



SAN FRANCISCO PUBLIC UTILITIES COMMISSION
City and County of San Francisco

London N. Breed
Mayor

SPECIAL MEETING MINUTES
Wednesday, September 20, 2023
8:30 AM
(Approved October 10, 2023)

1 Dr. Carlton B. Goodlett Place
City Hall, Room 400

Commissioners
Newsha Ajami, President
Sophie Maxwell, Vice President
Tim Paulson
Anthony Rivera
Kate H. Stacy

Dennis J. Herrera
General Manager

Donna Hood
Commission Secretary

1. Call to Order
President Ajami called the meeting to order at 8:30 am.

2. Roll Call
Present: Ajami, Rivera, and Stacy

3. Approval of the Minutes of August 22, 2023

No public comment.

*On motion to approve the Minutes of August 22, 2023:
Ayes: Ajami, Rivera, and Stacy*

4. Report of the General Manager

a) San Francisco Public Utilities Commission Human Resources Update

Wendy Macy, Chief People Officer (CPO) stated that as of June 30, 2023 the SFPUC's permanent position vacancy rate was 25%, and that there were 2,643 permanent positions (vacant and permanent occupied) and 661 vacant permanent positions. She reviewed (1) Employee movement and headcount noting a net change of +102 in permanent and temporary headcount; 338 hires and 235 exits; and (2) Classes with the most vacancies are 5207, 5241, and 5221 Engineer Class; 7372 Stationary Engineer, Sewage Plant; 7388 Utility Plumber; and 7514 General Laborer.

Vice President Maxwell arrived at 8:40 am.

Jennifer Hopkins, SFPUC Information Technology Services (ITS) Director discussed collaborative efforts between SFPUC's ITS and Human Resources Services (HRS) and noted the natural alliance and partnership between the two.

CPO Macy discussed efforts being taken to ensure continuous improvements to the hiring processes.

Commissioner Paulson arrived at 8:44 am.

President Ajami expressed appreciation for the recruitment efforts and collaboration between HRS and ITS. She discussed the use and operationalization of data. Director Hopkins indicated that actions are currently underway on the data analytic processes. Commissioner Stacy asked for clarification on systems process efficiency and Director Hopkins indicated it is an internal process rather than a citywide process.

In response to a question from VP Maxwell as to what the goal is and how long it would take to achieve it CPO Macy stated the goal is for a digital presence and recruiters "on the ground". She indicated that on-line testing, faster response, and better communication from the city is needed. She emphasized that efficient back-end processes are necessary for faster candidate processing. She noted the need for a fast and smooth on-boarding process and indicated that the entire recruitment process needs to be shortened. In response to a follow-up question, CPO Macy discussed efforts being taken by the SFPUC to be as efficient and possible and to keep candidates informed as to the recruitment

timeline

President Ajami requested that next quarterly report address the rigidity of positions and whether there is flexibility in the process.

Commissioner Paulson expressed appreciation to the HRS team for their work. He indicated that as a Commissioner he does not want to get involved in defining jobs.

Public Comment

- *Francisco DaCosta discussed the need for outreach to those who want to work.*
- *Nicole Sandkulla expressed appreciation for the work of the HRS team and the recognition as to the need to hire staff.*

b) Quarterly Budget Status Report

Laura Busch, Budget Director and Acting Deputy Chief Financial Officer (CFO) stated there were positive operating results projected for Water, Wastewater, Power, and CleanPowerSF. She presented the following results (1) Water and Wastewater: Revenues are down from budget due to lower recovery from the drought and lower demand from a longer wet season. In May 2023 the drought surcharge was removed and was offset by additional revenue from real estate sales; (2) Power: Revenues projected to exceed budget due to higher wholesale energy prices, but lower compared to the third quarter. Power purchase, and transmission and distribution costs have lowered compared to the third quarter resulting in savings; (3) CleanPowerSF: Revenues are projected to exceed budget due to increased power sales. Power transmission and distribution costs have lowered compared to the third quarter resulting in savings; (4) Year-end financial results are projected to meet-or-exceed policy targets; and (5) Fourth quarter report is a projection with final year end results published in the Comprehensive Financial Report.

Director Busch reviewed FY 2022-23 budget variances (sources and uses) for (1) Water: Net operating results \$12.4 million with total sources down (\$2.3 million), and \$14.8 million in cost savings; (2) Wastewater: Net operating results \$12.5 million with total sources down (\$6.8 million) and \$19.4 million in cost savings; (3) Power: Net operating result \$42.5 million with total sources up \$36.4 million, and \$6.1 million in cost savings; and (4) CleanPowerSF: Net operating result \$32.7 million with total sources up \$5.9 million, and \$26.8 million in cost savings.

Director Busch reviewed key financial ratios for Water, Wastewater, Hetchy and CleanPowerSF.

No public comment.

c) Results of the 2023 Water Revenue Bond Issuance

Nikolai Skarloff, Capital Finance Director reviewed 2023AB Bond sales conditions and results noting that broader financial markets reflected confidence in the U.S. economy; high grade tax-exempt municipal bond yields were generally lower compared to the highs experienced during the past year; and strong demand generated lower rates.

Director Sklaroff reviewed final pricing results for the 2023 SeriesAB Water Revenue Bonds (sale date July 11, 2023) with a par amount of \$414,035,000 and a premium of

\$57,218,995, for total proceeds of \$471,253,995, and with a true interest cost of 4.10%. Director Sklaroff stated that as per policy on SFPUC negotiated bond sales, in addition to Municipal Advisors, the SFPUC engaged an Independent Pricing Consultant to evaluate the results of the sale.

He discussed the Series 2023CD Tendering Offering and reviewed the Tender Process; Initiating Tender Sequence; Tender Invitation; and Sequence of Tender Notices. Director Sklaroff displayed results for Taxable Bond and Tax-Exempt Bonds.

Director Sklaroff presented results for New Bonds 2023CD. He discussed 2023CD final pricing results (sale date July 19, 2023) with a par amount of \$514,855,000 and a premium of \$79,303,059 for total proceeds of \$594,158,059 and with a true interest cost of 3.23% and discussed key results. Director Sklaroff restated that as per policy on SFPUC negotiated bond sales, in addition to Municipal Advisors, the SFPUC engaged an Independent Pricing Consultant to evaluate the results of the sale.

Director Sklaroff reviewed outstanding water debt before and after 2023ABCD (Revenue Bonds and Commercial Paper), stating the net result is that the SFPUC has secured \$471,253,995 of additional spending, but the overall impact is only \$310,000,000 of new bonds. Director Sklaroff discussed New Money and Call Horizon after Series 2023ABCD Water Bonds; Projected aggregate net debt service; and Green Bond Issuance by enterprise.

Director Sklaroff responded to Commissioner Stacy's request for clarification of the tender process.

President Ajami expressed appreciation for the work of staff. She requested information on what it entails to obtain a Green Bond.

No public comment.

d) Water Enterprise Capital Improvement Program Quarterly Report

Katie Miller, Director Water Capital Programs stated that as of March 2023 the Water Enterprise Capital Improvement Program (WECIP) is 33% complete with \$1,069 million expended. She reviewed the WECIP cost summary by category for active projects, noting a (\$6 million) variance for the quarter for Watershed and Lands Management.

Director Miller reviewed the budget for the approved 25 Regional WECIP Projects by phase and provided updates for the following Regional projects: San Antonio Pump Station Motor Control Center Upgrades; Southern Skyline Boulevard Ridge Trail Extension; and San Andreas (SA-1) Service Road.

Director Miller reviewed the budget for the approved 11 Local Projects by phase and provided updates for the following Local WECIP projects: Local Main Replacement; and College Hill Reservoir Outlet.

Commissioner Stacy thanked staff for their work and for the multi-pronged approach. She discussed prioritization of iron pipeline replacement.

President Ajami noted the need to consider climate-relevant requirements for upcoming projects.

Public Comment:

- *Francisco DaCosta discussed the Water System Improvement and Sewer System Improvement projects. He asked who speak for the salmon.*

e) Water System Improvement Program Quarterly Report

Director Miller reviewed the Regional Water System Improvement Program (WSIP) status as of June 2023 stating the project is 99% complete, with \$3,775 million expended and \$78 million remaining. She reviewed the WSIP cost summary noting a \$10.2 million Regional WSIP cost variance for the Sunol Valley Region.

Director Miller provided status updates for the Regional Groundwater Storage and Recovery Project. She discussed the Alameda Creek Recapture Project and indicated a notice of termination was issued to the contractor on June 13; final terms are being negotiated, including resale of equipment in fabrication; and that the quarry operation has provided updated design for slope stabilization of the quarry pond banks.

President Ajami asked that a graph be added to the presentation that indicates the original cost, current cost, time, and money to better understand the project.

Public Comment:

- *Francisco DaCosta discussed the water pipes. He questioned what types of generators are used and what are the plans to underground electric lines. He started a needs assessment should be conducted.*
- *Nicole Sandkulla expressed appreciation for placement of the Water Enterprise Capital Improvement Project (CIP) and 10-year CIP as part of the General Manager's Report and for the regular updates.*

f) Report on Recent San Francisco Public Utilities Commission Activities, Events and Announcements

General Manager (GM) Herrera discussed the recent 16" water main break at Green and Fillmore Streets and the repair progress, indicating the soft repair estimate is eight weeks to completion, with final restoration between October 30 and November 10. He noted that SFPUC's communications and outreach teams are working with other city departments to advise those affected, including as to the claims process. He indicated that Supervisor Stefani is being provided with continual updates and repair timeline updates. He thanked staff for their work.

President Ajami questioned the process of informing the public of the break via social media and/or email. GM Herrera indicated the break happened at 12:30 am and that notice was sent by 2:30 am. He stated that protocols are being established to better link in other agencies, including the Department of Emergency Management, that will send emergency notification.

VP Maxwell stated she visited the site and spoke with some residents and merchants in the area who expressed appreciation for the communication and for the work that has been

done.

No public comment.

5. CONSENT CALENDAR

- a) Approve execution and submission of an attestation of veracity for CleanPowerSF's 2022 Power Source Disclosure Reports and Power Content Label; approve final submission of the 2022 Power Source Disclosure Reports to the California Energy Commission; and approve provision of the Power Content Label to all customers before January 2, 2024. ([Resolution 23-0153](#))
- b) Approve execution and submission of an attestation of veracity for Hetch Hetchy Power's 2022 Power Source Disclosure Reports and Power Content Label; and approve final submission of the 2022 Power Source Disclosure Reports to the California Energy Commission; and approve provision of the Power Content Label to all customers by January 2, 2024. ([Resolution 23-0154](#))
- c) Approve a \$4,000,000 increase to the contract cost contingency for Contract No. HH-1005, San Joaquin Pipeline Valve and Safe Entry Improvements: Phase 1A, with Sierra Mountain Construction, Inc., to allow procurement of 15 large diameter valves for Phase 2, for a total contract amount of up to \$15,879,454, with no change to the contract duration. ([Resolution 23-0155](#))
- d) Award Job Order Contract No. JOC-99, General Engineering (A License) Construction, San Francisco, San Mateo, Santa Clara, and Alameda Counties, in the amount not-to-exceed \$5,000,000, with a guaranteed minimum task order opportunity amount of \$50,000, and a duration of two years, to the responsible bidder that submitted the lowest responsive bid, Marinship Development Interest LLC, to perform A-licensed general engineering construction work on San Francisco Public Utilities Commission systems and operations around the Bay Area. ([Resolution 23-0156](#))
- e) Award Contract No. PRO.0226, Treasure Island Water Resource Recovery Facility Construction Management Staff Augmentation Services to MCK Americas, Inc./Environmental & Construction Solutions, Inc., Joint Venture in the amount not-to-exceed \$7,500,000 with a term of three years. ([Resolution 23-0157](#))
- f) Award Contract No. WD-2848, 8-Inch Ductile Iron Water Main Replacement on Gold Mine Drive from Topaz Way to Diamond Heights Boulevard and Various Side Streets, to the responsible bidder that submitted the lowest responsive bid, A. Ruiz Construction Co. & Assoc. Inc., in the amount of \$7,750,985 and with a duration of 608 consecutive calendar days. This action constitutes the Approval Action for the Project for the purposes of the California Environmental Quality Act (CEQA), pursuant to San Francisco Administrative Code section 31.04(h). The Planning Department has determined that the Project is exempt from the CEQA. The Commission will rely on that determination to make its decision on this action. ([Resolution 23-0158](#))
- g) Accept work performed by Charles Pankow Builders, LTD, under Contract No. WW-682R, Southeast Community Center at 1550 Evans; Approve Modification No. 10 (Final) decreasing the contract amount by \$14,169, to reconcile final change orders, for a total contract amount of \$87,125,973 and a total contract duration of 1,441 consecutive calendar

- days; and authorize final payment to the contractor. ([Resolution 23-0159](#))
- h) Approve an increase of 60 calendar days to the contract duration contingency for Contract No. WW-715, As-Needed Spot Sewer Replacement No. 43, with J. Flores Construction Company, Inc., resulting in a new contract duration of up to 610 consecutive calendar days to allow the Contractor to complete contract service work orders issued, with no change to contract amount. ([Resolution 23-0160](#))
 - i) Award Contract No. WW-739, As-Needed Large Diameter Sewer Cleaning in the amount of \$953,127 with a duration of 365 consecutive calendar days, to the responsible bidder that submitted the lowest responsive bid, Pipe and Plant Solutions, Inc., to inspect existing sewers that are greater than 36-inches in diameter at various locations within the City and County of San Francisco. ([Resolution 23-0161](#))

No public comment.

On motion to approve the Consent Calendar

Ayes: Ajami, Maxwell, Paulson, Rivera and Stacy

- 6. Authorize the Issuance of up to \$145 million of the 2023 Series A Power Revenue Bonds (2023 Power Bonds) (i) to finance or refinance Power Enterprise projects through the refunding and retirement of commercial paper issued as interim financing for such projects, (ii) to fund capitalized interest to mitigate the short-term budgetary impact of borrowing, and (iii) to potentially fund a debt service reserve fund (if the SFPUC elects to fund a reserve); Delegate to the General Manager authorization to appoint bond underwriters and to enter into one or more bond purchase contracts with underwriters selected from the City's pool of pre-qualified underwriters, subject to a competitive procurement process and in accordance with the City's policies and procedures with respect thereto, and further subject to the limits on underwriters' compensation set forth in the Commission resolution; Approve the issuance of 2023 Power Bonds; Approve the form of, and authorize the execution and delivery of, related documents; and authorize the General Manager to negotiate the sale of the 2023 Power Bonds in one or more series of bonds, as the General Manager determines is in the best financial interest of the San Francisco Public Utilities Commission. ([Resolution 23-0162](#))

Director Sklaroff reviewed the FY 2022-23 Capital Financing Plan which was originally presented September 27, 2023. He discussed the Capital Financing strategy for the Power Enterprise (1) Mitigate upward pressure on rates and charges. The 10-year Financial Plan calls for \$912 million of Power Revenue Bonds, including the requested transaction; and (2) Actively manage capital financing costs by borrowing only what is needed; manage large borrowing on top of 2015 and 2021 bonds; manage increase on rates for ratepayers, including other City departments; and manage bond rating to borrow at the lowest possible cost. Director Sklaroff reviewed (1) Power Enterprise debt overview, outstanding as of September 1, 2023, (revenue bonds, Federal WIFIA loans, state revolving fund loans, and commercial paper). He then provided enterprise debt ratings as of August 1, 2023 for each enterprise.

Director Sklaroff continued with a review of (1) Plan of Finance (authorize up to \$145 million par amount; refunds interim financing issue to fund Power Enterprise capital program; mitigates rate impact; and bonds issued on parity with outstanding 2015 and 2021 Power Revenue Bonds); (2) Bond sale details (expected to be sold on a negotiated basis; and bond underwriters selected via competitive RFP process from the Controller's underwriting pool); (3)

Sources and Uses of Funds - Series 2023A Power Revenue Bonds (refund approximately \$118 million of commercial paper and accrued interest; interest capitalized to November 1, 2025; and no reserve fund anticipated, but authorized if advantageous); (4) Debt service schedule - Series 2023A Power Revenue Bonds (30-year fixed rate with first principal November 1, 2026; “Wrapped” debt service structure for level aggregate debt; interest capitalized to November 1, 2025; and municipal advisors prepared chart based on Net Debt Service); (5) “Good Faith Estimate” - indicating California Government Code Section 5852.1 requires local agencies to disclose estimates of certain debt financing-related information on authorization. SFPUC’s Municipal Advisors (PFM Financial Advisors LLC) have prepared the “Good Faith Estimate”. Actual rates will depend on market conditions when the bonds are sold in September. 2023A True Interest Cost - 4.29%; finance charge of Bonds - \$777,420,84; amount of proceeds received from the sale - \$111,712,348; and total payment amount - \$234,420,000.

Director Skarloff presented (1) market overview (tax-exempt interest rates) AAA MMD position since inception; and (2) Green Bonds Program annually by enterprise (2023 largest year of Green Bond issuance in the SFPUC’s history; since 2015, the Power Enterprise has self-certified Green Bonds – market changes and regulatory comments have prompted reevaluation; plan to update Green Bond Program to incorporate external certification; and 2023 Power Bonds will, therefore, not be labeled green).

Director Skarloff responded to a question from Commissioner Stacy as to the issuance of Green Bonds, and to a follow-up question from President Ajami as to the premium process.

No public comment.

On motion to approve Item 6:

Ayes: Ajami, Maxwell, Paulson, Rivera and Stacy

7. Communications (information only)

- a) Advance Calendar
- b) Contract Advertisement Report
- c) Correspondence Log
- d) 2009 Water Supply Agreement Update
- e) Annual Real Estate Report
- f) Annual Water System Improvement Program Report
- g) Final Changes to FY 2023-24 Budget Since Commission Adoption
- h) Quarterly Report to the Board of Supervisors on the Status of Applications to PG&E for Electric Service
- i) Water Supply Conditions Update

8. General Public Comment

- *Francisco DaCosta stated that general public comment should be moved to the beginning of the agenda.*

9. Items initiated by Commissioners

Commissioner Rivera discussed the tour of the Southeast Plant he and Commissioner Paulson recently took and expressed appreciation for the work being done. He voiced gratitude for the ability to directly communicate with those performing the work.

No public comment.

President Ajami announced her recusal from Closed Session item 12. She handed the gavel to VP Maxwell and departed the hearing room at 10:27 am.

10. Public Comment on the matters to be addressed during Closed Session

None.

11. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

On motion to assert the attorney client privilege regarding the matters listed as Conference with Legal Counsel:

Ayes: Maxwell, Paulson, Rivera and Stacy

The Commission entered Closed Session at 10:33 am.

Present in Closed Session: Commissioners Ajami (items 13-19 recused from item 12), Maxwell, Paulson, Rivera, and Stacy; Dennis Herrera, General Manager; Assistant General Managers (AGM) Robinson (Infrastructure), Nancy Hom (Business Services, Joel Prather (Wastewater), Ellen Levin, Acting AGM Water Enterprise; Deputy City Attorneys Sheryl Bregman, Estie Kus, Remy Weiland (items 13-19), Seamus McCullagh (items 13-19); and Donna Hood, Commission Secretary.

12. CONFERENCE WITH LEGAL COUNSEL regarding existing litigation (California Government Code Section 54956.9(d)(1), and San Francisco Administrative Code Section 67.10(d)(1)):

City and County of San Francisco v. U.S. Environmental Protection Agency (U.S. Court of Appeals for the Ninth Circuit, Case No. 21-70282, Filed February 9, 2021); City and County of San Francisco v. State Water Resources Control Board, et al. (Alameda Superior Court, Case No. RG-19042575, Filed October 30, 2019). (discussion only)

President Ajami rejoined the meeting at 10:47 am and assumed as chair.

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

99 Ocean Avenue, LLC v. City and County of San Francisco

Unlitigated Claim File No.: 23-02535

Date Filed: June 16, 2023

Proposed settlement of unlitigated claim for damage to property resulting from a ruptured water main with the City and County of San Francisco to pay 99 Ocean Avenue LLC \$36,000.00 in exchange for a full and final release, subject to final approval by the Board of Supervisors. (Resolution 23-0163)

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

Joseph Hohenrieder v. City and County of San Francisco

Unlitigated File No.: 23-00777

Date Filed: November 28, 2022

Proposed settlement of unlitigated claim for damage to property resulting from a ruptured water main with the City and County of San Francisco to pay Joseph Hohenrieder \$35,000.00 in exchange for a full and final release, subject to final approval by the Board of Supervisors. (Resolution 23-0164)

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

Tim Wong v. City and County of San Francisco

Unlitigated File No.: 23-02127

Date Filed: April 27, 2023

Proposed settlement of unlitigated claim for damage to property resulting from a ruptured water main with the City and County of San Francisco to pay Tim Wong \$50,000.00 in exchange for a full and final release, subject to final approval by the Board of Supervisors. (Resolution 23-0165)

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

Trung Lam v. City and County of San Francisco

Unlitigated File No.: 23-02117

Date Filed: April 26, 2023

Proposed settlement of unlitigated claim for damage to property resulting from a ruptured water main with the City and County of San Francisco to pay Trung Lam \$50,000.00 in exchange for a full and final release subject to final approval by the Board of Supervisors. (Resolution 23-0166)

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

Gil Orozco v. City and County of San Francisco

Unlitigated File No.: 23-00854

Date Filed: December 8, 2022

Proposed settlement of unlitigated claim for damage to property resulting from a ruptured water main with the City and County of San Francisco to pay Gil Orozco \$65,000.00 in exchange for a full and final release subject to final approval by the Board of Supervisors. (Resolution 23-0167)

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

Rigoberto Herrera v. City and County of San Francisco

Unlitigated File No.: 23-01445

Date Filed: February 24, 2023

Proposed settlement of unlitigated claim for damage to property resulting from a ruptured water main with the City and County of San Francisco to pay Rigoberto Herrera \$46,867.00 in exchange for a full and final release subject to final approval by the Board of Supervisors. (Resolution 23-0168)

19. CONFERENCE WITH LEGAL COUNSEL regarding anticipated litigation (Government Code

§54956.9, San Francisco Administrative Code §67.10(d)(1):

Dolores Street Community Services v. City and County of San Francisco

Unlitigated File No.: 23-02048

Date Filed: April 20, 2023

Proposed settlement of unlitigated claim for damage to property resulting from a high pressure fire suppression water service main fail with the City and County of San Francisco to pay Dolores Street Community Services \$37,197.48 in exchange for a full and final release subject to final approval by the Board of Supervisors. (Resolution 23-0169)

The Commission exited Closed Session at 11:03 am.

20. Announcement following Closed Session

President Ajami announced that the Commission recommended that the Board of Supervisors approve the settlements referenced in the agenda.

21. 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 the discussions during Closed Session:

Ayes: Ajami, Maxwell, Paulson, Rivera, and Stacy

22. Adjournment

President Ajami adjourned the meeting at 11:03 am.