



**SAN FRANCISCO PUBLIC UTILITIES COMMISSION**

City and County of San Francisco

**London N. Breed**

Mayor

**SPECIAL MEETING MINUTES**

**Monday, January 22, 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 9:05 am.*
2. Roll Call  
*Present: Paulson, Rivera, Maxwell, and Stacy  
Commissioner Ajami arrived at 9:08 am.*
3. Public Hearing and discussion of the proposed Budget Priorities (Administrative Code Section 3.3(b)). FY 2024-25 and FY 2025-26 SFPUC Operating Budget, 10-Year Capital Plan Overview, and 10-Year Financial Plan Overview

*General Manager (GM) Herrera stated that the budget hearings are required per Administrative Code Section 3.3(b) and provide the public with an opportunity to hear about the SFPUC's proposed budget and weigh in on priorities. He provided an overview of the services provided by the SFPUC: Water (delivering high-quality water); Power (generating clean energy); and Sewer (protecting public health and the environment). He stated the SFPUC has a diverse workforce serving diverse communities. He emphasized that creating a utility of the future is a priority in developing the budget and considered: (1) Affordability (Affordability Policy for water and wastewater, and efficient capital planning); (2) Responsible Management (Addressing regulatory requirements, financial sustainability, workforce (reducing vacancies: increasing retention, accountability: Racial Equity and transparency, and responsible management of systems); and (3) Investing Where it Matters (Resilience and climate change, environmental stewardship, contributing to economic vitality: capital investment and job creation, replacing aging infrastructure, and meeting new customer demands). He indicated this is the largest capital plan in the agency's history. He stated there is a commitment to union labor and the well-being of the workforce, and for prioritizing projects in historically disadvantaged communities. He stated the Capital Plan will address climate change and sustainability.*

*GM Herrera outlined challenges faced during the budget cycle, including but not limited to rate affordability and regulatory challenges. He stated that Racial Equity is now a formal part of the budget process with budget proposals shaped by staff with racial equity in mind.*

*Nancy Hom, Chief Financial Officer (CFO) and Assistant General Manager (AGM), Business Services discussed the budget process which takes place from December 2023 through June 2024. She outlined expectations for the special budget meetings, with a goal of answering the Commission's questions and making needed changes before the February 13<sup>th</sup> adoption to ensure the February 21 Charter deadline is met. She stated that at the February 13<sup>th</sup> meeting the Commission will adopt the Two-Year Operating Budget, Two-Year Capital Budget, and the 10-Year Capital and Financial Plans.*

*CFO Hom presented the following:*

Two-Year Operating Budget

- *FY24-25 \$2 billion operating budget. Revenue-funded Capital (12%), Debt Services (24%), Personnel (14%), Power Purchase and Distribution (26%), Non-Personnel (19%), General Reserve (1%), and Programmatic Projects (4%). Capital is the SFPUC's largest cost driver at 36%, followed by Power purchase and distribution at 26%, and personnel and non-personnel*

- costs that support daily operations at 14% and 19%, respectively.
- *Operating budget growth: new proposals grow the budget by just 1.8% during the next two years. The operating budget will grow by 18% or \$323 million during the next two years. Capital and power purchase remain largest cost drivers, growing by \$306 million or 83% of growth. Operating budget new proposals are not a significant driver of the overall growth. New net requests roughly \$33 million, or 9% of overall growth. There is change of 11% for the FY24-25 request and a 6% change for the FY25-26 request from the FY23-24 adopted budget.*
- *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 SFPUC Y2024-25/2025-26 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).*
- *Headcount changes for FY24-25 (2.5%) and FY25-26 (0.1%) were discussed, with 2,821 total proposed positions.*
- *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.*
- *Most of the requests are budget and headcount neutral TEX Cat 18 to PCS conversions for staff in long-term operational positions. Turnover is a major operational challenge and ratepayer cost. Retention of staff is a priority. Costs are offset with temporary reductions or attrition increases, as they are paid for within the existing budget.*
- *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.*
- *Increasing attrition/salary savings. 171 new permanent FTE with 87 temporary-to-permanent that do not represent new headcount. Net FTE grows only by 73 positions, with 34 “off budget”. Therefore, the net ask is for 39 net new on-budget FTEs (2% increase).*
- *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.*

Laura Busch, Deputy CFO presented the following:

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

- *Ten-Year Capital Plan: long range forecast of capital investment, updated annually as required by Charter via a specific planning process.*
- *Capital Planning goals: build unified approach for capital program and project planning, prioritization, and decision-making across the SFPUC; improve ability to assess deliverability for program and project planning and budgeting; and develop solutions to key deliverability issues to increase capacity to execute on projects.*
- *Ten-Year, \$11.8 billion Capital Plan is largest ever proposed that represents a visionary investment in San Francisco’s economy, infrastructure, and resiliency. Recent successes funded by current/previous 10-Year plans: Biosolids Digester Facility, Calaveras Dam improvements, Sunset Reservoir upgrade, Mountain Tunnel, and Bay Corridor Transmission*

### *Distribution Project.*

- *Capital Plan grew by 34% (\$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. She discussed the shift of some projects from the capital budget to the operating budget, such as projects within the Power which resulted in a -35% change.*
- *\$3 billion Capital Plan growth by Enterprise: Water 23%, Wastewater 38%, Hetchy Water 18% and Hetchy Power 21%, with key projects contributing to growth noted.*
- *Capital Plan growth drivers by project category, which is overwhelmingly driven by regulatory and environmental obligations, clean energy investments and repair and replacement of aging critical infrastructure. Regulatory and Environmental (45%), Clean Energy (27%) Repair and replacement of critical infrastructure (26%) and other (2%).*
- *Ten-Year Capital Improvement Program by Enterprise: Water (25%), Wastewater (51%), Hetchy Water (13%), Hetchy Power (10%), and CleanPowerSF (<1%).*
- *Two-Year Capital Budget has minimal changes since last version. 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. She noted the continued deliverability of this year's growing plan.*
- *Economic Impact: Sustaining jobs strengthening San Francisco. Every \$1 million expended on construction creates and sustains roughly 5.93 jobs. The San Francisco Board of Supervisors assumes over 80% of the Capital Plan is dedicated to construction (over 50,000 jobs), especially benefiting union jobs, with additional labor benefits from capital investment noted.*
- *Commitment to Labor: The multiplier effect of the \$11.8 billion investment in San Francisco Infrastructure will especially benefit union jobs.*
- *Ten-Year Capital Plan will include community benefits and a plan that addresses the Climate Change crisis.*
- *She summarized on how priorities to create a Utility of the Future have been addressed.*

*Deputy CFO Busch responded to a question from Commissioner Maxwell as for reasons why staff believe that this process is "more rigorous than ever", stating it is due to the inception of the Capital Plan Delivery Method designed to improve the way Capital Planning is conducted.*

*Erin Corvinova, Financial Planning Director presented the following:*

### *10-Year Financial Plan*

- *Water Enterprise: Water sales still below pre-COVID and pre-drought levels. Continued investment and capital and escalating operating expenses (4.0% compound annual growth expenses).*
- *Wastewater Enterprise: Massive capital investment, driven by replacement of aging infrastructure and regulatory requirements. 9.6% average annual growth in expenses over the next 10 years. Debt service grows from 24.0% to 57.8% of total expense over the next 10 years. Issuing \$13 billion in revenue bonds over the next 20 years.*
- *Water and Sewer affordability FYE2025 to FYE2034 is showing a 10-Year average combined bill impact of 8.1%, mainly driven by the wastewater portion of the bill, which comes in under the affordability target.*
- *Hetch Power: Planning for significant customer expansion, with conservative timing assumptions. New customers in redevelopment areas, electrification projects for existing customers. Capital Plan includes projects to serve increased load. Major increases in power*

- *supply and delivery expenses over the last few years.*
- *Hetchy Power rate increases: FYE2025 to FYE2034 has a forecasted 10-Year average Retail Rate increase of 6.3% and 10-Year General Use Rate increase of 11.2%. Comparison provided of 2024, 2025, and 2026 average residential bill vs. PG&E bill.*
- *CleanPowerSF: Increased sales FYE2024-2025 due to new commercial customers. Moderate growth from electrification, projected population growth. Large increase in supply costs in recent years expected to level off, but not drop.*
- *CleanPowerSF rate increases 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%.*

*Laura Busch, Deputy CFO presented the following:*

*Debt Outlook*

- *The SFPUC has \$8.5 billion of outstanding debt which together with undrawn facilities represents \$12.1 billion of outstanding borrowing and undrawn capacity on Commercial Paper, WIFIA and State Revolving Fund borrowing.*
- *SFPUC debt proceeds will support 77.8% of the 11.8 billion proposed Capital Plan. The SFPUC accesses “advantaged financing” (Tax Exempt bonds, taxable Municipal Bonds, State Revolving Fund Loans, and Federal loans, and tax credit/direct pay loans). Borrowing accelerates construction and the SFPUC repays the obligation in future dollars. Inter-generational integrity to ensure today’s users don’t bear the full brunt of paying assets to be used over several decades. Rate of impacts of large capital acquisitions can be managed.*
- *High ratings allow the SFPUC to borrow at low rates and stable outlooks.*
- *Higher interest rates assumptions of 6% instead of 5% reflects higher rate environment and contributes to the higher projected debt service costs.*
- *The 10-Year Debt Plan for FY24-33 calls for \$11,113 billion of planned debt over the new 10-year horizon.*
- *Review of 10-year plan assumptions for Water, Wastewater, and Power existing projected debt service.*

*Deputy CFO Busch thanked the budget, financial planning, capital finance, strategy and innovation teams and staff throughout the organization for their work on the budget.*

*President Paulson thanked everyone for their work. He noted the large amount capital work done by the SFPUC and difficulty of planning 10 to 20 years ahead as well as the dedicated investment by San Francisco for infrastructure projects and clean water. He stated that approximately 10% of the budget is personnel related and discussed temporary to permanent hiring and the need for well-paying local union jobs.*

*Commissioner Ajami thanked staff for the presentation. Staff responded to her questions regarding (1) reduction in general reserve contribution, noting Commission policy on fund balance; (2) arrearages, noting availability of the Customer Service Program as well as restrictions on Prop 218; (3) workforce needs and aggressive recruitment, noting budget strategies that will be taken to invest in human Resources; (4) investments in nutrient outfall, noting current efforts underway; (5) demand forecasting and innovative ways to conduct rate setting, noting that declining per capita usage is assumed throughout service area; and the requirement for an independent rate study; (6) PG&E transmission cost increases uncertainty; (7)*

*Cal ISO, and distribution and transmission rates; and (7) Debt service process and need for innovation to reduce costs.*

*Deputy CFO Busch responded to a question from Commissioner Maxwell about where cost and salary savings go and how the saving can be used. GM Herrera and dr. christian bijoux, Chief Diversity Officer, responded to her question as to what “lens” is being used for Racial Equity.*

*Commissioner Stacy concurred with Commissioner Ajami’s comments regarding Debt Service, decreasing use, lower population growth, and affordability. AGM Hale responded to her question regarding the SFPUC’s role in “housing for all” within the power budget and San Francisco Charter requirements. Deputy CFO Busch responded to her question regarding interest rates assumption over the next 10 years.*

#### Public Comment

- *Peter Drekmeyer, Policy Director, Tuolumne River Trust, discussed the Water Resources Division Annual Report’s discussion of MGD, slide 43 of the presentation, and projection of sales revenue.*
- *Dave Warner thanked staff for their service. He discussed declining sales and increased spending. He requested a chart with demand at lower levels and resulting affordability be provided. He submitted [written comments](#)*
- *Nicole Sandkulla, Bay Area Water Supply and Conservation Agency noted the importance of staffing and the need for progress in staffing levels and improving the process. She stated the 10-year Capital Plan will not end in 10 years and that costs after that time must be understood. She applauded the efforts of all.*

#### 4. Proposed Bureau Operating Budgets for FY2024-25 and FY2025-26

##### a) Business Services

*Nancy Hom, Assistant General Manager (AGM) Business Services and Chief Financial Officer (CFO) stated the Business Services Bureau includes: (1) Customer Services (CS) (107 FTE); Information Technology Services (90 FTE); Financial Services (74 FTE); Strategy Innovation & Change (SIC) (8 FTE); Audit (5 FTEs); and Loans and Grants (3 FTE). AGM Hom reviewed the organizational structure and introduced unit directors.*

*CFO Hom reviewed their FY 2024-25 total budget of \$98.4 million and noted the percentage growth for: CS 20.4%; SIC 1.9%; AGM 0.6%; COWCAP 6.9%; Audit 2.9%; and Finance 24.5%.*

*CFO Hom discussed how Business Services is addressing budget priorities to create a utility of the future: (1) Affordability (Affordability Policy for Water and Wastewater, and efficient capital planning); (2) Responsible Management (financial sustainability, workforce, accountability, and responsible management of systems); and (3) Investing Where it Matters (environmental stewardship, replacing aging infrastructure, and meeting new customer demands).*

*CFO Hom outlined new budget proposals (1) Business Services: \$3.7 million for FY24-25 and \$3.1 million for FY25-26 (labor, non-labor, programmatic (IT), and salary savings), and noted: Twelve new positions (two are off-budget); 21 TEX to PCS conversions; 19*

substitutions; Non-labor requests; and \$1.4 million IT request for capital project requests; (2) Accounting and Financial Reporting: \$1,239,828; (3) Financial Strategy: \$716,512; (4) Loans and Grants, SIC: (\$97,836); (5) Audit \$237,501 and CSB: (\$1,557,880); and (6) ITS: Labor (\$286,247) and Non-Labor FY24-25 \$2,723,378 and FY25-16 \$2,713,378 (+\$1.3 million in capital projects for upgrades to SCADA, Maximo, and Network/ Services).

CFO Hom reviewed (1) Business Services major budget growth drivers, indicating major drivers are overall COLA increases and new proposals in IT and Finance. Most new labor costs have been offset by salary savings adjustments; and (2) Business Services position changes, indicating a position change of 3% for the FY24-25 request, and a 0% position change for FY25-26 request, compared to the FY2023-24 adopted budget. She indicated there are 33 new positions requested, 21 of which are temporary-permanent conversions and two are off-budget, and that most position changes are in IT and Finance.

Commissioner Ajami stated that climate change and resilience should be an overarching factor agency-wide due to its impact and should be a priority and lens for each enterprise and bureau. She requested detail on what the Strategy Innovation and Change position entails. GM Herrera indicated additional information will be provided during his update and CFO Hom provided specific information the position and current projects.

Commissioner Rivera was excused from the meeting at 11:45 am.

Commissioners Maxwell Stacy noted the importance of the Strategy Innovation and Change and that it should be the lens from which all questions are asked and answered. AGM Hom indicated that SIC is used throughout the entire organization and not just through this position.

b) External Affairs

Masood Ordikhani, AGM External Affairs (EA) reviewed the organizational structure and introduced unit directors. He reviewed the EA teams and core functions (1) Policy and Government Affairs: Achieves core operational and policy priorities through legislative activities at the local, state, and federal levels; (2) Community Benefits: Supports communities through the Agency's service territories in Arts, Education, Environmental Justice and Land Use, Southeast Community Center, Social Impact Partnerships, and youth internships and exposure opportunities; (3) Communications: grow awareness and understanding of the SFPUC's programs and operations through print and digital ad campaigns, newsletters, in-person forums, social media, and press; and (4) Strategy Planning and Innovation: Leads strategic planning, systems evaluation, and core functions, including public records, Citizens' Advisory Committee, budget management and special projects.

AGM Ordikhani stated there are no new or additional positions and that funding of existing positions will be via conversion of temporary positions performing long-term, core functions, substitutions and reassignments, and right-size attrition savings across all EA divisions. He stated that EA's budget is largely driven by labor costs and that non-labor costs are related to support services.

*EA's major budget growth drivers are for funding current personnel, indicating a change of 30% for the FY24-25 request, and a 3% change for the FY25-26 request from the FY23-24 adopted budget. He indicated there are 14 temporary-to-permanent conversions/new positions and various substitutions, including four project to operating positions, for a 19% position change for the FY24-25 request and 0% position change for the FY25-26 request, compared to the FY23-24 adopted budget.*

*Commissioner Ajami thanked staff for their work and efforts to inform, educate, and connect with customers as to the services of the SFPUC.*

*Commissioner Maxwell questioned the meaning of "substitutions" to which AGM Ordikhani stated when a position will be substituted. She thanked staff for their work in the community.*

*President Paulson thanked the EA team, and all SFPUC employees, for their invaluable work in the community.*

c) Human Resource Services

*Wendy Macy, Chief People Officer (CPO) thanked HRS team for the difficult work they do, noting recent accomplishments. She stated that the HRS's approximately \$20 million budget is almost all labor costs.*

*She reviewed HRS's major budget growth drivers indicating a change of 5% for FY24-25, and a 4% change for FY2025-26 from the FY2023-24 adopted budget. She stated major growth drivers are converting temporary to permanent position and additions staff to support agency-wide hiring and noted most new labor costs have been offset by salary savings adjustments.*

*CPO Macy reviewed the current HRS organizational structure and presented a proposed HRS organizational chart. She indicated there is a requested 5% position change for the FY24-25 request and 0% position change for the FY25-26, compared to the FY23-24 adopted budget. She stated HRS is requesting 20 new positions, eight of which are temporary-to-permanent conversions and that increases in salary savings offset most of the new position requests.*

*CPO Macy summarized the classifications and hiring status for their eighth requested temporary-to-permanent positions and their 12 requested new positions, indicating six of the new positions are added to address FY24-25 and FY25-26 agencywide new position requests.*

*CPO Macy discussed how HRS is addressing budget priorities to create a utility of the future by: Responsible Management (Workforce: reducing vacancies and increasing retention; and Accountability: Racial Equity and transparency).*

*President Paulson congratulated CPO Macy for her work and the work of the HRS team and efforts to improve recruitment and retention.*



*Commissioner Ajami questioned why temporary-to-permanent hiring is happening now. GM Herrera stated to hire quickly during COVID, many positions were temporary and now efforts are being taken to make those employees permanent. Ron Flynn Deputy GM indicated that emergency powers were implemented during COVID to allow for streamlined hiring without permanent civil service testing.*

*Commissioner Stacy endorsed the temporary-to-permanent process.*

d) General Manager

*GM Herrera discussed how the General Manager's (GM) office is addressing budget priorities to create a utility of the future by: (1) Responsible Management (Meeting regulatory obligations, Workforce: reducing vacancies and increasing retention; and Accountability: and Equity); and (2) Investing Where it Matters (Meeting new customer demands). He introduced the teams of the GM's office.*

*He indicated the GM's approximately \$18.5 million budget is largely driven by labor costs with non-labor costs related to services provided by other city departments such as City Attorney.*

*He stated there is an 11% position change for the FY24-25 request and 0% position change for the FY25-26 request compared to the FY23-24 adopted budget. He stated six new positions, two of which are converting from capital project funding (off budget) to Operating-funded. GM Herrera reviewed the GM's major budget growth drivers indicating a change of 6% for FY24-25, and a 3% change for FY2025-26 from the FY2023-24 adopted budget.*

*He reviewed the new proposal summary: Four new positions for Racial Equity, Innovation, and Records Management; two new operating positions converting from project-funded/off budget to operating in Security; and two substitutions to align with filled class and/or duties performed.*

*GM Herrera reviewed the current GM organizational chart and presented position proposal classification and salary information for the eight new positions. He discussed specific innovation programs to be implemented and efforts to recruit key individuals to spearhead these efforts. GM Herrera stated that there is also a request for a Records Retention Manager as the previous position was repurposed due to the retirement of the incumbent during the pandemic. He stated a new management position is needed which will overhaul and modernize records retention systems to ensure legal compliance.*

*In response to a question from Commissioner Maxwell, GM Herrera indicated that the new Innovation Officer will be located within the GM's office and will focus on programmatic technological innovation and spearhead coordination between enterprises.*

Infrastructure

*Stephen Robinson, AGM Infrastructure reviewed Infrastructure's mission, roles, and responsibilities as a service provider. He discussed efforts to "right size" Infrastructure's support to the capital plan which has grown and will continue to grow before leveling off.*

*AGM Robinson discussed objectives and key results for quality of service (1) Be the employer of choice for infrastructure delivery in the utility sector; (2) Build and maintain high-performing, integrated teams that deliver quality projects; and (3) Partner with SFPUC enterprises, finance, and other divisions to develop prioritized, integrated, and deliverable agency-wide 10-Year Capital Plan.*

*AGM Robinson reviewed the Infrastructure Division matrix organization and functional service areas (1) Office of the AGM (36 permanent positions – 12 loaned); (2) Project Management Bureau (53 plus 16 positions); (3) Engineering Management Bureau (113 permanent positions); (4) Construction Management Bureau (84 permanent positions); (5) Environmental Management Group (16 permanent positions); (6) Contract Administration Bureau (19 permanent positions); (7) Workforce and Economic Program Services (11 permanent positions); and (8) Budget and Finance (27 permanent positions).*

*AGM Robinson reviewed the SFPUC's Capital Improvement Programs cost/duration/ begin-end dates/completion status (1) Sewer System Improvement Program (SSIP) Phase I and Other SSIP (\$6.2 billion/26 years/2011-2037/48%); (2) Wastewater Facilities and Infrastructure (\$0.6 billion/21 years/2011-2032/30%); (3) Water System Improvement Program (\$4.8 billion/24 years/2003-2027/99%); Water CIP Regional Water Program (\$1.1 billion/26 years/2009-2035/20%); Water CIP Local Water Program (\$2.0 billion/30 years/2003-2033/35%); and Hetch Hetchy Water CIP (\$1.1 billion/22 years/2011-2033/28%). AGM Robinson discussed:*

*Workforce and Economic Programs: SSIP – maintain 35% of local hire participation of the legislatively required 30%; at 62% of 50% required apprentice hours; 36% of apprentice hours performed by District 10; and LBE's awarded \$430 million.*

*Loan Disbursements: Nine State Revolving Fund loans with an approved loan amount of \$830 million (\$516 million requested); and nine Water Infrastructure Finance and Innovation Act with an approved loan amount of \$1,580 million (\$915 million requested).*

*Capital Planning Improvement Initiative: Goals: (1) Build a unified approach for capital programs and project planning, prioritization and decision-making across SFPUC; Improve ability to assess deliverability for program and project planning and budgeting; and (3) Develop solutions to deliverability issues to increase capacity to execute on projects.*

*Capital Improvement Development Enhancements: Standardized, Streamlined, Enhanced, More Robust, and Collaboration. A cross-functional project team facilitated these process changes and addressed issues and opportunities for improvements in real time. Further opportunities have been logged for the next budget cycle.*

*Position and Vacancy Overview: 375 total positions with 259 filled (69.1%) and 116 vacant (30.9%), highest vacancy by percentage in the SFPUC. The type of skill sets to address challenges are being carefully considered when filling positions.*

*Staffing and Racial Equity: Internal (hiring and recruitment, promotion and retention, and*

mobility and professional development); and External (equity framework in programming contracts).

Contracting: \$3.9 billion over the last five years. 173 professional service contracts (\$1.7 billion); 169 construction contracts (\$2.2 billion); \$624 million average invoiced annually (\$3.13 billion total); and \$866 million peak invoiced in FY22-23. Two-thirds of construction completed within 10% of award. Utilizing Construction Management/General Contractor; Design-Build; Progressive Design-Build; and Public-Private Partnerships.

Infrastructure Division Overhead: Charges direct labor and mandatory fringes directly to all participants. Recover overhead expenditures through a monthly recovery process. Overhead is the indirect cost related to performing direct labor services on projects. Overhead formula = indirect costs divided by direct costs. Overhead calculation = direct labor + direct mandatory fringe benefits + overhead. Historical direct vs. indirect rate is around 2.79%/ Direct Costs vs. Indirect Costs; Overhead Rate Comparison (Port, Airport, and Public Works).

Infrastructure 2022-23 Budget vs. Actuals: Overhead is reallocated during monthly overhead recovery allocation model and expenses are directly reallocated to capital.

Infrastructure Growth Drivers: Major budget growth drivers are overall Cost-of-Living adjustment increases and new proposals for additional personnel support, indicating a change of 5% for the FY24-25 request, and a 3% change for the FY25-26 request from the FY23-24 adopted budget. The Infrastructure budget is largely driven by labor costs. Non-labor costs are related to services provided by other city departments.

FY24-25 – FY25-26 Position Changes: There is a 2% position change for the FY24-25 request and 0% position change for the FY25-26 request compared to the FY23-24 adopted budget, with 8 new positions and 29 substitutions (five new positions in Contract Administration, one new position in Program controls, and 2 new positions in the AGM's office).

In response to a question from President Paulson about vacancy rate, AGM Robinson stated that for flexibility, there is a desire to maintain a vacancy rate of 10% to 15%. He stated that there are 116 vacant positions, with 63 as priority and in the hiring process.

At the request of Commissioner Ajami, AGM Robinson explained the process as to how people are identified to review construction and personal service contract bids.

Commissioner Maxwell questioned the “Capital Planning Improvement Initiative” and “increasing awareness of ratepayer affordability” asking if there was not current awareness. AGM Robinson stated that the intent was to increase awareness with a better tool, to build a financial model, and to put an affordability policy in place. He responded to a follow-up question regarding “goals” under this initiative and how those goals are met.

Commissioner Stacy stated the slides for objectives for quality of service, capital

*improvement initiative, Capital Improvement Program development enhancements are important goals and programs and which staff should strive to achieve and should share lessons learned. AGM Robinson responded to her question regarding a “loaned” employees, indicating they are loaned within the agency and allow for flexibility. He responded to her question regarding Appendix C and positions that have a (-1)(+1), stating those are substitutions for progression in career and roles of the position. He indicated that “Student Design Trainee” positions are for ongoing seasonal work.*

*AGM Robinson responded to a question from Commissioner Ajami as to the process when an emergency is declared indicating that all contracts go through the contracting process.*

*President Paulson indicated he was impressed with the thinking about what is happening with positions that may need to be rethought and flexibility.*

*No public comment.*

5. Motion to continue meeting to a Special Meeting noticed for Friday, January 26, 2024

*On motion to continue the meeting to a Special meeting noticed for Friday, January 26, 2024:  
Ayes: Paulson, Maxwell, Ajami, and Stacy*

*The meeting ended at 1:30 pm.*