

# **Public Utilities Revenue Bond Oversight Committee**

## **AGENDA Regular Meeting**

**Monday, September 19, 2011**

**9:30 a.m.**

**1155 Market Street (between 7<sup>th</sup> & 8<sup>th</sup> Streets)  
San Francisco, CA 94103**

### **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
2. Public Comment: Members of the public may address the Revenue Bond Oversight Committee (RBOC) on matters that are within the RBOC's jurisdiction but not on today's agenda.
3. Chair's Report –
  - a. San Francisco Public Utilities Commission (SFPUC) Staff Report: Water System Improvement Program (WSIP) Construction Management.
  - b. City Services Auditor (CSA) Report: Audit Update. (attachment)
4. Discussion and Possible Action: Review and approval of the Construction Management Independent Review Panel Scope of Work. (attachment)
5. Discussion and Possible Action: Reimbursement to the SFPUC for services related to the Independent Review Panel.
6. Discussion and Possible Action: Change the name of the City Services Auditor Working Group to the Contracting Working Group, to better reflect the functions of the Working Group.

7. Discussion and Possible Action: Extension of the sunset date of the Revenue Bond Oversight Committee.
8. Discussion and Possible Action: Approval of the Minutes from the Revenue Bond Oversight Committee meeting of August 15, 2011. (attachment)
9. Discussion and Possible Action: Revenue Bond Oversight Committee Member Information Requests Raised at Today's Meeting.
10. Discussion and Possible Action: Future Agenda Items.
11. Adjournment

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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 SFPUC reports and documents please contact:

[bondoversight@sfgov.org](mailto:bondoversight@sfgov.org)  
(415) 487-5245

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**Agenda Item Information**

Each item on the agenda may include: 1) Department or Agency cover letter and/or report; 2) Public correspondence; 3) Other explanatory documents.

These documents will be available for review at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, Reception Desk.

### **Public Comment**

Public Comment will be taken before or during the Committee's consideration of each agenda item. Speakers may address the Committee for up to three minutes on that item. During General Public Comment, members of the public may address the Committee on matters that are within the Committee's jurisdiction and are not on the agenda.

### **Disability Access**

The Public Utilities Commission meeting will be held at 1155 Market Street (between 7<sup>th</sup> and 8<sup>th</sup> Streets), 4<sup>th</sup> Floor, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART and MUNI station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #6 #7, #9, #21, #66, #71, #5, N, J, K, L, M and the F Line to Market and 8<sup>th</sup> Street. For information about MUNI accessible services call (415) 923-6142. There is accessible parking behind 1155 Market Street.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mike Brown at (415) 487-5223 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals.

**Know your rights under the Sunshine Ordinance**

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review.

For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton b. Goodlett Place, Room 244, San Francisco, CA 94102; phone at (415)554-7724; fax at (415) 554-7854; or by email at [sof@sfgov.org](mailto:sof@sfgov.org).

Citizens may obtain a free copy of the Sunshine Ordinance by printing Chapter 37 of the San Francisco Administrative Code on the Internet , at <http://www.sfbos.org/sunshine>.

**Cell phones, pagers and similar sound-producing electronic devices**

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

**Lobbyist Registration and Reporting Requirements**

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100, et. seq] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at: 25 Van Ness Avenue, Suite 220, San Francisco, CA 94102; telephone (415) 581-3100; fax (415) 252-3112; web site [www.sfgov.org/ethics](http://www.sfgov.org/ethics).



**CSA Audit Status: RBOC FY 2011 -2012  
as of September 2011**

Audit Project	MOU Task No. *	Status	Phase of the Audit			Potential Findings Total
			Survey	Fieldwork	Reporting	
Bay Division Pipeline Reliability Upgrade - Pipeline	1a	G				0
Pulgas Balancing Reservoir Modifications to Existing Dechlor Facility	1b	G	7/11	8/23	9/26	0
Mission & Mt Vernon Sewer Improvement	1a	G	8/22	9/23	10/31	0
Harry Aradog/Long Term Improvements	1b	P	10/1	11/1	12/1	0
Lake Merced Pump Station Essential Upgrade	1a	P	10/31	11/30	12/30	0
<i>*1a examines project expenditures and appropriations; 1b examines program management costs</i>						
<b>Green (G):</b> Audit is on schedule to perform testing or findings communicated to audit contacts.						
<b>Yellow (Y):</b> Audit is behind schedule due to issues, with a plan to get back on track.						
<b>Red (R):</b> Behind on schedule due to issues, or issues require immediate attention.						
<b>Purple (P):</b> Audit is scheduled to begin in the future.						

CSA Previous Period Accomplishments	Issues	Planned Activity for Coming Period
<ul style="list-style-type: none"> <li>•CSA continued meeting with PUC personnel including finance, budget, project controls, contracts, and project managers.</li> <li>•CSA worked with Controller's Office accounting personnel to identify Bay Division Pipeline expenditures.</li> <li>•CSA completed a walkthrough of Primavera and was granted access to the system.</li> <li>•CSA has also been researching best practices related to program management allocation.</li> </ul>	<ul style="list-style-type: none"> <li>•Clarified that 1b tasks will focus on program costs and not project costs.</li> <li>•Consolidate 1b projects into a single report</li> </ul>	<ul style="list-style-type: none"> <li>•CSA to continue analyzing the PUC's program management allocation process.</li> <li>•CSA to select 1a project expenditures for testing</li> <li>•CSA to meet with PUC accounting staff and continue meeting with PUC program and project staff.</li> </ul>

CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER

City Services Auditor – Audits Division

Approved by the Director of Audits on September 14, 2011

\*\*\*\*\*DRAFT\*\*\*\*\*

September 9, 2011

**San Francisco Public Utility Commission (SFPUC)  
Water System Improvement Program (WSIP)  
Construction Management Independent Review  
Scope**

Following is the scope of the next SFPUC WSIP Construction Management Independent Review. It is framed around the three recently identified areas of interest to a CSA Working Group of the Revenue Bond Oversight Committee (RBOC). The questions shown under each of the areas help define the specific issues being addressed and will be used as general guidance in undertaking the review. The CM Independent Review Panel consists of the following construction industry professionals: Gary Griggs, Stanford University, who will serve as Panel Chair; Glenn Singley, Los Angeles Department of Water and Power; Don Russell, Independent Consultant; and Galyn Rippentrop, Independent Consultant. Bill Ibbs of the University of California at Berkeley will be acting as an Independent Observer on behalf of the RBOC CSA Working Group.

**A. Change Management**

Project changes over the course of construction are one of the most significant factors in cost and schedule growth. It is essential to limit changes to those that are essential and to have a formal and controlled change order process to manage them, including trend analysis. In order to review this matter for the WSIP the following questions will be addressed:

1. Are the change orders in excess of the cost and schedule contingencies provided?
2. Among projects with significant change orders, what have been the major reasons for the changes (differing site conditions, owner-requested, contractor-requested, design changes, design errors, etc.)?
3. Are change orders being managed effectively and efficiently including documentation and causes, and are they in compliance with the authorizing legislation?
4. How are trends identified and cost and schedule estimates assigned to them?
5. Is there an understanding of the difference between risks, trends and change orders (potential, pending and approved)?
6. How do the project change order percentages (cost and schedule) compare to industry norms?
7. Is there any indication that the favorable bidding climate is constraining profit margins and resulting in greater use of change orders?
8. Is the SFPUC paying to avoid claims or, conversely, is the resolution of change orders being delayed to avoid impacts on the project, and, if so, how pervasive is it?
9. Evaluate the project change order management process based on the Construction Industry Institute's Change Management Process.
10. What do contactors have to say about the change management process (timeliness, reasonableness, reconciliation and getting paid)?

11. To what extent are there unresolved change orders (e.g. unilateral, force account and denied) that could have cost, schedule and legal implications at a later date and are they being satisfactory accounted for?
12. Is there some consistency in the management of change orders on a project-by-project basis, or are the results significantly varied among projects?
13. Are lessons learned from change orders being applied to future projects?

## **B. Risk Management**

Risk management is essential to successful execution of the construction. This review will focus on the risk management process including construction interface management, public safety, and cost and schedule performance. Parsons concluded in 2007 that there was a significant risk that the WSIP could exceed \$4.6B and that the SFPUC should consider conducting more detailed risk analyses on the most critical projects. Since then, the SFPUC has strengthened this aspect of the WSIP program. The following questions will address these issues:

1. Have actual risks incurred to date been previously identified in the Risk Management Plan and were the impacts accurately forecast?
2. What are the capabilities for analyzing and forecasting risk and have they been tested and proven effective?
3. How efficiently are risks being mitigated and progress tracked?
4. How does the Risk Management program compare with other utilities of similar size and complexity?
5. Is the Risk Management program being effectively used by the entire project team?
6. Is there a sufficient construction interface management plan in place to ensure that all 81 projects will fit together?
7. How are the risks associated with system shutdowns being addressed?
8. Have the risks to the public during construction been adequately addressed and mitigated?
9. Has the risk of an earthquake during construction been addressed with mitigation?
10. How effectively is the SFPUC mitigating and predicting risk in order to control costs and complete projects in a timely manner?
11. Is the SFPUC effectively including the contractors in risk discussions and analysis?
12. Is there some consistency in the identification, tracking and mitigation of risks on a project-by-project basis, or does the approach and level of efforts vary among projects?

### **C. Project Cost, Schedule and Contingencies**

Cost growth and schedule delays are always a concern over the course of construction including increases in the soft costs associated with agency and consultant program and project management costs including construction management, engineering support during construction and environmental monitoring and mitigation. The following questions are directed at these issues:

1. Have there been major increases in cost and schedule and, if so, what are the reasons?
2. How is cost and schedule performance being tracked and is the reporting timely and forward looking?
3. Is there a mitigation process in place to address cost and schedule growth, and, if so, what is it and how effective is it?
4. What is the basis of the projected costs and schedules at completion and are they realistic?
5. What is the basis of establishing contingencies and how are they being managed at a project and program level?
6. Are sufficient contingencies being carried to cover increases in cost and schedule, and are the contingencies consistent with industry practice?
7. How do the project soft costs compare with other similar programs?
8. Are the soft costs, specifically program or project management consultant help, contributing to the ability to maintain more control over the program, thereby assuring timely program completion that might not otherwise happen?

September 9, 2011



## **Public Utilities Revenue Bond Oversight Committee**

### **MINUTES Regular Meeting**

**Monday, August 15, 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)**

The meeting was called to order at 9:36 a.m. and roll call was taken:

Present: Brian Browne, Ian Hart, Ben Kutnick, Larry Liederman, and John Ummel.

Absent: None.

Excused: Aimee Brown and Kevin Cheng.

There was a quorum.

Member Ummel, seconded by Member Liederman, moved to elect Member Ian Hart to act as the Chairperson for the RBOC meeting of August 15, 2011.

The motion passed by the following vote:

Ayes: Hart, Kutnick, Liederman, and Ummel

Noes: None.

Absent: Browne

Excused: Chair Brown and Cheng

**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. (\*0.35.00)**

Public Comment: None

**3. Chair's Report  
City Services Auditor (CSA) Report: Audit Update. (\*0.54.00)**

Tonia Lediju, Irella Blackwood, Mary Soo, Chris Trenchel, and Kathleen Scoggin, (Controller's CSA); Cheryl Taylor (SFPUC); Mark Blake (City Attorney); presented information concerning the matter and/or answered questions raised during the hearing.

Public Comment: Nancy Wuerfel commented on the source of the scope of work and objective.

**4. Discussion and Possible Action: RBOC City Services Auditor Working Group recommendations for Peer Reviewer to the SFPUC's Independent Review Panel and to authorize the Chair to initiate a Contract for Services. (\*0.23.46)**

Member Ummel provided an update from and recommendations of the RBOC City Services Auditor Working Group.

Mark Blake presented information concerning the matter and/or answered questions raised during the hearing.

Member Browne stated that the agendas need to be more descriptive. In addition, Member Browne believed that pursuant to Proposition P mandate that reviewers be independent and that Mr. Ibbs should be disqualified because the Ibbs Consulting Group worked for the SFPUC in the past and is not independent.

Public Comment: Nancy Wuerfel questioned the rules as to how RBOC should authorize P500 in the future and how to authorize payment of invoices in the future.

Member Ummel, seconded by Member Kutnick, moved to: 1) Approve the recommendation of the RBOC City Auditors Service Working Group to enter into an agreement with Ibbs Consulting Group, Inc. (P500); 2) Authorize the RBOC City Auditors Service Work Group to make technical revisions and finalize the agreement (P500); and 3) Authorize the RBOC Chair or her designee to execute the agreement between the RBOC and Ibbs Consulting Group, Inc. (P500) on behalf of the RBOC.

The motion passed by the following vote:

Ayes: Hart, Kutnick, Liederman, and Ummel

Noes: Browne

Excused: Chair Brown and Cheng

**5. Discussion and Possible Action: Approval of the Minutes from the Revenue Bond Oversight Committee (RBOC) meetings of May 16, 2011, and July 18, 2011. (\*1.12.41)**

Member Kutnick, seconded by Member Ummel, moved to approve the minutes of Revenue Bond Oversight Committee meetings for May 16, 2011, and July 18, 2011.

The motion passed by the following vote:

Ayes: Hart, Kutnick, Liederman, and Ummel

Noes: Browne

Excused: Chair Brown and Cheng

Public Comment: None.

**6. Discussion and Possible Action: Revenue Bond Oversight Committee (RBOC) Member Information Requests Raised at Today's Meeting. (\*1.13.40)**

Ummel – Revise future agenda formats to provide a complete description of agenda items.

**7. Discussion and Possible Action: Future Agenda Items. (\*1.13.40)**

Leiderman – Investigate the possibility of selection of a second auditor and to discuss the fulfillment of the RBOC's goal.

Leiderman - Establishment of a pool of outside consultants for the use of the RBOC.

Browne – Burden of Debt on Water Users (Master Water Sales Agreement of 2009 and how it affects the rate structure.)

Leiderman – Establish separate bank account instead of Controller's Bank Account

Public Comment: Nancy Wuerfel stated that the issue of establishing an independent bank account was also discussed at the General Obligation Bond Oversight Committee.

**8. Adjournment**

The meeting adjourned at 11:08 a.m.

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available at:

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