4
5 Monday, October 20, 2008

6 9:30 a.m. - 11:30 a.m.

7 San Francisco Public Utilities Commission

8 1155 Market Street (between 7th & 8th Streets) 4^h Floor Conference Rm.

9 San Francisco, CA 94103

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12 **1. Call to Order and Roll Call**

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14 Chair Aimee Brown called the meeting to order at 9:35 a.m. and roll call
15 was taken.

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17 Present: Aimee Brown, Kyle Rhorer, Brian Browne (arrived at 9:45 a.m.),
18 Stan Jones, David Sutter and Patrick Sweetland.

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20 Absent: Lisbet Sunshine.

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22 There was a quorum.

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24 **2. Public Comment: Members of the public may address the RBOC**
25 **on matters that are within the RBOC's jurisdiction and are not on**
26 **today's agenda**

27
28 Steve Lawrence requested that the Revenue Bond Oversight Committee
29 (RBOC) review the list of Water System Improvement Program (WSIP)
30 projects he's submitted and decide whether or not they qualify under
31 Proposition A.

32 Mr. Lawrence stated that he had received and reviewed the contracts
33 between Daly City and the SFPUC under which recycled water from Daly
34 City's plant is to be produced with WSIP money and used for Harding Golf
35 Course; he found no mention of jurisdiction control for the SFPUC in the
36 agreement. Finally, Mr. Lawrence referred to a memo dated September
37 30, 2008 from Ed Harrington, SFPUC General Manager,, concerning
38 Phased WSIP Variant and stated that it raises a number of questions that
39 should be asked.

40 Winchell Hayward questioned the hiring of consultants through the Major
41 Environmental Analysis (MEA) instead of hiring directly. Mr. Jones
42 responded that the independence of the consultants was a primary
43 concern.

44 Mr. Hayward also brought up the question of the possibility of taking a
45 position on proposed expenditures which may be later subject to
46 investigation.

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3. Report from PUC Manager Jeet Bajwa on WSIP Change Order Procedures

Jeet Bajwa, Project Manager SFPUC, presented the Quarterly Report Water System Improvement Program (WSIP) Q4 2007/2008 (Regional Projects 4/5/08 – 6/30/08) which included the Program Summary, Regional Summary, Project Status, Milestone Report, and WSIP Risk Mitigation Action. In addition, Mr. Bajwa reviewed the status of the last quarter. There are three projects left in the planning stages, four are in the design stage, 10 projects in the construction stage, 13 projects that have completed construction and are in the close out stage or litigation stage, and four have been completely closed out. In response to questions, Mr. Bajwa stated that the majority of delays are due to the Environmental Impact Review (EIR), in particular, -delays are due to: (1) delays by consultants and (2) staffing shortage at MEA and internal-review delays. Member Brian Browne presented written comments/questions in the area of WSIP slippage and he request a report at a future meeting. Discussion occurred concerning various aspects of pre-qualification of bidders.

Public Comment:

Steve Lawrence requested explanation of Calaveras Dam and how it was to be double-shifted and with a six day work week originally for completion on September 22, 2011 and has now been set back eight months. Mr. Bajwa responded it is primarily due to delays of the EIR. Mr. Lawrence also presented concerns about the shut down window critical for the Tesla Treatment Facility beginning January 2010.

4. Report from City Attorney on appropriate expenditures under Prop A

Mark Blake, Deputy City Attorney, reviewed and presented his memorandum dated October 16, 2008 answering questions raised by member Patrick Sweetland concerning illegal uses of revenue bonds funds. There was a discussion between Mr. Blake and members of the RBOC concerning Mr. Blake's responses. Additional comments and questions that were discussed including but not limited to protection to ratepayers, illegal waste, definition of illegal expenditure, bond authorization, internal controls and levels of legality. It was suggested that the Contracting Working Group convene to discuss cost overhead for ratepayers and to review projects to determine what should be examined next by RBOC.

Public Comment: None.

93 **5. Report from Committee Member Stan Jones relating to indirect**
94 **cost/overhead rate design**
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96 Mr. Jones presented his report to the RBOC. He stated that Todd
97 Rydstrom, SFPUC AGM for Business and Financial Services and CFO,
98 agreed to allow the same firm that is reviewing the rate structure to also
99 review indirect cost allocations; the study should be complete by late
100 December. In FY 2008/09, indirect costs were 162.25% which resulted in
101 every dollar that is charged to a project is also charged an additional \$1.62
102 for support and other non-direct costs. Mr. Jones explained that there is
103 an unanswered question regarding what percentage of the indirect costs is
104 going to WSIP projects and how much to non-WSIP projects. The goal of
105 the indirect cost plan is to come up with cost pools for WSIP project, non-
106 WSIP projects and actual aggregated percentage for each. Mr. Jones
107 suggested that the RBOC wait until December to review the reports and
108 distinguish if there are any inconsistencies with actual numbers already
109 charged.

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111 Public Comment: None.
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113 **6. Chair's Report**
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115 **a. Discussion relating to the volatility in the financial markets**
116 **and its impact on the PUC**
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118 Rommel Aganon, Debt Manager, SFPUC, stated that the SFPUC has both
119 short-term variable rate financing and long-term fixed rate financing. Long
120 -term debt, primarily in the form of revenue bonds, have not been affected
121 by the recent volatility in the financial markets. Short-term variable rate
122 debt in the form of commercial paper, on the other hand, has been
123 affected. Since September 15, 2008, several commercial paper dealers
124 have departed. And due to the volatility in the market, -the SFPUC
125 reduced the commercial paper by \$59 million for the Water Enterprise
126 (\$91 million still remains outstanding). The SFPUC is closely tracking the
127 market for better conditions before issuing the remaining \$59 million
128 commercial paper. Joseph Yew, SFPUC, responded to Mr. Browne
129 concerns over the SFPUC involvement in the intermediary financial
130 business, the volume of issuance of commercial paper, rating agency and
131 issuance agents.

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133 Public Comment: None.
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135 **b. Discussion relating to San Francisco's recently adopted**
136 **Statement of Incompatible Activities**
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138 Chair Brown noted that the Statement of Incompatible Activities has been
139 published and that members should take notice of it. Mike Brown,
140 SFPUC, stated that there were no forms to fill out at present but to take
141 special notice of page 5 of the Statement.

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143 Public Comment: None.

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145 **c. Discussion and possible action relating to CY2009 meeting**
146 **dates**

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148 Chair Brown will work with staff to create a draft schedule of potential
149 meeting dates for 2009 calendar year and present it to the RBOC at its
150 next meeting.

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152 Public Comment: None.

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154 **7. Discussion and possible action to approve the minutes from the**
155 **meeting held on September 15, 2008**

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157 Mr. Sutter moved to approve the minutes seconded by Mr. Rhorer. The
158 minutes passed unanimously.

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160 **8. Discussion and possible action relating to RBOC member**
161 **information requests raised in today's meeting**

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163 Information concerning budget change orders and contract change orders
164 is requested of the SFPUC staff.
165 Information concerning revenue bond authorization and how it was crafted
166 with emphasis on the section related to authorization of expenditures (as
167 listed in the March report) is requested.

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169 **9. Discussion and possible action for future agenda items**

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171 An update report on commercial paper is requested.
172 Dates of a possible CY2009 Hetch Hetchy tour is requested.

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174 **10. Adjournment**

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176 Chair Brown adjourned the meeting at 12:00 p.m.