

# **Public Utilities Revenue Bond Oversight Committee**

## **MINUTES Regular Meeting**

**Monday, July 18, 2011  
9:30 a.m.**

**1155 Market Street (between 7<sup>th</sup> & 8<sup>th</sup> Streets)  
4<sup>th</sup> Floor Conference Room**

### Committee Members

Aimee Brown, Chair  
Kevin Cheng, Vice-Chair  
Brian Browne  
Ian Hart  
Ben Kutnick  
Larry Liederman  
John Ummel

#### **1. Call to Order and Roll Call (\*0.00.00)**

Vice-Chair Cheng called the meeting to order at 9:35 a.m. and roll call was taken:

Present: Kevin Cheng, Brian Browne, Ben Kutnick, Larry Liederman, and John Ummel.

Excused: Aimee Brown, Ian Hart.

There was a quorum.

#### **2. Public Comment: Members of the public may address the Revenue Bond Oversight Committee (RBOC) on matters that are within the RBOC's jurisdiction that are not on today's agenda. (\*0.00.00)**

Public Comment: None.

#### **3. Chair's Report**

- a. **San Francisco Public Utilities Commission (SFPUC) Staff Report: Update on the Water System Improvement Program (WSIP). (\*0.00.55)**

Jeet Bajwa (SFPUC); Charles Perl (SFPUC); David Blaze (SFPUC); presented information concerning the matter and/or answered questions raised during the hearing.

Public Comment: None.

**b. San Francisco Public Utilities Commission (SFPUC) Staff Report: Local Water System and Emergency Preparedness. (\*0.44.45)**

David Blaze (SFPUC); Mary Ellen Carole (SFPUC/Emergency Management); presented information concerning the matter and/or answered questions raised during the hearing.

Public Comment:

Nancy Wuerfel commented on the use of public parks and other open space during an emergency and how to minimize the impact on these areas.

Member Browne submitted the following comment for inclusion into the minutes: I asked for this emergency meeting in October/November 2010? Why did it take so long?

**c. Discussion and Possible Action: Update on the funding of the RBOC account with the City Controller's Office. (\*1.23.17)**

Mike Brown (SFPUC); Charles Perl (SFPUC); Mark Blake (City Attorney); presented information concerning the matter and/or answered questions raised during the hearing.

Member Browne, seconded by Member Liederman, moved to continue the item to the call of the chair for a detailed discussion.

In addition, it has been requested that specific questions be presented in advance of the meeting.

The motion failed by the following vote:

Ayes: Cheng, Browne, and Liederman

Noes: Kutnick and Ummel

Excused: Chair Brown and Hart

Public Comment:

Nancy Wuerfel stated that the RBOC does not have a separate fund and is still under a SFPUC identification. Ms. Wuerfel requested that the RBOC further discuss the issue.

Member Browne submitted the following comment for inclusion into the minutes: SF California Administrative Code Chapter 5, Section 5A.31(d) "...From the effective date of this ordinance one-twentieth of one percent of the gross proceeds from each issuance or sale of public utility revenue bonds shall be deposited in a fund established by the Controller and appropriated by the Board at the direction of the committee to cover the cost of said committee." Mr. Browne requested to see this account beginning in November 2002. This account must be a true bank account and not a SFPUC subaccount.

**d. City Attorney Staff Report: Summary of charges for City Attorney Services. (\*1.43.00)**

Mark Blake (City Attorney) requested that the item be continued to a future date due to technical problems.

Nancy Wuerfel requested additional details concerning the nature of the charges from the City Attorney's Office.

The item was tabled.

Member Browne submitted the following comment for inclusion into the minutes: Section 5A.31(e) - I interpret this to mean that the City Attorney will be funded by the Board of Supervisors. Section 5A.31(e) reads: "The Board shall without expending revenue bond funds, provide the Committee with appropriate clerical, technical, and administrative assistance in the furtherance of its purpose and provide sufficient resources to publicize the conclusions and recommendations of the Committee." The City Attorney has not asked for this funding in the past. I believe any such funding should come from the Board of Supervisors per SF Administrative code, Chapter 5, Section 5A.31(e).

**e. San Francisco Public Utilities Commission (SFPUC) Staff Report: Charges for City Services Auditor's services up to June 30, 2011. (\*1.46.57)**

Charles Perl (SFPUC); presented information concerning the matter and/or answered questions raised during the hearing.

Public Comment:

Nancy Wuerfel stated that a detailed report of charges should be provided to the public when final and available.

Member Browne submitted 2 emails addressed to Chair Brown (attached) to be included into the minutes.

**4. RBOC City Services Auditor Working Group (\*1.57.00)**  
**a. Discussion and Possible Action: Recommended Task Areas for SFPUC Independent Review Panel Assignment.**

Member Ummel provided a summary of the actions of the City Services Auditor Working Group.

Member Kutnick, seconded by Member Ummel, moved to authorize the City Services Auditor Working Group to continue working with the City Services Auditor to select projects to be audited.

The motion passed by the following vote:

Ayes: Cheng, Kutnick, Liederman, and Ummel  
Noes: Browne  
Excused: Chair Brown and Hart

Public Comment: None.

Member Browne submitted the following comment for inclusion into the minutes: "The use of the CSA in the format proposed is illegal and contrary to 2002 Proposition P. Please see minutes from June 20, 2011 meeting with comments by both Ms. Wuerfel and myself."

In addition, *Member Brian Browne stated that he believes the RBOC is wasting time by contracting with the CSA and believes that it is illegal.*

**b. Update: City Services Auditor project audit list. (\*2.05.00)**

Member Ummel provided an update on the project selection for the City Services Auditor.

Public Comment: None.

**5. Discussion and Possible Action: Motion directing the chair of the RBOC or her designee to review and select from a list of qualified candidates, an individual/firm to serve in the capacity as RBOC's Peer Reviewer for the SFPUC Independent Review's third review; and to authorize the SFPUC to administer the contract for the services of the Peer Reviewer. (\*2.08.00)**

Member Kutnick, seconded by Member Liederman, moved to direct the chair of the RBOC or her designee to review and select from a list of qualified candidates, an individual/firm to serve in the capacity as RBOC's Peer Reviewer for the SFPUC Independent Review Panel's third review; and to authorize the SFPUC to administer the contract for the services of the Peer Reviewer, Not-to-Exceed \$50,000. The candidate will be referred to the RBOC for final approval.

The motion passed by the following vote:

Ayes: Cheng, Browne, Kutnick, Liederman, and Ummel

Noes: None.

Excused: Chair Brown and Hart

Public Comment: None.

Member Browne submitted comments for inclusion into the minutes (attached).

**6. Discussion and Possible Action: Approval of the Minutes from the Revenue Bond Oversight Committee (RBOC) meeting of June 20, 2011. (\*2.21.00)**

Member Liederman, seconded by Member Ummel, moved to approve the minutes of the RBOC for June 20, 2011, as amended.

The motion passed by the following vote:

Ayes: Cheng, Browne, Kutnick, Liederman, and Ummel

Noes: None.

Excused: Chair Brown and Hart

Public Comment: None.

**7. Discussion and Possible Action: Revenue Bond Oversight Committee (RBOC) Member Information Requests Raised at Today's Meeting. (\*2.22.30)**

Mark Blake (City Attorney) stated that the City Attorney invoice will be provided when available.

Public Comment: None.

**8. Discussion and Possible Action: Future Agenda Items.**

Controller's Account  
External party to track the City Services Auditor's work

Public Comment: None.

**9. Adjournment**

The meeting adjourned at 12:00 p.m.

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**The minutes were approved on August 15, 2011.**

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Audio recordings of the meeting of the Revenue Bond Oversight Committee are  
available at:

[http://sanfrancisco.granicus.com/ViewPublisher.php?view\\_id=97](http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=97)

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For information concerning agendas, minutes and meeting information  
please contact:

Victor Young, Committee Clerk  
City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102  
Victor.Young@sfgov.org  
(415) 554-7723

For information concerning SFPUC reports and documents  
please contact:

[bondoversight@sfgov.org](mailto:bondoversight@sfgov.org)

(415) 487-5245

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I HAVE READ THE RBOC  
AGENDA FCW 18 JULY 2011. I  
HAVE MADE THE FOLLOWING NOTE  
ON ISSUE OF CONCERN  
Brown FCW

AGENDA  
Regular Meeting.

Monday, July 18, 2011  
9:30 a.m.  
1155 Market Street (between 7th & 8th Streets)  
4th Floor Conference Room

Committee Members

Aimee Brown, Chair  
Kevin Cheng, Vice-Chair  
Brian Browne  
Ian Hart  
Ben Kutnick  
Larry Liederman  
John Ummel

1. Call to Order and Roll Call
2. Public Comment: Members of the public may address the Revenue Bond Oversight Committee (RBOC) on matters that are within the RBOC's Jurisdiction that are not on today's agenda.
3. Chair's Report
  - a. San Francisco Public Utilities Commission (SFPUC) Staff Report: Update on the Water System Improvement Program (WSIP).
  - b. San Francisco Public Utilities Commission (SFPUC) Staff Report: Local Water System and Emergency Preparedness.

I asked for this emergency meeting in October/November 2010? Why did it take so long?

- c. Discussion and Possible Action: Update on the funding of the RBOC Account with the City Controller's Office.

San Francisco, California Administrative Code Chapter 5, Section 5A.31 (d) "... From the effective date of this ordinance one-twentieth of one percent of the gross proceeds from each issuance or sale of public utility revenue bonds shall be deposited in a fund established by the Controller and appropriated by the Board at the direction of the committee to cover the costs of said committee."

I herein request to see this account beginning in November 2002. This account must be a true bank account and not a SFPUC subaccount. I herein request to see this account beginning November 2002.

- d. City Attorney Staff Report: Summary of charges for City Attorney Services.

Section 5A.31 (e). I interpret this to mean that the City Attorney will be funded by the Board of Supervisors. Section 5A.31 (e) reads: "The Board shall without expending revenue bond funds, provide the Committee with appropriate clerical, technical, and administrative assistance in the furtherance of its purpose and provide sufficient resources to publicize the conclusions and recommendations of the Committee." I do

(See Coalition for SF Neighborhoods  
1977-11-11-11-11)

not recall the City Attorney asking for funding in the past? I believe any such funding should come from the BoS as mandated by 2002 Proposition P; now San Francisco Administrative Code, Chapter 5, Committees, Article V, Section 5A.31 (e).

e. San Francisco Public Utilities Commission (SFPUC) Staff Report: Charges for City Services Auditor's services up to June 30, 2011.

ATTACHED - OVERLOOKED  
Under sunshine I received the following email about the CSA invoices. Please note the lack of dates and specificity of work. I personally find this disturbing. Not a good start to the "union" being proposed between CSA and the RBOC.

General Comments on Chair's Report- Brian Browne

Below are two emails I wrote to Chair Aimee Brown. No response. I am including this in the Chair's Report with other hand-ins and request all be in the minutes for this July 18, 2011 meeting.

Email 1 of 2 sent to Ms Aimee Brown regarding an addition to the RBOC - Contracts Working Group Report of the RBOC Annual 2010 Report.

"To Ms Aimee Brown - Sent July 10, 2011.

Chair - Public Utilities Revenue Bond Oversight Committee (RBOC).

RE - Public Utilities Revenue Bond Oversight Committee Annual Report 2010 (2010 Report).

Dear Ms Brown:

Regarding the 2010 Report of the RBOC pertaining to the Contracts Working Group (CWG). I am greatly concerned about the omission of the considerable pre-contracting (response to an RFP sent to all major California universities) work done with the University of California, Berkeley by the CWG of the RBOC in 2010. As the chair of this 2010 subcommittee stated, at a full meeting of the RBOC; we are fine-tuning negotiations for a contract with UCB.

UCB, SF ratepayers (see attached), and the CWG all took this effort very seriously. What happened to this contracting-process with UCB? Then along came the Controller's inside group?

In your Chair's 2010 Report (sent to various city bodies), pertaining to the CWG you state; "By the end of calendar year 2010, the Contracting Working Group drafted a preliminary scope of work to be considered by the RBOC in 2011, as the first step in engaging outside institutions to provide consulting services to benchmark WSIP performance against industry metrics, among other assessments."

I am not aware of any such document being generated in 2010 by the CWG. I believe this scope of work was generated in 2011, in camera (substantiated by my Sunshine requests), by some RBOC members, and certainly not in 2010 by the CWG as as you state in your report. I would like this amended to reflect what the CWG actually did in 2010.

Again, I must reiterate my position that the MOU with the Controller's City Services Auditor

2 Billings 6.30.11 ?  
5.27.11  
304 HRB  
ISS a  
149  
C. Brown



HFD 1 of 3 Response to my Sunshine (new) requests

Subject: RE: CSA FY10-11 RBOC hours  
From: "Brown, Mike" <MBrown@sfgov.org>  
Date: Fri, 8 Jul 2011 09:21:33 -0700  
To: "Perl, Charles" <CPerl@sfgov.org>  
CC: "Jacobo, Carlos" <cjacobo@sfgov.org>, "Hom, Nancy" <NHom@sfgov.org>

Hi Charles,

Please see what Esther pulled together below regarding CSA's charges for RBOC.

Total charge to the PUC: 149 hrs \* \$125 hr = \$18,625.

Mike

-----Original Message-----

From: Esther Reyes [mailto:Esther.Reyes@sfgov.org]  
Sent: Friday, July 08, 2011 8:42 AM  
To: Brown, Mike  
Cc: Blackwood, Irella; Lediju, Tonia; Wu, Monica  
Subject: CSA FY10-11 RBOC hours

Dear Mike,

As of June 30, 2011, here are the total hours spent by CSA employees on Revenue Bond Oversight Committee (RBOC) activities, including RBOC meeting preparation and attendance, scoping discussions and MOU development/finalization.

CSA Employee	Hours
Irella Blackwood	103
Tonia Lediju	35
Esther Reyes	11
<b>TOTAL</b>	<b>149</b>

In addition to the 110 hours reported as of May 27 (see previous e-mail below), we had anticipated 45 additional hours for the remainder of fiscal year or a total of 155 hours. Of the projected 45 hours between May 30 and June 30, we spent 39 hours or a total of 149 hours.

The hours will appear on PUC's FY10-11 workorder recovery bill from CSA as part of PUC Planning and Administration charges.

Please let me know if this write-up is sufficient for the July 18th meeting and/or if you have questions.

Thanks,  
Esther Reyes, Operations and Contracts  
City Services Auditor Division  
City & County of San Francisco Controller's Office  
(415) 554-7819  
[esther.reyes@sfgov.org](mailto:esther.reyes@sfgov.org)

----- Forwarded by Esther Reyes/CON/SFGOV on 07/08/2011 08:25 AM -----

Esther  
Reyes/CON/SFGOV

To: 05/27/2011 04:12 PM  
<MBrown@sfgov.org>  
"Brown, Mike"

CC: CPerl@sfgov.org,  
cjacobo@sfgov.org, Tonia

6.30.2011  
Σ = 149 HRS  
5.27.11  
Σ = 155 HRS  
Q: Are these two amounts  
Total = 304  
OK  
Just one billion  
of 149 HRS  
then why the discrepancy?

ATE 20/3

Lediju/CON/SFGOV@SFGOV, Irella

Blackwood/CON/SFGOV@SFGOV

Subject

Re: FW: RBOC hours(Document link:

Esther Reyes)

Hi Mike,

To date, Tonia, Irella and I have collectively spent 110 hours on RBOC activities. We anticipate spending 45 hours more through June 30 for a total FY10-11 effort of 155 hours.

Breakdown:

Irella = 70 + 20

Tonia = 30 + 20

Esther = 10 + 5

S. 27. 21  
= 155 HRS

For FY11-12, our level of effort will be based on the number of and type of audit engagements and whether in-house staff or contractors will perform them, which I believe is still TBD. Please advise if you have any additional questions.

Esther Reyes, Operations and Contracts  
City Services Auditor Division  
City & County of San Francisco Controller's Office  
(415) 554-7819  
[esther.reyes@sfgov.org](mailto:esther.reyes@sfgov.org)

"Brown, Mike"

[<MBrown@sfgov.org>](mailto:MBrown@sfgov.org)

rg>

To

"Esther Reyes"

05/25/2011 09:38

[<Esther.Reyes@sfgov.org>](mailto:Esther.Reyes@sfgov.org)

AM

cc

Subject

FW: RBOC hours

ATTACHED

3 of 3

Hi Esther, no problem re timing, plus some additional clarification from Charles -

Thank you,  
Mike

-----Original Message-----

From: Perl, Charles  
Sent: Wednesday, May 25, 2011 8:54 AM  
To: Brown, Mike  
Cc: Jacobo, Carlos  
Subject: Re: RBOC hours

Thanks. Please ask also for a projection through fiscal yearend and a FY12 amount if any.

Thks

Sent from my iPhone.

Charles Perl  
415-215-3786

On May 25, 2011, at 8:24 AM, "Brown, Mike" <MBrown@sfgwater.org> wrote:

FYI - CSA is working on pulling their hours together.

Mike

-----Original Message-----

From: Esther Reyes [<mailto:Esther.Reyes@sfgov.org>]  
Sent: Wednesday, May 25, 2011 8:18 AM  
To: Brown, Mike  
Cc: Blackwood, Irella; Lediju, Tonia  
Subject: RBOC hours

Hi Mike,

Just left you a voicemail message that we're aware of your pending request to provide CSA's hours for RBOC to date. We'll get you the information after Irella's return. If you have any other questions or

requests, please let me know.

Best,  
Esther Reyes, Operations and Contracts City Services Auditor Division  
City & County of San Francisco Controller's Office  
(415) 554-7819  
[esther.reyes@sfgov.org](mailto:esther.reyes@sfgov.org)

(CSA) is illegal. You are correct, I am not a lawyer nor is Ms. Wuerfel, however, legal scholars I have shown the attached document (including my own rebuttal) evaluate it as a very credible document with a solid legal argument. I also believe that having the SFPUC pay for pre-contract presentations (aka dog and pony shows) to the CSA is double dipping on the ratepayers without a vote (State Prop 218) on a new utility charge. The SFPUC already pays (2003 Prop C) 1/5th of 1% of its budget to fund the CSA, as does every other city agency.

I regret the RBOC without a second would not take up as an agenda item my proposal to hire independent legal council to render a legal opinion as to the legality of this MOU. I also regret that the RBOC did not discuss the highly probably double dipping and possibly illegal transfer of funds to the CSA by the SFPUC to pay them to become a to present their qualifications to RBOC in order to become our sole contractor and administrator. CSA is in no way independent nor outside an consultant as mandated by 2002 Proposition P.

In summary - I want the objectivity, independence, and multidisciplinary capacity of UCB to be included in RBOC's (hopefully in the future) outside and independent reviews of the SFPUC's WSIP (et al). The basic question posed by UCB: "Can the SFPUC complete the WSIP on time (mandated by law and contract) and on budget (\$4.6BN)?" Must be answered. Already the SFPUC is morphing into late 2016.

Sincerely,

Brian Browne

<http://sfwater.org/modules/showdocument.aspx?documentid=1060> "

Email 2 of 2 My Request via email ( 2 of 2 ) on July 11, 2011 for an agenda item. My email to Aimee Brown:

"Dear Ms Brown,

To follow up on my earlier email. Please find a link (URL) with the Civil Grand Jury report of the Whistle Blower program (CSA) - issued at 10AM today (7.11.11).

<http://www.sfsuperiorcourt.org/Modules/ShowDocument.aspx?documentid=2884>

2002 Proposition P never intended for the RBOC to directed by or so commingled with the GOBOC (2002 Proposition F) as will be the outcome resulting from the MOU process as passed by the RBOC. The Grand Jury Report unequivocally sustains my concerns that the MOU will do precisely that (quote from Civil Grand Jury). One operative statement in this report is quoted:

"With the passage of Proposition C in 2003, CGOBOC's duties greatly expanded. Under authority of the Charter (Appendix § F1. 111 11), the nine-member committee was assigned a secondary function as "Citizens Audit Review Board" (CARB), effective July 1, 2004. Serving in that capacity, in addition to existing duties, the committee was tasked with oversight of the City Services Auditor division of the Controller's Office."

PROP F  
CARB  
PROP E  
BOSTON

We DID NOT WANT  
RBOC to be under  
GOBOC.

FOR A FUTURE MEETING

Please agendize this relationship (in the context of the Grand Jury Report) and the perils it creates to the proper implementation of 2002 Proposition P at our next meeting. Both Ms Wuerfel and I advised Attorney Mark Blake of this clear conflict. His rebuttal did not overcome our objections. A majority vote of an oversight committee cannot upset existing law.

Truly,

Brian Browne  
No. 1 Chair RBOC for BoS "

4. RBOC Contracting Working Group-
  - a. Discussion and Possible Action: Recommended Task Areas for SFPUC Independent Review Panel Assignment. (Attachment)
  - b. Update: City Services Auditor project audit list. (Attachment)

My comments on 4 (b): Again, it must be reiterated that the use of the CSA in the format proposed is illegal and contrary to 2002 Proposition P. Please see minutes from June 20, 2011 meeting with comments by both Ms Wuerfel and myself.

The Disadvantageous Terms of Trade & Enabling legislation.

The City Services Auditor has a current budget of \$1,127,847 to study SFPUC matters. The same expenditure of RBOC dollars would require the SFPUC issue (unencumbered) \$2,255,694,000 in revenue bonds to reach this budgetary level. The CSA is an Inside CCSF organization. Proposition P mandates that the RBOC "Commissioning Independent review and evaluation of the disbursement of ... revenue bonds .. Section 5A.31 Establishment and Purpose, Public Utilities Revenue Bond Oversight Committee, Chapter 5, Committees, Article V Bonding Oversight Committees.

DERIVED FROM THE SFPUC

5. Discussion and Possible Action: Motion directing the chair of the RBOC or her designee to review and select from a list of qualified candidates, an individual/firm to serve in the capacity as RBOC's Peer Reviewer for the SFPUC Independent Review's third review; and to authorize the SFPUC to administer the contract for the services of the Peer Reviewer.  
(Attachments: a) Job Duties/Description for Peer Reviewer; b) Bios of Interested Peer Reviewers Received to Date.)

My comments on Item 5. Please see Section 5A.33, Chapter 5, San Francisco Administrative Code and refer to the actions by the City Attorney. This committee is (5A.33 a) supposed to have equal representation from stakeholders BAWSCA, BoS, Controller, Budget Analysts, Mayor, and Budget Analyst. The first discipline mentioned is economics. 5A.33.b). Economic analysis, from my perspective as an economist, is ignored on this committee. It is ignored in those chosen to conduct the so called peer review. I remain concerned that the rate hikes associated with the full "blending in" (SFPUC jargon) of all WSIP costs will not be covered by a required revenue pricing response. (elasticity)

The one study (revenue pricing) done for the SFPUC was inadequate as discussed in prior emails.

This Committee had a chance to do a real peer review by hiring UCB. UCB was the end result of an open, Prop P consistent, outreach to California major academic institutions. A RBOC-UCB contract was in its final phase. UCB had a solid multidisciplinary team poised to ask and answer many hard questions. This effort evaporated without explanation. I am embarrassed as should be the entire City of San Francisco.

I am attaching a document from the SF Coalition for Neighborhoods supporting the hiring of UCB. I am sure you will not be able to get a like supportive document for "hiring" CSA? Surprise me?

ESPECIALLY IN LATE 201

The laundry list of activities, provided by the newly formed Contracts Working Group, are not our top priority. We need to discuss - as UCB proposed to do: Can the SFPUC complete the WSIP on time (12/31/15-mandated by 2002 AB 1823 as reaffirmed in the Master Water Sales Agreement of 2009 - which this committee gave at best a superficial review - after much pushing by me) and on budget (\$4.6B). Already we are slipping into 2016. What are the consequences? To Ratepayers? Governance? Public Health and safety? All these and more have a strong nexus with bond cost-effective expenditures.

STAFF  
FOLLOW UP  
CUT TIME  
TO  
OK THE  
MWSA  
DOWN

In 2009 the issue of bypassing the full committee to expend RBOC funds was raised by the General Manager of the SFPUC signing in April 2009 a supposedly independent RBOC audit-contract. In September 2009 the RBOC was forced to bring this contract before the full committee for public and committee review. A secondary issue was the fact that no one on this committee, regardless of title, should have the right to bind this committee and its budget with work orders, purchase orders, or any other such fiduciary responsibility. This current MOU process seems to do just that. This will mean cutting out the public and members with a minority viewpoint.

In writing P we never envisioned such power to be concentrated in a majority. I will protest any effort to strip away my rights and that of the public to know specifically how and why the RBOC funds are to be expanded. On a personal level - I am not used to such bullying and secretive tactics as this committee has continually shown.

Section 3.105 Controller City Services Auditor (see Administrative Code of SF - Section 5A.31 6 - independent account for RBOC) - "All disbursements of funds in the custody of the Treasurer (where RBOC funds are mandated to be kept) must be authorized by the Controller. No officer or employee shall bind the City and County to expend money unless there is a written contract or other instrument and unless the Controller shall certify that sufficient unencumbered balances are available in the proper fund to meet the payments under such control or other obligation as these become due." Where is our account with the Controller? The Controller must sign off on any and all disbursements. This means the SFPUC is not involved. Proposition P intended for all stakeholders and the public to be aware of any RBOC disbursements.

6. Discussion and Possible Action: Approval of the Minutes from the Revenue Bond Oversight Committee (RBOC) meeting of June 20, 2011.

Again - I have issues with the omissions and substance of the minutes produced for the RBOC. Below are two email (July 14 and 16) which I sent to BoS Clerk Mr. Victor Young.

(1 of 2 - 16 July 2011 from Brian Browne to Victor Young re minutes omissions and substance)  
Dear Mr. Young,

I have completed reading the minutes from the 20 June 2011 Public Utilities Revenue Bond Oversight Committee (RBOC). In addition to the correction noted below. I have additional comments on your minutes of the 20 June 2011 RBOC meeting. I don't have a tape to check. If anything I write below is inconsistent with what I actually said - please disregard. My actual comments, however (summarized), must stand for a historical review of this Committee. These cannot be ignored or abbreviated into obscurity. Below is to the best of my recall - accepting the taped record may cause me to stand corrected.

On item 4 - as I recall I questioned the CSA as to their not having power under 2002 Proposition C to act in the capacity that is envisioned by the MOU. They (CSA) also confirmed to me that they receive 1/5th of 1% of all city budgets (including the SFPUC) and can carry out any and all investigations, on their "dime," that the RBOC is suggesting they do. I believe they stated their costs for preparing the MOU would be covered by the SFPUC. I am sure I drew attention to the fact that we are mandated to be the SFPUC's oversight committee and it is inconsistent with the enabling legislation for the SFPUC to be funding who we choose to perform independent and outside studies. I believe that I suggested California Proposition 218 would demand, under the revenue requirements approach to ratemaking, a vote before imposing this added charge on ratepayers.

Ms Wuerfel did more than just express concerns. She produced a document (read into the minutes at my request) discounting the City Attorney's opine on this being a legal MOU.

I stated the MOU was illegal and that the committee was proceeding at its own jeopardy.

Item 4 c - I opposed this motion because I did not think it was independent and I believe this committee is in error by ignoring all the work done with the academic community, particularly UCB - who had produced a draft proposal to the RBOC. I mentioned this effort just "disappeared" in a flurry of off-camera emails and phone calls.

Item 5 - I believe I reviewed the historically flawed contracting and meeting process of the RBOC (my need to conduct sunshine inquiries); including the GM of the SFPUC signing the last RBOC contract without it been shown to the full committee. Only after I requested this be corrected by the City Attorney was this contract shown to the full committee and voted on. I believe my exact words were that continuing this group would be like "raising the RMS Titanic and putting it on iceberg patrol in the N. Atlantic." Did I say - we need a cop, but not this cop?

On 7/14/2011 8:15 PM, Brian Browne wrote:

Dear Mr. Young,

For some time I have been complaining that the minutes you present omit or skew what I say. Let me give a specific and recent example from the draft minutes the of June 20, 2011 meeting. In the minutes you state: Member Browne's motion to delay the approval of the MOU failed due to a lack second."

That is not what I requested. I did not ask for a delay. My motion was to request an independent legal review of the MOU because I believe the MOU (memorandum of understanding) between the Revenue Bond Oversight Committee and the Controller's City Services Auditor is illegal and violation of 2002 Proposition P.

Please correct the minutes to reflect exactly what I say.

Brian Browne  
BoS 1st Chair

INFORMING OF THIS COMMITTEE  
A MATTER  
CONCERN

ITEM 7  
→

7. Discussion and Possible Action: Revenue Bond Oversight Committee (RBOC) Member Information Requests Raised at Today's Meeting.

This is not a member request. I hold that getting information to carry out my responsibilities as a member of the RBOC is not a popularity contest subject to a vote by people from a different professional background. I met with Messrs Brown and Perl. I wanted to know the specific components of the wholesale rate. I was given the attached PPT. It was too general and did not address my questions. I could not figure out from this discussion how much WSIP debt has been capitalized into the rate structure.

I summarized some of my concerns to Messrs Brown and Perl:

7.13.11 From Brian Browne to Charles Perl and Mike Brown, Finance, SFPUC. Comments on the meeting of 7.12.11.

Dear Charles and Mike,

Thank you for your time and effort during the meeting of 7.12.11. A partial start. I will follow up as questions get answered.

Table 1 – Current status

Spent	
RWS	\$1,239,000,000
LWS	\$310,000,000
Total	\$1,549,000,000



Financing	\$407,000,000
Bonds Issued	\$2,697,500,000
By End of July 2011	\$634,000,000
Total	\$3,331,500,000
Percent of WSIP	72.42%
Weighted Average Cost of Capital	4.5
LACF	0.061391543
LACF * TOT Cap (.7243 of \$4.6)	\$204,525,925.20
If 100% of Issued is blended into rates	
At 239 MGD per Unit	\$1.75
At 265 MGD per unit	\$1.58
At 255 MGD per unit	\$1.64

By the end of July, based on your input, you will have issued \$3,331,500,000 in revenue bonds. Using your WACC and a 30 year term the impact on rates, assuming full capitalization, will be as shown in Table 1.

You state current wholesale water rates are \$2.65 per unit. How much of this \$2.65 is a function of WSIP costs? My question asked on 7.12.11.

If all current costs were "blended into rate structure" (your expression) the non-WSIP part of the \$2.63 rate would be as shown in red Table 2. Again, by Monday, what is the non-WSIP component of the current \$2.63?

Table 2

If 100% of issued is blended into rates	DEBT SERVICE 7/2011	\$2.65
At 239 MGD per Unit	\$1.75	\$0.90
At 265 MGD per unit	\$1.58	\$1.07
At 255 MGD per unit	\$1.64	\$1.01

If 100% of debt service was blended into wholesale rate structure of \$2.65 the non-debt service would be at 239 MGD \$0.90 per 748 gallons, at 265 MGD per 748 gallons \$1.07, and at 255 MGD \$1.01 gallons.

How much of the current \$2.65/unit is non-debt service today?

Please send me an actual schedule of deliveries 1984 to 2011 by major customer class of all water deliveries to the city gate (MGD) and the historical costs. Table 3 is an example.

Table 3

	1984	1985	2011
Wholesale			
SF			
Cost per unit			

You say the SFPUC has saved the ratepayers \$300,000,000. Please show me your worksheets and calculations.

What is the commercial paper limit (\$500MM)? Please provide me details of the current CP (\$150MM)? What is the weighted average cost of CP? How much is outstanding? How do you plan to repay it? Please reconcile this repayment with your proposed total WSIP expenditures of \$4.6B.

What is the negative arbitrage (in dollars) between revenue bonds issued and funds in various accounts? I believe you told me that you earned 1.25% while paying a WACC of 4.5%? This difference is 3.25%. See Table 4 as an example.

Table 4

Arbitrage Difference	For	Difference per annum
	\$1,000,000,000	██████████
	\$2,000,000,000	██████████
	\$3,000,000,000	██████████

8. Discussion and Possible Action: Future Agenda Items.  
 Revisit bringing UCB to ask and answer Can The SFPUC complete the WSIP on time (as mandated) in 2015 and on budget?
9. Adjournment

# Coalition for San Francisco



# Neighborhoods

www.csfn.net • PO Box 320098 • San Francisco CA 94132-0098 • 415.262.0440 • Est 1972

## President

Judith Berkowitz 415.824.0617

## 1st Vice President

Penelope Clark 776.3876

## 2nd Vice President

Angelique Mahan 334.7131

## Recording Secretary

Demian Quesnel 861.5084

## Corresponding Secretary

Dick Millet 861.0345

## Treasurer

Jim Lew 771.5250

## Members-at-Large

Sue Cauthen

Rae Doyle

Lorraine Lucas

September 20, 2010

SF Public Utilities Commission  
Revenue Bond Oversight Committee  
Aimee Brown, Chair  
1155 Market Street 5th Floor  
San Francisco, CA 94103

Dear Chair Brown and Members,

The Coalition for San Francisco Neighborhoods, founded in 1972, is a grassroots, non-profit, all-volunteer organization whose members are 44 neighborhood associations geographically based throughout San Francisco. I write as Chair of the CSFN committee which studies utilities issues and makes recommendations to the membership on plans, programs and policies of the SFPUC.

We are strongly supportive of the proposal put forth by RBOC member Brian Browne to engage the public policy institutes of the universities, utilizing their extensive resources, knowledge and expertise, to conduct a truly independent review of the status of the WSIP, in order to determine if the projects can be completed on budget and by 2015 as mandated by State law. The attached Resolution was unanimously adopted by our membership on August 17, 2010.

We are fully cognizant of the Review dated January 19, 2010 by the Commission's Panel of five experts, which resulted in some good recommendations. And we recommend that the same six questions be the starting point of an analysis by the universities.

However, we do not believe this Review was as thorough or as independent as necessary to instill greater public confidence that the WSIP will be completed by the mandated deadline. We are anxious that our suburban customers will take control of our HH system and that the SF ratepayer will be exposed to ever rising rates as additional Bonds will need to be issued to cover costs incurred by delay.

Barbary Coast Neighborhood Assn  
Buena Vista Neighborhood Assn  
Cathedral Hill Neighbors Assn  
Cayuga Improvement Assn  
Cole Valley Improvement Assn  
Cow Hollow Assn  
Dolores Heights Improvement Club  
East Mission Improvement Assn  
Eureka Valley Neighborhood Assn  
Ewing Terrace Neighborhood Assn  
Excelsior District Improvement Assn  
Fair Oaks Community Coalition  
Forest Knolls Neighborhood Assn  
Francisco Heights Civic Assn  
Golden Gate Heights Neighborhood Assn  
Greater West Portal Neighborhood Assn  
Haight Ashbury Improvement Assn  
Inner Sunset Action Committee  
Jordan Park Improvement Assn  
Laurel Heights Improvement Assn  
Lincoln Park Homeowners Assn  
Marina Civic Improvement &  
Property Owners Assn  
Middle Polk Neighborhood Assn  
Midtown Terrace Homeowners Assn  
Miraloma Park Improvement Club  
Mission Creek Harbor Assn  
New Mission Terrace Improvement Assn  
North Beach Neighbors  
Oceanview, Merced Heights,  
Ingleside — Neighbors in Action  
Outer Mission Residents Assn  
Pacific Heights Residents Assn  
Panhandle Residents Organization/  
Stanyan-Fulton  
Parkmerced Residents Org  
Potrero Boosters Neighborhood Assn  
Richmond Community Assn  
Rincon Point Neighborhood Assn  
Russian Hill Improvement Assn  
Russian Hill Neighbors  
Sunset Heights Assn of  
Responsible People  
Sunset-Parkside Education &  
Action Committee  
Telegraph Hill Dwellers  
Twin Peaks Council & Open  
Space Conservancy  
Twin Peaks Improvement Assn  
University Terrace Neighborhood Assn

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Sue Cauthen

Rae Doyle

Lorraine Lucas

September 20, 2010

Page 2

We are hopeful that our support of Mr. Browne's proposal will be of some significance to you as you consider whether to move forward.

Thank you for your consideration.

Sincerely,

Joan Girardot, Chair  
CSFN Water Task Force

Barbary Coast Neighborhood Assn  
Buena Vista Neighborhood Assn  
Cathedral Hill Neighbors Assn  
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Twin Peaks Council & Open  
Space Conservancy  
Twin Peaks Improvement Assn  
University Terrace Neighborhood Assn

Att: CSFN Resolution dtd 8/17,2010

CC: San Francisco Public Utilities Commission

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University Terrace Neighborhood Assn

## RESOLUTION

Resolved, that the Coalition for San Francisco Neighborhoods strongly urges the Revenue Bond Oversight Committee to enter into a contract with designated experts at UC Berkeley and UCLA to conduct a thorough organizational review and status report of the WSIP (Water System Improvement Program) to determine if the projects can be completed on budget and by December 31, 2015, as mandated by State Law.

Passed Unanimously  
August 17, 2010