



**PUBLIC UTILITIES  
REVENUE BOND OVERSIGHT COMMITTEE  
CITY AND COUNTY OF SAN FRANCISCO  
AGENDA**

**Public Utilities Commission Building  
525 Golden Gate Ave., 2<sup>nd</sup> Floor, Yosemite Room  
San Francisco, CA 94102**

**Monday, June 17, 2013 - 9:00 AM**

**Regular Meeting**

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

Seat 1 Holly Kaufman  
Seat 2 Kevin Cheng, Chair  
Seat 3 Karen Donovan  
Seat 4 Larry Liederman  
Seat 5 Vacant  
Seat 6 Emily Brownlow  
Seat 7 John Ummel, Vice Chair

**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. (No Action)

**3. Chair's Report:**

- A. San Francisco Public Utilities Commission (SFPUC) Staff Report: Update on Water System Improvement Program (WSIP) and Sewer System Improvement Program (SSIP). (Discussion)
- B. San Francisco Public Utilities Commission (SFPUC) Staff Report: Update on the Controller's Office, City Service Auditor's scheduled audits. (Discussion and Action) (Attachment)
- C. San Francisco Public Utilities Commission (SFPUC) Staff Report: SFPUC response/comments to the "Evaluation of the Water System Improvement Program" by RW Block Consulting, Inc., (May 9, 2013). (Discussion and Action) (Attachment)
- D. RBOC Account Statement and Review/Approval of Invoices for Ongoing Approved Engagements. (Discussion and Action) (Attachment)

4. **Future Audit Activities** (Discussion and Action)(Attachment)

Issue/Action: The Committee received RW Block's major report at it last meeting. Recommendations in this report as well as additional suggested audit activities have been forwarded by Mr. Block. In addition, the City Services Auditor (CSA) is in the process of finalizing a scope of work for an audit of the Sunol Valley Water Treatment Plant. Finally, WSIP Director Julie Labonte was asked to opine on RW Block's recommendations and suggest possible follow-up activities as well. The next step is for RBOC to consider future audit activities and/or provide direction to the Contract Working Group (Ummel, Cheng, and Kaufman) so that RBOC can be prepared, if desired, to enlist the help of consultants or CSA for future audit assignments.

5. **Approval of RBOC Minutes of May 13, 2013.** (Discussion and Action) (Attachment)

6. **Announcements, Comments, Questions, and Future Agenda Items.**  
(Discussion and Action)

7. **Adjournment.**

### **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. For more information concerning agendas, minutes, and meeting information, such as these document, please contact RBOC Committee Clerk, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 – (415) 554-5184.

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)

For information concerning San Francisco Public Utilities Commission please contact by e-mail [RBOC@sfgov.org](mailto:RBOC@sfgov.org) or by calling (415) 554-5184.

### **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**

RBOC meetings will be held at the Public Utilities Commission, 525 Golden Gate Avenue, San Francisco, CA. The Committee meeting room is wheelchair accessible. The nearest accessible BART station is Civic Center (Market/Grove/Hyde Streets). Accessible MUNI Metro lines are the F, J, K, L, M, N, T (exit at Civic Center or Van Ness Stations). MUNI bus lines also serving the area are the 5, 6, 9, 19, 21, 47, 49, 71, and 71L. For more information about MUNI accessible services, call (415) 701-4485.

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




# San Francisco Water Power Sewer

Services of the San Francisco Public Utilities Commission

525 Golden Gate Avenue, 13th Floor  
San Francisco, CA 94102  
T 415.554.3155  
F 415.554.3161  
TTY 415.554.3488

Date: June 17, 2013

To: Kevin Cheng, Chair, RBOC  
John Ummel, Vice-Chair, RBOC  
Holly Kaufman  
Karen Donovan  
Larry Liederman  
Emily Brownlow

From: Nancy L. Hom, Director, Assurance & Internal Controls 

Subject: **FY 2012-13 Annual Update on WSIP-related Performance Audits by City Services Auditor**

The following summary provides an update on recently Completed, In Progress, and Planned audits by the Controller's Office, City Services Auditor (CSA). Performance audits completed in the 4<sup>th</sup> Quarter of FY 2012-13, include:

- Alameda Siphon No. 4 Construction Management – The Change Management Process Generally Complied with Contract Provisions but Requires Some Improvements
- The SFPUC Did Not Issue a Certificate of Completion for the Harry Tracy Water Treatment Plant Short-Term Improvement Project

The two above performance audits were received as **favorable** audits by the CSA and the SFPUC, contrary to the report title of the second audit. The SFPUC agreed with recommendations and will make adjustments to existing procedures to further strengthen internal controls surrounding reviewed processes.

Below is a summary of Fiscal Year 2012-13 audit activities by the CSA.

### Completed:

1. **[new] The SFPUC Did Not Issue a Certificate of Completion for the Harry Tracy Water Treatment Plant Short-Term Improvement Project**
  - Memo issued, May 13, 2013
  - Objective: Part of a citywide audit program to review compliance to construction contract close-out procedures. Determine whether the SFPUC adequately oversaw compliance with the close-out procedures in the contract.
  - Recommendation: SFPUC should issue a Certificate of Completion for each future project that has been accepted as complete OR revise the language in its future contracts to reflect how the department acknowledges that a project has been accepted as complete.
  - Resolution: SFPUC agreed and will revise WSIP Procedure 032 to clarify the requirement to issue a *written* certificate of acceptance.
  - Highlight: *"SFPUC generally complied with all applicable close-out procedures in the contract for short-term improvements to the HTWTP..." (page 1 of memo).*

Edwin M. Lee  
Mayor

Art Torres  
President

Vince Courtney  
Vice President

Ann Moller Caen  
Commissioner

Francesca Vietor  
Commissioner

Anson Moran  
Commissioner

Harlan L. Kelly, Jr.  
General Manager



2. [new] Alameda Siphon No. 4 Construction Management – The Change Management Process Generally Complied with Contract Provisions but Requires Some Improvements
  - Report issued, April 9, 2013
  - Compliance audit of the WSIP contract, change order administration. Original contract of \$32 million. Contract experienced 175+ change orders, totaling \$6.8 million. Final cost of contract at completion, \$39.2 million.
  - Recommendations: Improve better supporting documentation and break out of costs for change order requests and contractor submitted certified payroll. Limit change order requests after Substantial Completion of Project.
  - Highlight: *“The audit findings generally demonstrate a well-managed change control process in accordance with both the relevant change management procedures and standards of industry best practice.”* [Pg 1 of Executive Summary]
  - URL to Report:  
<http://sfcontroller.org/Modules/ShowDocument.aspx?documentid=4118>
  
3. (Follow-up Audit) Tesla Water Treatment Facility & East/West Transmission Main
  - Memo issued, December 5, 2012
  - Objective: Determine whether SFPUC implemented recommendations made in the original WSIP Audit of (2) Construction Contracts.
    - SFPUC should not use change orders in lieu of issuing formal RFB. E/W Phase II change order was openly conveyed and appropriately approved – other instances may achieve greater benefits through competitive procurement, and
    - SFPUC should determine whether CMIS operational concerns expressed by staff/contractors are applicable to other (20) WSIP projects underway – if so, should undertake needed remediation or increase training to rectify issues.
  - Resolutions: Both implemented. Audit closed.
  - URL to Memo:  
<https://infrastructure.sfwater.org/fds/fds.aspx?lib=SFPUC&doc=860252&ver=1&data=331197020>

**In Progress:**

1. [new] Citywide Performance Audit: Construction Contractor Performance Evaluations
  - Objective: Assess effectiveness of various City departments’ Contractor Performance Evaluation (CPE) processes and procedures.
  - Phase: Planning currently in progress for areas of measurement/review, construction contracts to select, and further fieldwork/interviews.
  - Update: Last met with CSA at entrance conference on 6/6/13. Discussion included whether CPEs are completed, what are the challenges, and desired improvements.

**Upcoming:**

1. [new] Change Management Review: Sunol Valley Water Treatment Plant
  - Anticipated Start Date: Q1, FY 2013-14
  - Compliance audit of the WSIP contract change order administration. Approaching planning phase in Q1. No objectives scheduled yet.
  
2. Change Management Review: New Irvington Tunnel (\$249M original contract)
  - Auditor: City Services Auditor
  - Anticipated Start Date: Q3, FY 2013-14
  - Compliance audit of the WSIP contract change order administration.

3. WSIP: Consultant Multiple Billing and Other Issues Audit.

- Anticipated Start Date: Q3, FY 2013-14
- Objectives: Determine whether,
  - Duplicate consultant billings exists between Construction Management and professional services contracts.
  - City employees are also being compensated under City contracts.
  - Any conflict of interest or other issues arising from these contracts (i.e. City employees supervising the work of consultant relatives).

If you have any questions or comments you would like to discuss, please contact me at (415) 487-5229.

## **WSIP Management Responses to RW Block Report, *Evaluation of the Water System Improvement Program, CS-254***

### **Block's Primary Recommendations**

1. Evaluate the possibility of reducing soft costs by eliminating the regional program management structure.

Response: We concur with this recommendation and have already commenced reorganization, which we expect to complete by end of August 2013.

2. Re-evaluate CDR and HTWTP projected staffing levels for opportunities to reduce costs through the use of SFPUC staff and by reducing overall staff.

Response: We concur with this recommendation and have already reduced staffing levels where possible and developed a revised staffing plan for all WSIP staff. We will report on progress by end of August 2013.

3. Evaluate the monthly program management efforts to reconcile all project expenditures using a CMIS system versus a less frequent reconciliation that would be offset by a reduction in program management staff needed to perform this function monthly.

Response: We feel that a business process change of this magnitude would be difficult to implement this late in the program. We agree that our expenditure reconciliation process is resource-intensive and should be optimized. We therefore feel that this recommendation may be more appropriate for the delivery of other capital programs such as the Sewer System Improvement Program (SSIP). Program management is updating costs and schedules once a month in accordance with the WSIP Monthly Statusing Procedure (PM5.05). We consider that this frequency is currently necessary to allow the WSIP management team to identify any issues impacting project budget and schedule as early as possible, and develop mitigation plans to address potential delays and avoid cost overruns at project completion. This is a pro-active way of managing and controlling cost and budget in a fast moving contract environment. It should be noted that the CMIS does not capture expenditure for all project phases. CMIS includes only Construction Contract costs. The Construction Management teams on every project continue to update these expenditures and schedules monthly using the Contractor monthly updates. We will continue to evaluate the Program update frequency as the work progresses.

4. Reconciliation of forecast costs to complete the WSIP compared to historical performance as well as reconciliation of WSIP's bottom up analysis to their top down staffing model using average annual staffing costs.

Response: WSIP currently uses bottom up analysis to forecast remaining cost on a monthly basis. As explained multiple times before to the review team, we do not use a top down staffing model. We will review RWB analysis of historical performance, such as ratio of soft costs to



remaining work, and use this method to identify and resolve any apparent anomalies as we go forward.

#### **Other Comments/Suggestions Raised by Block**

- If trends are to be used as forecasting tools, they should reflect forecast changes prior to a change order being identified. (Page 51).

Response: Trends are currently included in construction cost forecasts. The PCM periodically reviews Trends, Potential Changes and Risks for all active projects with the project teams. Every effort is made to forecast changes as Trends in advance of change order definition, but some changes will inevitably occur that do not have a corresponding precedent Trend. So, there will never be a perfect one-to-one correspondence between Change Orders and Trends.

Nonetheless we believe that the inclusion of current Trends in forecasting is extremely valuable and this practice will therefore continue.

- It is recommended that the project team (NIT) review its practices regarding the treatment of trends on work elements that may be contractually bound, but which are only reflected as a change order with no trends, to ensure that the final cost at completion is properly stated. (Page 54)

Response: Concur. We have discussed this in detail with the NIT Construction Management (CM) Team and reconciled and adjusted all Trends and corresponding change orders. We have also clarified this issue with all other CM Teams to assure consistency.

- The application of highly conservative estimates does overstate required project costs at completion; the project team (BDPL) is encouraged to review the current trends to ensure that they reflect the realization expected to be achieved on the BDPL project. (Page 61)

Response: Concur. We continue to review estimated values of Trends with project teams every 2 or 3 months to maintain realistic estimates and eliminate duplications or overlaps. It should be noted that as part of the extensive internal assessment that preceded the recent revision of the WSIP (March 2013 Revised WSIP), the WSIP Management Team reduced significantly the remaining construction contingency of this project.

- We recommend that the WSIP management team re-evaluate current trends and probabilities assigned to their occurrence, and ensure that the data in the CMIS is consistently entered. (Page 62)

Response: Concur. We continue to re-evaluate all Trends. For clarity and consistency, we are eliminating the probabilities assigned to Trends as this has caused some confusion. The probabilities assigned did not influence the Trend values used in forecasting.

- We recommend that, moving forward, more clarity be provided by the WSIP management team on the application of risk probabilities and their use in preparing EAC/SAC forecasts or on the

reasons that risk probabilities are used to test overall budget performance yet not used to forecast costs. (Page 64)

Response: Risk probabilities are assigned according to the probability that an identified risk will occur. Risk values are not used in EAC/SAC forecasting. 80% Risk values derived from the project risk registers are used in addition to EAC/SAC forecasts to test sufficiency of approved contingencies and budgets.

- We recommend that the WSIP management team provide a reconciliation of staffing models presented that use both bottom up staffing levels and top down staffing levels using an average \$282,000/year FTE costs. (Page 73)

Response: As stated above and explained multiple times during the audit, we do not use top-down forecasting.

- We recommend that WSIP management explore the reasons driving an increase in the rate of remaining soft costs under the current forecast when compared to the same soft costs and work delivered historically. (Page 73)

Response: Concur. We will review RWB analysis, particularly with regard to apparent increase in soft cost ratios going forward and provide our response by end of August 2013.

**RBOC Account Summary June 2013**

**Funding Sources (\$)**

<u>Series</u>	<u>5W Water</u>	<u>5C Wastewater</u>	<u>5T Hetchy Power</u>	<u>Total</u>
2006 A Bonds	223,310	-	-	223,310
2008 CREBS	-	-	3,163	3,163
2009 A Bonds	236,598	-	-	236,598
2009 B Bonds	206,000	-	-	206,000
2010 A Bonds	28,473	23,525	-	51,998
2010 B Bonds	208,860	96,258	-	305,118
2010 D Bonds	35,680	-	-	35,680
2010 E Bonds	172,100	-	-	172,100
2010 F Bonds	90,480	-	-	90,480
2010 G Bonds	175,735	-	-	175,735
2011 A Bonds	301,358	-	-	301,358
2011 B Bonds	14,488	-	-	14,488
2011 C Bonds	16,798	-	-	16,798
2011 QECBS	-	-	4,150	4,150
2012 NCREBS	-	-	3,300	3,300
2012A Bonds	295,805	-	-	295,805
2012B Bonds	8,260	-	-	8,260
2013B Bonds	-	165,793	-	165,793
<b>A Subtotal Sources - All</b>	<b>2,013,943</b>	<b>285,576</b>	<b>10,613</b>	<b>2,310,131</b>

**Charges Against Budget (\$)**

<b>Actual Charges</b>				
WSIP Expenditures & CP (2006)	59,370	-	-	59,370
Financial Review of WSIP (2007)	92,050	-	-	92,050
WSIP Sunset Reservoir (2009)	71,890	-	-	71,890
CSA Controller's Audit (2011/2012)	86,219	29,750	-	115,969
Independent Review Panel (IRP) (2011/2012)	116,010	-	-	116,010
LADWP for IRP (2011/2012)	11,489	-	-	11,489
IBBS Consulting for IRP (2011/2012)	47,000	-	-	47,000
CSA Audit - Final Bill Q3 12	29,625	-	-	29,625
RW Block WSIP Evaluation - invoices Nov through Apr	284,838	-	-	284,838 *
<b>B Subtotal Actual Charges</b>	<b>798,492</b>	<b>29,750</b>	<b>-</b>	<b>828,241</b>
<b>A - B Available Funds Before Pending Charges</b>	<b>1,215,451</b>	<b>255,826</b>	<b>10,613</b>	<b>1,481,890</b>

**Pending Charges**

<b>C Subtotal Pending Charges</b>	-	-	-	- *
<b>A - B - C Available Funds After Pending Charges</b>	<b>1,215,451</b>	<b>255,826</b>	<b>10,613</b>	<b>1,481,890</b>

\* Change from prior month

## RBOC Agenda Item #4

### Discussion Involving Additional Follow-Up Work/Audits Assigned by RBOC

Issue: RBOC needs to begin planning its next assignments/audits. In addition to brainstorming what follow-up assignments are in order/would add value, the committee needs to decide if it plans to use the Contract Working Group (currently comprised of Ummel, Cheng, and Kaufman) to prioritize potential assignments and develop applicable scopes of work and cost estimates.

Background: RBOC recently completed one of its most extensive reviews of the WSIP program, culminating in a report by RW Block, *Evaluation of the Water System Improvement Program, Project CS-254*. That report, approved by RBOC at its May 2013 meeting, included the following major findings or observations:

- That the WSIP will not be finished on time and within budget as of the September 30, 2012 data date and corresponding approved budget at the time (\$4.585M) with an end date of July 26, 2016.
- The existing methods used by the WSIP management team to forecast cost and schedule to completion are both reliable and realistic. Based on a review of five mega projects, RW Block's independent estimate for costs at completion found the SFPUC's forecasts to be within 3% of the SFPUC's (then) latest estimates.
- Soft costs forecasted to complete WSIP have exceeded the current budget and the ratio of soft costs to construction spending is forecast to increase above historical levels.

Since the issuance of the Block report, the SFPUC has revised the WSIP schedule and budget; now estimated at \$4,640 million with completion of the program by April 2019. It should be noted, however, that all but two projects within the WSIP are anticipated to be completed by July, 2016. The two projects that extend the overall completion date to April 2019 are the Calaveras Dam Replacement and the Alameda Creek Recapture projects.

Recommended follow-up work/actions in the RW Block report included:

- An evaluation of the possibility of reducing soft costs by eliminating the regional program management structure;
- A re-evaluation of projected staffing levels for Calaveras Dam and the Harry Tracy Treatment Plant projects;
- An evaluation of monthly program management efforts to reconcile all project expenditures versus a less frequent process;
- A reconciliation of forecast soft costs to complete the WSIP compared to historical performance as well as a reconciliation of WSIP's bottom-up analysis to their top down staffing model using average annual staffing costs.

In addition to the above recommended actions found in the report, RBOC asked Mr. Block to either expand or identify potential follow-up tasks that RBOC might consider. Mr. Block has provided a brief description of four possible tasks as well as an estimate of duration and budget. Please see the attached.

Furthermore, RBOC inquired whether any planned audits of WSIP related work by the City Services Auditor (CSA) might have relevance to RBOC and whether RBOC might want to "piggyback" on any such audits. Nancy Hom, Division of Internal Audits, has provided an update of CSA audits (see attached) and will be present at Monday's meeting.

Finally, RBOC asked WSIP director, Julie Labonte, to provide a brief response to the recommendations cited in the RW Block report. Julie's comments can be found in the attached. Furthermore, Julie will be present at Monday's meeting to provide her perspective on what future activities RBOC may want to explore.

The above information and presentations (Hom and Labonte) are designed to help further RBOC's discussion on "What should we do next"? Please keep in mind that future work contemplated by RBOC need not/should not confine itself to the WSIP program. RBOC's oversight responsibilities extend to capital projects undertaken by Hetch Hetchy as well as the Waste Water Program (SSIP).

\\server\RedirectedFolders\JUmmel\My Documents\RBOC\RBOC Agenda Item June 17 2013.docx

# **Follow-Up Activities for RBOC Suggested by RW Block**

## **1. APPLICABILITY OF WSIP SOFT COSTS/PROGRAM DELIVERY STRUCTURE TO SSIP (Sewer System Improvement Program)**

**ABSTRACT:** This effort aims to provide RBOC with an overview of WSIP program delivery costs, structure, and practices with the aim of evaluating how such may be applicable to the WSIP's follow-on capital program, the SSIP. Under this project, a detailed analysis of soft costs incurred in WSIP and applications to SSIP would be performed including how program management, regional, project and city department soft costs were allocated, procured and used. Under the WSIP, the program management structure assumed a high level of oversight in program management, project management, construction management and city department. Moving forward would a similar structure (and resulting cost) make sense? How could the SSIP be structured (from a management perspective) to leverage resources and achieve a more lean approach to project delivery (where feasible). What are the SSIP attributes? How can the most appropriate program delivery structure be assembled to ensure optimal budgetary and schedule results? This effort will require the consultant to hold interviews with senior and executive managers of both programs, contractors, and, where applicable, stakeholders, to better understand contextual factors that led to existing WSIP program delivery structure and, where developed, proposed SSIP program delivery structure. Other activities to be performed include evaluation of existing systems (functional and resource requirements) and key core processes to understand their impact on program delivery resource levels.

**ESTIMATED DURATION: 3 month effort**

**ESTIMATED BUDGET: \$100,000**

## **2. EVALUATION OF PROJECT DATA REQUIREMENTS AND IMPACTS ON SOFT COSTS**

**ABSTRACT:** This project entails the evaluation of data requirements for program administration and its impacts on soft costs. Included in this effort is a detailed evaluation of PMIS from a functional perspective to identify how this solution can be leveraged to optimize resource use. To accomplish this task, the successful consultant would need to conduct interviews with the WSIP program and project control staff, IT staff administering/maintain PMIS, to understand the nuances of the PMIS system. The last part of this effort is to survey 3-5 other PM software

system solutions and provide an executive-level analysis on how identified systems could be used on the SSIP.

**ESTIMATED DURATION: 2 month effort**

**ESTIMATED BUDGET: \$64,000**

### **3. DEVELOPMENT OF KEY PERFORMANCE INDICATORS FOR OVERSIGHT COMMITTEES**

**ABSTRACT:** this project entails the development of key performance indicators (KPI) for the RBOC to facilitate various aspects of its oversight functions in the WSIP and planned SSIP. This project entails the evaluation of existing data currently reported and identify key metrics that can be predictive in nature to evaluate health of applicable program: especially remaining work to be done in WSIP. Existing reporting structures may be appropriate for program and project management functions. Oversight committees have a unique charge which requires the development of function-specific tools to independently evaluate cost, time, performance, and/or other mandated function. This effort would create a glossary of KPIs specifically designed for oversight committees to evaluate cost, schedule, and other related performance criteria. This effort would also seek to place KPIs in the context of both WSIP and SSIP so that KPI information can be leveraged across programs and time periods. Other areas of study could include development of historical KPI trends and development of a KPI database for RBOC internal use in evaluating trends over time and perform its own data analysis.

**ESTIMATED DURATION: 4 month effort**

**ESTIMATED BUDGET: \$130,000**

### **4. EVALUATION OF WSIP DISPUTED COSTS**

**ABSTRACT:** This project entails the review of disputed costs on the WSIP program for all active projects. This effort would entail gathering all disputed cost information from each active project. Initial lists can be developed by the WSIP program management team and associated data gathered by the engagement team for analysis. The purpose of this effort is not to audit or create a formal settlement approach to claims but rather to evaluate how much of such disputed costs are being included in trends (projecting costs) and whether such projects are appropriate, too conservative, or not adequate. This effort seeks to provide a monitoring activity on cost elements of the WSIP which may result in budget and/or schedule exposure. Where applicable

the engagement consultant will conduct site visits where disputed costs are material or whose evaluation require site visits (e.g. visit 10 projects with largest amount of disputed costs). Ultimately, this effort would be a critical activity to measure likely hood of achieving most current CAC and SAC forecasts. (This is a marginal analysis on disputed costs only.

**ESTIMATED DURATION: 5 month effort**

**ESTIMATED BUDGET: \$160,000**



## **WSIP Management Responses to RW Block Report, *Evaluation of the Water System Improvement Program, CS-254***

### **Block's Primary Recommendations**

1. Evaluate the possibility of reducing soft costs by eliminating the regional program management structure.

Response: We concur with this recommendation and have already commenced reorganization, which we expect to complete by end of August 2013.

2. Re-evaluate CDR and HTWTP projected staffing levels for opportunities to reduce costs through the use of SFPUC staff and by reducing overall staff.

Response: We concur with this recommendation and have already reduced staffing levels where possible and developed a revised staffing plan for all WSIP staff. We will report on progress by end of August 2013.

3. Evaluate the monthly program management efforts to reconcile all project expenditures using a CMIS system versus a less frequent reconciliation that would be offset by a reduction in program management staff needed to perform this function monthly.

Response: We feel that a business process change of this magnitude would be difficult to implement this late in the program. We agree that our expenditure reconciliation process is resource-intensive and should be optimized. We therefore feel that this recommendation may be more appropriate for the delivery of other capital programs such as the Sewer System Improvement Program (SSIP). Program management is updating costs and schedules once a month in accordance with the WSIP Monthly Statusing Procedure (PM5.05). We consider that this frequency is currently necessary to allow the WSIP management team to identify any issues impacting project budget and schedule as early as possible, and develop mitigation plans to address potential delays and avoid cost overruns at project completion. This is a pro-active way of managing and controlling cost and budget in a fast moving contract environment. It should be noted that the CMIS does not capture expenditure for all project phases. CMIS includes only Construction Contract costs. The Construction Management teams on every project continue to update these expenditures and schedules monthly using the Contractor monthly updates. We will continue to evaluate the Program update frequency as the work progresses.

4. Reconciliation of forecast costs to complete the WSIP compared to historical performance as well as reconciliation of WSIP's bottom up analysis to their top down staffing model using average annual staffing costs.

Response: WSIP currently uses bottom up analysis to forecast remaining cost on a monthly basis. As explained multiple times before to the review team, we do not use a top down staffing model. We will review RWB analysis of historical performance, such as ratio of soft costs to

remaining work, and use this method to identify and resolve any apparent anomalies as we go forward.

#### **Other Comments/Suggestions Raised by Block**

- If trends are to be used as forecasting tools, they should reflect forecast changes prior to a change order being identified. (Page 51).

Response: Trends are currently included in construction cost forecasts. The PCM periodically reviews Trends, Potential Changes and Risks for all active projects with the project teams. Every effort is made to forecast changes as Trends in advance of change order definition, but some changes will inevitably occur that do not have a corresponding precedent Trend. So, there will never be a perfect one-to-one correspondence between Change Orders and Trends.

Nonetheless we believe that the inclusion of current Trends in forecasting is extremely valuable and this practice will therefore continue.

- It is recommended that the project team (NIT) review its practices regarding the treatment of trends on work elements that may be contractually bound, but which are only reflected as a change order with no trends, to ensure that the final cost at completion is properly stated. (Page 54)

Response: Concur. We have discussed this in detail with the NIT Construction Management (CM) Team and reconciled and adjusted all Trends and corresponding change orders. We have also clarified this issue with all other CM Teams to assure consistency.

- The application of highly conservative estimates does overstate required project costs at completion; the project team (BDPL) is encouraged to review the current trends to ensure that they reflect the realization expected to be achieved on the BDPL project. (Page 61)

Response: Concur. We continue to review estimated values of Trends with project teams every 2 or 3 months to maintain realistic estimates and eliminate duplications or overlaps. It should be noted that as part of the extensive internal assessment that preceded the recent revision of the WSIP (March 2013 Revised WSIP), the WSIP Management Team reduced significantly the remaining construction contingency of this project.

- We recommend that the WSIP management team re-evaluate current trends and probabilities assigned to their occurrence, and ensure that the data in the CMIS is consistently entered. (Page 62)

Response: Concur. We continue to re-evaluate all Trends. For clarity and consistency, we are eliminating the probabilities assigned to Trends as this has caused some confusion. The probabilities assigned did not influence the Trend values used in forecasting.

- We recommend that, moving forward, more clarity be provided by the WSIP management team on the application of risk probabilities and their use in preparing EAC/SAC forecasts or on the

reasons that risk probabilities are used to test overall budget performance yet not used to forecast costs. (Page 64)

Response: Risk probabilities are assigned according to the probability that an identified risk will occur. Risk values are not used in EAC/SAC forecasting. 80% Risk values derived from the project risk registers are used in addition to EAC/SAC forecasts to test sufficiency of approved contingencies and budgets.

- We recommend that the WSIP management team provide a reconciliation of staffing models presented that use both bottom up staffing levels and top down staffing levels using an average \$282,000/year FTE costs. (Page 73)

Response: As stated above and explained multiple times during the audit, we do not use top-down forecasting.

- We recommend that WSIP management explore the reasons driving an increase in the rate of remaining soft costs under the current forecast when compared to the same soft costs and work delivered historically. (Page 73)

Response: Concur. We will review RWB analysis, particularly with regard to apparent increase in soft cost ratios going forward and provide our response by end of August 2013.



**PUBLIC UTILITIES  
REVENUE BOND OVERSIGHT COMMITTEE  
CITY AND COUNTY OF SAN FRANCISCO  
MINUTES**

**Public Utilities Commission Building  
525 Golden Gate Ave., 3<sup>rd</sup> Floor, Tuolumne Room  
San Francisco, CA 94102**

**Monday, May 13, 2013 - 9:00 AM**

**Regular Meeting**

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

- Seat 1 Holly Kaufman
- Seat 2 Kevin Cheng, Chair
- Seat 3 Karen Donovan
- Seat 4 Larry Liederman
- Seat 5 Vacant
- Seat 6 Emily Brownlow
- Seat 7 John Ummel, Vice Chair

The meeting was called to order at 9:10 a.m. On the call of the roll Member Kaufman was noted absent.

Member Kaufman was excused.

**2. Public Comment:**

Public Comment: None.

**3. Chair's Report:**

- A. San Francisco Public Utilities Commission (SFPUC) Staff Report: Update on Water System Improvement Program (WSIP) and Sewer System Improvement Program (SSIP). (00:01:12 - 00:52:42)**

Jeet Bajwa (SFPUC); provided a report on the Water System Improvement Program (WSIP) and the Sewer System Improvement Program (SSIP)

Public Comment: None.

**B. RBOC Account Statement. (00:52:42 - 01:00:48)**

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

Public Comment: None.

The RBOC requested Mr. Blake to provide a opinion letter concerning options for refunding unspent RBOC funds.

**C. Approval of Invoice – RW Block Consulting Inc. (CS-254) (01:00:48 - 01:03:30)**

Mike Brown (SFPUC); presented information concerning the matter and answered questions raised during the hearing.

Member Liederman, seconded by Member Ummel, moved to authorize payment of the April 3, 2013, invoice for \$21,362.50 from RW Block Consulting, Inc. (CS-254).

The motions passed by the following vote:

Ayes: Cheng, Donovan, Brownlow, Liederman, and Ummel.

Noes: None.

Excused: Kaufman.

Public Comment: None

**4. Acceptance of Final Report: RBOC Evaluation of Water System Improvement Program (WSIP) by RW Block Consulting, Inc., (CS-254). (01:03:30 - 01:13:00)**

Member Liederman, seconded by Member Donovan, moved to accept the Final Report of the RBOC Evaluation of WSIP by RW Block Consulting, Inc. (CS-254).

The motions passed by the following vote:

Ayes: Cheng, Donovan, Brownlow, Liederman, and Ummel.

Noes: None.

Excused: Kaufman.

Public Comment: None.

**5. Approval of RBOC Minutes of April 15, 2013. (01:13:00 - 01:15:00)**

Member Liederman, seconded by Member Cheng, moved to approve the RBOC April 15, 2013, meeting minutes as amended.

The motion passed by the following vote:

Ayes: Cheng, Donovan, Brownlow, Liederman, and Ummel.  
Noes: None.  
Excused: Kaufman.

Public Comment: None.

**6. Announcements, Comments, Questions, and Future Agenda Items.**

Julie Labonte (SFPUC) – Lost containment (October)  
Member Ummel – General Bond Oversight Committee Joint meeting  
Member Cheng – Contact Controller to fill vacant seat

**7. Adjournment.**

The meeting adjourned at 10:35 a.m.

### **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. For more information concerning agendas, minutes, and meeting information, such as these document, please contact RBOC Committee Clerk, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 – (415) 554-5184.

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)

For information concerning San Francisco Public Utilities Commission please contact by e-mail [RBOC@sfgov.org](mailto:RBOC@sfgov.org) or by calling (415) 554-5184.

### **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**

RBOC meetings will be held at the Public Utilities Commission, 525 Golden Gate Avenue, San Francisco, CA. The Committee meeting room is wheelchair accessible. The nearest accessible BART station is Civic Center (Market/Grove/Hyde Streets). Accessible MUNI Metro lines are the F, J, K, L, M, N, T (exit at Civic Center or Van Ness Stations). MUNI bus lines also serving the area are the 5, 6, 9, 19, 21, 47, 49, 71, and 71L. For more information about MUNI accessible services, call (415) 701-4485.

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